



# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND  
PUBLIC ADMINISTRATION

**Reference: Regional banking services**

LAUNCESTON

Thursday, 23 April 1998

OFFICIAL HANSARD REPORT

CANBERRA



HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND  
PUBLIC ADMINISTRATION

Members:

Mr Hawker (Chair)  
Mr Wilton (Deputy Chair)

|             |              |
|-------------|--------------|
| Mr Albanese | Mr Martin    |
| Mr Anthony  | Mr Mutch     |
| Mr Causley  | Dr Nelson    |
| Mrs Gallus  | Mr Pyne      |
| Mr Hockey   | Dr Southcott |
| Mr Latham   | Mr Willis    |

Matter referred to the Committee:

Alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional branch network.

The inquiry will focus on how individuals and small businesses in regional Australia will access banking and like services in the future, given that the rationalisation of the traditional bank branch network is forecast to continue. The Committee's deliberations will also extend to Recommendation 96 of the Wallis Report (that governments expedite 'the examination of alternative means of providing low-cost transaction services for remote areas and for recipients of social security and other transfer payments'). The inquiry will not examine the provision of investment services, superannuation or insurance.

## WITNESSES

|   |            |
|---|------------|
| <b>ADAMS, the Hon. Dick, MP, Parliament House, Canberra, Australian Capital Territory . . . . .</b>   | <b>314</b> |
| <b>ALLEN, Mr Martin James, General Manager, Corporatisation, Trust Bank, 14th Floor, 39<br/>Murray Street, Hobart, Tasmania 7000 . . . . .</b>                    | <b>360</b> |
| <b>BARNETT, Mr Guy, Consultant Lawyer, Tasmanian Independent Wholesalers, 5 Trotters Lane,<br/>Prospect, Tasmania . . . . .</b>                                   | <b>302</b> |
| <b>BARRON, Miss Rachael, Research Officer, Local Government Association of Tasmania, 34<br/>Patrick Street, North Hobart, Tasmania . . . . .</b>                  | <b>322</b> |
| <b>BINGHAM, Mrs Irene, State Secretary, Catholic Women’s League of Tasmania, 199 Flinders<br/>Street, Beauty Point, Tasmania 7270 . . . . .</b>                   | <b>331</b> |
| <b>BOND, Mrs Ailsa Gray, State and National Past President, Country Women’s Association in<br/>Tasmania, 68 Davey Street, Hobart, Tasmania 7000 . . . . .</b>     | <b>331</b> |
| <b>CLUES, Mr Stuart Leon, Manager, Banking Operations, Trust Bank, Level 8, 39 Murray Street,<br/>Hobart, Tasmania 7000 . . . . .</b>                             | <b>360</b> |
| <b>COURT, Mrs Cynthia Grace, Office/Finance Manager, Tasmanian Council of Social Service<br/>Inc., 32/82 Hampden Road, Battery Point, Tasmania 7004 . . . . .</b> | <b>374</b> |
| <b>MATTESON, Mr Steven, Tasmanian Chairman, Post Office Agents Association Ltd, Box 61,<br/>Evandale, Tasmania 7212 . . . . .</b>                                 | <b>340</b> |
| <b>McGRATH-KERR, Mrs Marie, National Chairman, Post Office Agents Association Ltd, PO Box<br/>61, Evandale, Tasmania 7212 . . . . .</b>                           | <b>340</b> |
| <b>RICHARDSON, Mr Lionel James (Sam), General Manager, Tasmanian Independent<br/>Wholesalers, 5 Trotters Lane, Prospect, Tasmania . . . . .</b>                   | <b>302</b> |
| <b>ROBERTSON, Mr Reg, Honorary Research Assistant, Country Women’s Association in<br/>Tasmania, Davey Street, Hobart, Tasmania 7000 . . . . .</b>                 | <b>331</b> |
| <b>SMITH, Mrs Beryl Jean, State Treasurer, Country Women’s Association in Tasmania, 68 Davey<br/>Street, Hobart, Tasmania 7000 . . . . .</b>                      | <b>331</b> |
| <b>WARDLAW, Mr Stewart Allan, Executive Director, Local Government Association of Tasmania,<br/>34 Patrick Street, North Hobart, Tasmania . . . . .</b>           | <b>322</b> |
| <b>YOUNG, Mrs Lesley, Group President, Mersey/Leven Group, Country Women’s Association in<br/>Tasmania, 69 Davey Street, Hobart, Tasmania 7000 . . . . .</b>      | <b>331</b> |

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND  
PUBLIC ADMINISTRATION

*Regional banking services*

LAUNCESTON

Thursday, 23 April 1998

Present

Mr Hawker (Chair)

Mr Causley

Mr Wilton

Mr Willis

Committee met at 9.02 a.m.

Mr Hawker took the chair.

**CHAIR**—I declare open this hearing of the House of Representatives Standing Committee on Financial Institutions and Public Administration's inquiry into alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional bank branch network. This is an important inquiry and it has generated considerable interest in the community. Four months after the initial closing date for submissions, the committee continues to regularly receive submissions from a wide range of organisations and individuals. The committee will, of course, continue to accept submissions throughout the inquiry. Currently, we have over 100 that have come from all around Australia.

We have heard much about the impact of bank closures in rural and regional areas from individuals, community associations, small business groups and local governments. We have had valuable input from a number of financial institutions and from state and federal government bodies. We have heard of a number of very positive developments that are either already in place providing communities with access to financial services or, alternatively, are in the process of being organised. Many of these initiatives rely on cooperation between organisations. Some of the most interesting combine public and private effort.

This inquiry is occurring in an environment of rapid, ongoing change. The rationalisation of the traditional bank branch network can be attributed to a number of factors, including the increase in competition that has resulted from the deregulation of the financial services industry. However, it is also significantly linked to developments in technology that are transforming the way many services, including banking, are being delivered. There is no doubt that many of these developments potentially offer substantial benefits in terms of cost savings and convenience to both users and suppliers of these services.

We have heard much about the benefits of the electronic banking facilities already available, such as ATMs, EFTPOS and telephone banking, and also about the possibilities associated with smart cards and Internet banking. Developments in electronic banking clearly enable organisations such as small businesses to become involved in providing access to some financial services. We are aware, however, that there are a number of concerns relating to these developments and we expect to hear about some of these at this hearing today.

Moreover, while the committee is very aware that the expansion of electronic banking may be the way of the future, it is not, by itself, a complete solution to the problems that are created by the closure of traditional branches. Nor is it, for many in regional and remote areas, an immediate solution. For some in the community, it may never be a viable alternative.

We are, therefore, very interested in exploring ways in which financial institutions can maintain some form of physical presence in the bush. The expansion of existing networks such as GiroPost, the provisions of mobile banks and the establishment of strategic alliances between different organisations are just some of the strategies that are worth considering.

The committee is essentially looking for layers of solutions: solutions which will be of immediate assistance to those affected by the closure of bank branches; strategies that will help communities through periods of transition as the delivery mechanisms for banking services inevitably evolve; and strategies that will ensure that the necessary infrastructure is in place to equip communities to fully benefit from any technological developments in the long term. We welcome the opportunity to tease out some of these issues

with the witnesses before us today.

[9.05 a.m.]

**BARNETT, Mr Guy, Consultant Lawyer, Tasmanian Independent Wholesalers, 5 Trotters Lane, Prospect, Tasmania**

**RICHARDSON, Mr Lionel James (Sam), General Manager, Tasmanian Independent Wholesalers, 5 Trotters Lane, Prospect, Tasmania**

**CHAIR**—Welcome. I remind you that the evidence that you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to contempt of parliament. The committee has received your submission. It is numbered 91 and has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

**Mr Richardson**—Not at this stage, thank you.

**CHAIR**—Do you wish to make a brief opening statement before I invite questions from the committee?

**Mr Richardson**—Yes, if we may. Thank you, Mr Chairman and members of the committee, for the opportunity. I cannot overstate the importance and the relevance of your inquiry to such a diversified state as Tasmania. We appreciate the opportunity to be here today. Rather than go through our submission which we have already tended to you, I would like to briefly go through an executive summary. I believe that would be more appropriate to the situation.

Members of Tasmanian Independent Wholesalers, a cooperative of more than 500 independent retail grocery stores, are prepared to invest money and resources to ensure that adequate banking services are provided in rural and regional towns in Tasmania. Banking facilities have been withdrawn in quick succession in such localities over the last decade in Tasmania and it is now time to turn the tables.

A feasibility study has revealed that banking services and facilities can be effectively co-located in independent supermarkets throughout this state. They would be implemented along similar lines to that of the Colonial State Bank in New South Wales which plans to franchise banking outlets in country grocery stores, newsagents and pharmacies. By announcing this intention we are in effect throwing down the gauntlet to all the banks in Tasmania and providing them with an opportunity to participate in this co-venture partnership with us. If the banks do not accept our offer, then we will have no option but to explore other alternatives available to us, including, for example, our own banking licence.

The Brown's Value Plus Store at Longford, about 35 clicks out of town, has trialled the prototype of this new banking service idea. That trial has been going over the past 12 months. I am pleased to report that the ANZ Bank is now operating a four day a week service from 9 a.m. to 1 p.m.—that is, Monday, Tuesday, Thursday and Friday. Apart from lending, it provides a full range of banking services, so we do have a prototype.



The reason our members are prepared to consider a joint venture arrangement with an appropriate financial institution to provide such a service is to ensure that there is an adequate provision of floor space, trained staff, fit-out and adequate security to ensure a first-rate service is provided to our customers. Our aim is to ensure that a full range of banking services is available to all in rural and regional areas and to all our rural and regional customers, be they small businesses, farmers, pensioners or others. Our well-dispersed network of in excess of 500 independent retail outlets—and I would say they are in prime sites—can ensure these essential services are provided to every nook and cranny of Tasmania.

Therefore, we are aiming for the prompt establishment of such an essential shopfront banking service for all Tasmanian consumers wherever they may reside and believe we can do this through our own independent retail grocery stores. Why we believe this is a matter of urgency and why this inquiry is so important and so relevant is that since May 1993 no fewer than 35 bank branches have been closed in Tasmania, with hundreds of jobs lost. The ANZ Bank has closed 10 branches, the Trust Bank has closed 10, Westpac eight and the Commonwealth Bank seven. In some cases these branches have been replaced with an agency. Unfortunately, we are aware of two more imminent closures planned by the ANZ Bank, one in Devonport and another in Hobart.

With such a substantial withdrawal of banking and financial services from rural and regional areas, it is patently clear to all and sundry that the banks have abrogated their responsibilities to the community, particularly the rural communities, simply so that they can pursue higher profits for their shareholders.

It cannot be understated, Mr Chair, that accessible financial services are critical to the economic viability of small centres within rural and remote areas of Tasmania. For example, between St Helens and Sorell on the east coast of Tasmania there is currently not a single bank branch available to customers. This is a national disgrace as well as a major security problem for people in those areas. Certainly, banks are quick to point out that their chief responsibility is to maximise shareholders' returns, but they must equally recognise their professional and corporate governance responsibility to their customers and the public at large, particularly the small rural communities in Tasmania, being as we are the most diversified Australian state.

Undoubtedly, our rural communities have been very adversely affected by the recent profit seeking intentions of the large financial institutions to withdraw banking services from those remote communities. Unquestionably, traditional banking in Australia is undergoing a period of rapid change and there is little doubt that this trend is set to continue. Deregulation of the financial markets and the substantial technological changes in train have caused major changes in business practices.

However, it is important to note that these changes have been driven as much by the banks themselves in pursuit of greater profit than by the preferences of their customers. It should be remembered that it has been the banks that have actively pursued a policy of encouraging customers away from the personalised services of bank branches to that of electronic banking.

Additional concerns of the small independent retailer relate to the excessive bank fees and charges. All have been under increasing pressure to have EFTPOS machines installed to ensure that they remain not only competitive but also viable. Most, however, are charged exorbitant fees for the privilege of installing and operating such a service, unlike the larger retailers in urban areas that are actually paid to provide this same

service. Therefore, it can be seen that small independent retailers are now being forced to act as de facto bank tellers yet the on-cost burden of providing this service has fallen disproportionately on their shoulders, not on those of the large retail chain stores.

In summary, the full quiver of recent changes to banking practices—increases in fees, the closure of branches and the push towards EFTPOS transactions—has imposed major hardship on small retailers, particularly those in rural and regional areas. It is clearly the duty of the banking sector to not only support our new vision for the future, that of shopfront banking, but also seek ways to minimise the cost to the small independent retailer who will now deliver such an essential service in their absence. We have some attachments that we will give you in regard to those closures. If Guy Barnett could be given a few moments to speak to you as well, I would appreciate it.

**Mr Barnett**—As Mr Richardson said, the two-page summary of the major bank branch and agency closures in Tasmania between 1993 and 1998 is attached to our submission today. I have a copy of it here which I would like tabled.

**CHAIR**—Yes, thank you. We will have it incorporated in the committee's records.

Resolved (on motion by **Mr Wilton**, seconded by **Mr Causley**):

That the document be received as evidence and incorporated in the transcript of evidence.

*The document read as follows—*

**Mr Barnett**—We believe that there is merit in a moratorium on bank branch closures in rural and regional areas in Tasmania and that that should occur. There are a number of reasons for that factor. There have been serious and negative consequences for the local communities. We have considered the latest research from the Centre for Australian Financial Institutions. Its report entitled *Economic and social impacts of the closure of the only bank branch in rural communities* paints a very sorry picture.

Those communities affected show a loss of individual investment income of up to \$2,000 a year due to loss of local banking services. The vast majority of people in these towns where the only bank was closed now spend an average of \$320 less per month than they would otherwise have spent in their local communities. Significantly, 90 per cent of the people surveyed in these areas indicated that they were more pessimistic about their future and their community's future than they were previously. The report reveals that almost one in three branches throughout Australia closed between 1993 and 1996.

Sadly, small business covers the cost and carries the can. They have become de facto banks and pay through the nose for the privilege. Most people do not realise that their small retailer is charged by the bank to provide an EFTPOS transaction. We think it is important that the public is made aware that an EFTPOS transaction fee by the bank of up to 30c per transaction is charged by the bank to the small business retailer for the privilege of offering the consumer that service. That is not understood clearly by the public and it is a service which members of TIW and small retailers are offering throughout the state. Conversely, large major chains are not paying that same cost. In fact, in some cases there is a rebate. We think there should be a level playing field, and some concern and focus should be given to that issue.

In summary, the day-to-day problems for small businesses in small regional communities are that they frequently run out of change, they accumulate high denomination notes, they lose customers if they refuse to cash cheques and they accumulate large amounts of cash and cheques because they cannot make daily deposits. They are also forced to lose interest on idle cash and consequently have added security problems. This is a big issue in rural Tasmania.

It can be seen, therefore, that bank closure is not just a bank issue but an issue for the people and an issue particularly for small business. There should be a moratorium on bank closures in these areas to enable banks to take immediate steps to educate their customers in the ways and means of electronic banking and to deliver equity to small business retailers by reducing or waiving their EFTPOS transaction charges. A closer working relationship is required between the banks and small business.

In another capacity, as a Tasmanian member of the federal government's MicroBusiness Consultative Group, we prepared a 16-page paper which we have submitted to your inquiry in recent weeks. It was entitled *Access, equity and fairness*. As a group member, we supported the addition of small and microbusiness representatives to the boards of major and minor financial institutions to ensure that they took into account the interests of small business and microbusinesses.

In conclusion, Tasmania's 20,000 small businesses have now been burdened with a very unfair trading disability by the high profit taking financial institutions. We need a level playing field in commerce and a fair go for small business. This should be a primary concern, given the wide range of services that they provide to the community at large.

**CHAIR**—Thank you, Mr Barnett. Mr Richardson, you have thrown down the challenge to the banks.

Have you had any response or been discussing this with the banks so far?

**Mr Richardson**—Other than the ANZ, Mr Chairman?

**CHAIR**—The one at Longford?

**Mr Richardson**—It was the one at Longford that we are using as a prototype. I am very pleased to say that so far the arrangement has been working quite satisfactorily as far as the local retailer is concerned. That prototype has provided a necessary service to that region. We would be looking to do that right across Tasmania to be able to service the needs of people, no matter where they live.

**CHAIR**—Have none of the major banks actually given a commitment at this stage?

**Mr Richardson**—No major banks. We have thrown down the challenge. As I may have said previously in conversation, we were blinded by the dust of the major banks leaving the rural towns in order not to be the last one left in the town that got the bad publicity. Unfortunately, they took a herd-like mentality to race out of the towns, without looking at viable options available to them. We are providing a viable option for them, whereby we have prime sites in the major rural towns that would be prepared to discuss with any bank the provision of banking services and the sharing of overheads in a prime site with customer flow. The challenge is there.

**CHAIR**—Mr Barnett, you said the EFTPOS charge was up to 30c for a small retailer. Do you have some sort of indication of the gradation of charges? You said there is actually a rebate in some large cases—I presume supermarkets. Do you have any idea how much the rebate would be?

**Mr Barnett**—Sam could respond to that.

**Mr Richardson**—The EFTPOS charges you are given all depend on the clout that you have with the bank. There is a sliding scale. For instance, my members pay 2.1 per cent on credit card transactions. Until we were able to negotiate better rates, they were paying anything from 15c to 35c on cash transactions. That is still the case in many instances in Tasmania at this stage.

**Mr Barnett**—In addition to that, there is a rental charge for the use of the EFTPOS terminal.

**Mr Richardson**—Of \$45.

**Mr Barnett**—Of \$45 a month. It varies a little, depending on the bank. That is a monthly charge to the small business.

**CHAIR**—Is that a standard charge for all users of EFTPOS?

**Mr Richardson**—The charges vary in many ways. The \$45 is for ANZ. Commonwealth have a nil rental fee, but their transactions charges are higher. There is a variance of charges. There is no uniformity. The major retailers have taken over a lot of the service provider work and do get paid a rebate.

**Mr WILTON**—Yesterday, Mr Argus from the NAB referred at length to the need for his bank

branches to reduce fixed costs. I am sure it is something that each of your 500 members would be seeking to do as well. Don't you think that is a reasonable objective for banks, especially in light of Mr Argus's reported comments this morning that banks are not bound to provide a social experience, especially for rural customers? My second question is: have you had any discussions with the banks along the lines of impressing upon them the fact that they do have a community service obligation to rural communities? If so, what has been the result of any discussions you have had on that, and on any issue really, with the banks?

**Mr Richardson**—I have, over the last two years or so, been berating the banks that they should be showing more corporate governance responsibility to their customers. I understand, and each and every one of us here does, that there has to be profitability in the operation. My main problem with the banks is that they have abrogated their responsibility to their consumers by not looking at alternative means to give them services where there are alternatives. They have just taken an easy option to service the urban areas and leave the rural communities to hang.

**Mr Barnett**—If I could add to that, Tasmanian Independent Wholesalers has had contact with the credit unions in Tasmania and has encouraged them to expand their services into rural and regional areas around the state.

**Mr WILTON**—What was the outcome of those discussions?

**Mr Richardson**—It was a negative. The other area where we were endeavouring to have the ANZ set up another prototype was at Triabunna, on the east coast, because it is a national disgrace that there is no bank from St Helens to Sorell.

**Mr Barnett**—Which is probably about an hour's travel.

**Mr Richardson**—That is right.

**Mr CAUSLEY**—I would like to explore a couple of the things you said, and this is probably touching a bit on what Greg asked a question about. You have referred on a couple of occasions to corporate governance, and I suppose that could be said to be a community responsibility. But that is more moral than legal, isn't it? There is no legal responsibility of a bank to do that; it is a moral responsibility that you would be talking about?

**Mr Richardson**—Really, it is consumer awareness. I believe it is immoral what has happened in Tasmania. I believe that, irrespective of whether you are a bank, a retailer or any other person serving the community, you have a moral obligation.

**Mr Barnett**—Can I add that there is a borderline there. It is a grey area. It is not a legal responsibility compared to whether it is a moral responsibility because there could be a view that there should be a code of practice for how they treat their customers and how they respond to their customers. But to simply withdraw a branch from a rural area without providing any education on the benefits of electronic banking to those customers in those rural areas is, in my view, borderline irresponsibility and in breach of corporate governance responsibilities. This is really what Mr Richardson and I want to highlight, that there are those responsibilities and it is a grey area. We are very concerned that those responsibilities are not being taken up.

**Mr CAUSLEY**—We have had two of the chief executive officers of the four major banks give evidence to this committee, so it is fairly high profile. They have made it fairly clear to us that they are in a very competitive world out there, that their competitors have not got the overheads that they have and they are selling their products cheaper than they can because they do not have the overheads. When you say that there should be a moratorium on bank closures, how do you do that in a deregulated market?

**Mr Barnett**—What they need to do is to stop and think of their responsibilities to their customers and to the people in rural and regional areas. They need to do that before they go headlong, as they have done in the last few years, into withdrawal of these services. We would see it from a flip side—that is, they should see the opportunities that they have via their network of branches throughout Australia, throughout Tasmania, and put that network to the benefit of the communities through a link, for example, with independent grocery stores around Tasmania. That would be one example of how they could use their facilities and their banking services to the benefit of rural and regional communities. Instead of seeing it as a negative and an overhead, they should see it as an opportunity to develop those networks, to provide further services and to expand those services.

**Mr CAUSLEY**—Surely the marketplace, the competition, will drive that. If a void develops in a certain area, then someone else will step into that and provide the service. Should there be more flexibility to allow some of the other providers to take up those opportunities?

**Mr Barnett**—We would say that competition is important. What we are saying today is that we want them to be creative. We do not want traditional banking practices just continued for the sake of it. They have to provide services which are for the benefit of rural and regional communities. But, on the flip side, there is a code of conduct and there are types of services and corporate governance responsibilities that they have to hold on to and maintain.

**Mr CAUSLEY**—On the other side of that, if they are providing a service and, say, they are providing it at a loss, should the communities be asked to pay an extra fee for that?

**Mr Richardson**—What we are saying to you is that the opportunity is there for a viable service. If it is not viable we are not saying that they should enter into it. But we believe that there are plenty of viable opportunities for banks in Tasmania to co-locate with independent retailers, with shared costings and with traffic flow through that facility that would make them viable.

**Mr CAUSLEY**—I dare say someone will see that opportunity and probably move into it. I think you said that there was a negative reaction from credit unions—is that correct?

**Mr Richardson**—That is correct. We put this proposition to them and they suggested there was not the opportunity there for them.

**Mr CAUSLEY**—Because of population numbers?

**Mr Richardson**—Quite honestly, I have not pursued the reason, other than that it was a negative response to a joint venture with them.

**Mr Barnett**—There was an acknowledgment of the federal government's CreditCare program and the

fact that that was taking place in New South Wales. We would acknowledge the benefit of CreditCare and perhaps consider its expansion or at least ensure that Tasmania receives the benefits of that particular program.

**Mr CAUSLEY**—I come from north-east New South Wales. Where banks have closed up there, credit unions have moved straight in, within weeks, to take up the opportunities. Are there any statutory inhibitions, any state laws, in Tasmania that stop credit unions opening?

**Mr Richardson**—Not to my knowledge.

**CHAIR**—I would like to clarify another point. The Tasmanian Council of Social Service has claimed that, in a particular town, individual retailers were charging anywhere between 50c and \$2 for using EFTPOS machines. Can you confirm that?

**Mr Richardson**—That is correct. There are some retailers out there attempting to recoup the losses that they incur on their EFTPOS charges. It is something that has been addressed, I believe, by TASCOS and is no longer occurring. But I can certainly sympathise with those retailers of all persuasions that have to pay exorbitant EFTPOS charges to become a de facto bank teller. It is immoral, I believe, that they should have that foisted upon them simply to carry out banking services.

**Mr WILTON**—On the matter of becoming de facto bank tellers, are some of your members equipped to act as de facto banks and handle the security procedures? Is infrastructure in place for their shops to be secure enough to handle the \$100,000-odd float that would be required to be maintained on most premises?

**Mr Richardson**—In the prototype at Longford the bank has provided quite a number of services, including security, and it is bank employees who operate that facility for those four days a week, four hours a day. They have their own security that has been upgraded, and they provide the safe and everything else in that regard.

**Mr WILTON**—Are you aware of any areas where EFTPOS available in stores owned by your members is the only point of access for cash in that particular town?

**Mr Richardson**—Yes. As mentioned, from St Helens to Sorell that is the only avenue for those people. EFTPOS transactions are becoming a predominant feature of our industry. In Strahan we have a retailer whose EFTPOS transactions are 74 per cent of his business, and he is paying a premium to conduct that business. In Queenstown we have a store where, I believe, 46 per cent is their percentage of EFTPOS transactions. With the advent of the so-called smart card being imminent, that will be an even further impost on retailers unless we get more equity into the system.

**Mr CAUSLEY**—You mentioned the smart card. Do you think the problem we have here is that we are at the start of a huge revolution we are finding it difficult to keep up with? The banks have told us that, in a short period of time, there will be no cash and that we will be doing our banking by telephone and by PC. That could probably happen very quickly. What are your comments on that?

**Mr Richardson**—I believe they would like to see it go very quickly but, in a diverse state such as Tasmania, I do not see that happening. The services that they need to provide for the next 10 years will, I

believe, still be there in a diverse state like Tasmania. They are talking about digital hook-ups and all the rest of it; there are many areas in Tasmania that do not have digital operations.

**Mr CAUSLEY**—They are not Robinson Crusoe.

**Mr Richardson**—Okay.

**CHAIR**—I thought you did fairly well under the regional telecommunications infrastructure fund, but I guess that is for another day. Time is marching on, so I thank you both very much for coming along today and also for the work that you have done for this submission. You have certainly raised some very interesting points for the committee.

**Mr Richardson**—Thank you very much for the opportunity.

**Mr Barnett**—Thank you.



[9.39 a.m.]

**ADAMS, the Hon. Dick, MP, Parliament House, Canberra, Australian Capital Territory**

**CHAIR**—Welcome. No doubt you are well aware that the evidence you give at this public hearing today will be considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to contempt of parliament. The committee has received your submission, which has been numbered 44, and it has been authorised for publication. Are there any corrections or amendments you would like to make to that submission?

**Mr Adams**—No, at this stage the submission stands as submitted.

**CHAIR**—Would you like to make a brief opening statement before I invite questions from the committee?

**Mr Adams**—I would. Thank you very much for the opportunity, and thank you very much for coming to Tasmania and bringing the committee here. I would also like my colleague and electorate officer Ian Bell—who was very involved in helping put together our submission—to be at the table with me.

I have found, as the local member for a very large regional electorate, that the issue of banking has become a major issue; from tourist operators to the local small businesses—as put to you in the previous submission from Mr Richardson and Mr Barnett—the problems have been enormous. The banks' withdrawal of their services from country towns and small regions has laid on enormous difficulties. The decline in some of those towns has, I think, been brought on even faster because of the loss of banking services. I think there are two issues. Firstly, there are the services that have been lost from those areas. Secondly, in some regions banks will not lend money for housing. This issue has been mentioned in the submission and is a major issue for us.

In other regions banks have basically refused to lend money to people to start businesses or to buy other businesses. Although money has been found in other areas, in other financial institutions, it certainly has not come from the banking sector of Tasmania. That issue is one which is of great concern to us. The other issue is, as I said, the lack of services. The prime example is the area from St Helens to Sorell—the whole east coast of Tasmania—where no banks now exist. It is a major tourist region for Tasmania, and all those small businesses have to carry their own money. EFTPOS is, I understand, the main cash flow to allow tourists and also the local populations to operate there. It is a major issue which affects them.

In my submission we make several recommendations and I think some of those recommendations have some merit. I certainly hope that the committee will give them some consideration. I will go through the recommendations.

The first recommendation is a charter of social responsibility so there is some obligation. From the consumer point of view, consumers have really missed out with the deregulation of the banking sector. All political parties in government let that occur without giving enough consideration to it until it affected some areas. Some sort of obligation would at least give communities the chance to get some services back or at least give them the opportunity to argue their point. Recommendation 2 talks about the cooperation situation. In the previous submission Mr Richardson talked about banks in retail stores. I understand that banks have

resisted the opportunity to come together as four banks at the one point of sale within some retail areas in regional Australia. I think we need to stress that cooperation, not restriction, is what it should be about in order to get a service out there. The committee might give some consideration to that.

Consultation has been pretty limited in regional Australia as well, and in Tasmania. Very little consultation has taken place with the communities which they have withdrawn from. In terms of the on-line structures and information for people, it has been basically sink or swim: whether it has been a teller machine—a hole in the wall—or EFTPOS, people have had to learn about those things themselves. The technology has been introduced with very little education offered to anyone to pick it up. We have found that senior citizens especially have major difficulties in grappling with the new technology; they have found it very difficult to learn to use it in an efficient, effective and confident manner. I think there could have been a lot more done in that area.

Recommendation 5 looks at the deregulation of the banking and financial sector in Australia. Basically, it comes back to the crux of the issue—that is, that the pressure coming on the banking sector, and the closing of their branch structures, is because the other financial institutions that are going into the banking service are taking up the most profitable areas of banking, such as housing loans and other areas. These other institutions do not have to carry the cost structure of the traditional branch structure of the banks. Therefore, the banks are saying, 'It is not profitable for us to carry these branches. Therefore, we are going to close them.' That is the reality of the marketplace.

I am saying here that, because the market is not going to treat regional areas in a fair way, we should have some sort of intervention. That intervention could possibly be to apply some sort of levy on new players into the area. That would give us the opportunity to have a pool of money which could assist people either in structuring community banks, or in getting credit unions into areas, or help facilitate looking at opportunities within some of those areas. Without some sort of the opportunity to get some money together, I do not think we are going to overcome the problem. That was recommendation 5, which I think should be given some consideration.

The credit unions are basically well-established in Tasmania. They have been going through amalgamations, as has been the case everywhere else, and become bigger entities but they certainly have not moved into the regional areas, other than areas of the west coast, predominantly the mining area, where the mining community would have some connection with their own credit union structures.

Mobile banking is an opportunity which is hardly used at all, to my knowledge, in the state. There could be some opportunity in that area but, again, the banks do not seem to have given any consideration to that at all. There is also a recommendation in relation to the possibility, I understand, that social security and other payments from Centrelink could be made to local post offices and actually bypass banks. That is worth giving some consideration since people have to pay enormous amounts of charges in their bank accounts. Those are the main recommendations, Mr Chairman. I present them to you.

**CHAIR**—Thank you and thank you very much for the work that you have put into your submission. It is certainly quite impressive. You were talking about banks cooperating in some of these smaller places. I might mention that one of the things we have found in discussing this with at least two of the major banks is that there is a changing attitude there. Yes, it has to be translated into action now, but the attitude is starting to change.

In your submission you talk about people being unable to get a housing loan, and you give a few other examples. Could you expand on that—when you say they cannot get a housing loan and have to go to the mainland to get the money?

**Mr Adams**—I have those submissions, which were used as case issues within my submission. In the Fingal Valley, an area of declining population and declining economic growth, there are three industries—coalmining, agriculture and forestry—and technology has helped to reduce the work forces in those industries as well as anywhere else. With a declining population, as in many regional areas, more people who can do so move out, either to seek new employment for themselves or for their children, leaving the older and ageing people within the country towns, so you end up with the additional problems of not only the banking issues but the health delivery issues as well. Those areas seem to be targeted by the banks. I have no evidence of that. But if people apply for a housing loan, they do not seem to get one in those regions. Banks say that there must be some difficulties in reselling the house, so they do not want to take on the loan. That has been the experience we have heard about from people putting submissions to us.

On the west coast, somebody wanted to buy a motel for a million dollars. The equity that they were putting in was \$300,000, leaving them to obtain a loan of \$700,000. The figures on the business for the last five years and the projected income were quite capable of servicing the loan; with projected tourist numbers and everything else—no problem at all. No way could finance be found in Tasmania. Those people finally got finance through superannuation fund money from Sydney, I understand.

Those are issues that have been put before me as a local member, which I have documented to put before you. Those are issues that have occurred in Tasmania. The banks certainly have a case to answer that they have failed and are failing a section of the Australian community.

**CHAIR**—You talk about a levy on new entrants. How would you actually define who is a new entrant and who is not, given, for example, that we have people like the AMP getting a banking licence, yet they have been providing financial services for a very long time?

**Mr Adams**—I have given some thought to that but I do not have all the answers. I thought that the minds I see before me here would have great capacity to seek out a broader, innovative approach to this—

**Mr CAUSLEY**—Flattery will get you everywhere!

**Mr Adams**—and find recommendations you could make in your report. It is just a matter of looking, if the object is to get a pool of money which can then be utilised to create banking in areas where the market will not deliver. I have read what was put before you yesterday from the directors of two of the major banks. Unless there is some pressure applied to them, they see no future in looking at any way of giving any service to regional country areas if it is not profitable. They are just going to accept the market approach. So I think government has a responsibility, where the market is not working, to find avenues.

One avenue would be to find a pool of money which will assist us to get community banking going to get some service into these regions. Many towns have changed over to getting some of their income from tourism, so they need a cash flow and, therefore, they really need a banking service in some way. Without having the answer as to how we do that, I guess new banking licences coming from the Wallis recommendations could be a way and there could be a fee imposed on that. If as you said, Mr Chairman, banks are

looking at being more cooperative, maybe if three banks move out, one bank stays in the country town and it would be an obligation, from the bank's point of view, to continue in that area.

**CHAIR**—Thanks. I know other members of the committee want to ask questions.

**Mr WILTON**—The committee may be looking fairly critically and fairly analytically at any potential role of Australia Post in resolving the banking crisis, especially for rural areas. You have cited in your submission that you foresee some possible privacy concerns in regard to its role. Would you like to elaborate on what they might be and any possible solutions you might see to rectify that?

**Mr Adams**—There are two points. Firstly, there has been a great deal of concern expressed to me from senior citizens about privacy. There is great concern about this change from dealing with the bank, where they feel quite secure in the knowledge of who knew what was in their accounts and how they did their banking, to doing it through the store, the newsagent or the post office. They find a lack of privacy in that area. That was where our concern came from in the submission.

From Australia Post's point of view, I think Australia Post's network, whether it is the postal service itself, the licensed post office or down to an agency, has great opportunities there for maximising. If they and the banks cooperated and had one point, it could be a very successful operation because, in some areas, that is the central area. The bank agency, the postal agency or the postal licensee is the one opportunity in a town where you have a central point.

**Mr WILTON**—The Pharmacy Guild of Australia has submitted a fairly comprehensive proposal to the committee whereby parts of pharmacies in rural and regional areas could be partitioned to act as banks in some capacity. Would you envisage that there would be a greater relationship of trust with the pharmacist or someone operating out of his or her pharmacy than there would be at a post office? Would you ever envisage that that level of trust and rapport developed in a pharmacy environment would ever reach that which they had come to know and love within the walls of the bank?

**Mr Adams**—I do not know—possibly. I do have some difficulties because pharmacies do not stretch right across every town and region. We do have regulations in Tasmania which prohibit pharmacies operating in every area. There has to be a population base to allow a pharmacy to exist. Therefore, the pharmacy situation would have some limited capacity within the state but it is an option that certainly could be available.

**CHAIR**—What are the rules for pharmacies?

**Mr Adams**—I do not know the detail.

**Mr CAUSLEY**—It is the same in New South Wales. There is a population limit.

**Mr Adams**—To have a viable pharmacy, if the population limit falls below a certain number then another licence for a pharmacy will not be issued.

**Mr CAUSLEY**—I know and understand where you are coming from on these recommendations.

When we start talking about a charter of social responsibility, encouraging the sharing of resources and encouraging the expansion of on-line banking facilities, I wonder what that has to do with government. If I were a competitor in this marketplace providing a service to customers and giving them the product that they were looking for, wouldn't they walk through my door?

**Mr Adams**—No. I think there is a belief that the market never fails and I do not believe that that is true. I believe that the market does fail and the market can operate quite successfully where it is big enough. In some of the regions—and I know you have seen them as well—the market just does not apply. It does not work because there is not a capacity big enough to make it work and I think some of the regions in Australia are starting to see that, not only in banking but in other changes to the way that we have operated in the past.

Some of the regions are suffering twice as badly as some of the major urban centres, because urban centres seem to be able to generate their own economy and are apt to accept that change, whereas some of the more regional areas just cannot absorb those changes and find solutions, possibly because there is not a big enough mass to do that. Therefore, I think government does have a role in assisting. I guess that comes down to considering the role of government in it.

**Mr CAUSLEY**—Do you think we are concentrating too much on the major banks? The world is never going to be the same now that we have got deregulation. I suppose an analogy would be when you become terribly sick and you have to take antibiotics, and gradually you get better. I think maybe the situation we have got here is that the banks have walked away from these areas, they are not going to go back. What we should be doing is encouraging other players into the marketplace and maybe giving them the opportunity to take up these areas.

**Mr Adams**—I think you are exactly right. I do not think we are going to re-regulate, we are not going to go back, but we have to find solutions and innovative ways of utilising and living in today's world and giving access to these regions that we are talking about in these towns with smaller populations. I believe that they are entitled to that and they are entitled to expect government to give them that consideration and to find the solutions. That is why recommendation 5 is about trying to create at least a pool of money to give us an opportunity to do that. Somebody has to pay and I think money will give us some opportunity to do that. Community banks are certainly one way and I think the committee has received some submissions on that. I will be interested to see what happens. I have not read those submissions, but I will be interested to do that. I agree with you entirely, I do not think we are going to go back. We have got to find innovative ways of going forward so that we give these people the service that they are asking for.

**Mr CAUSLEY**—The network of Australia Post in Tasmania, how wide is it, say, with the licensed post offices and post offices?

**Mr Adams**—Pretty wide. There have been closures from the post offices down to licensed post offices and also to postal agencies. Most of those changes have worked reasonably well. We have monitored that and we have received very few complaints when the changes have taken place, because they seem to have been handled extremely well on the services. It is basically, I guess, opposed to the banking service, where the banking service has just been totally taken away and the banking service has been lost, either to small business or to the local person, whereas in the postal services, other services have been put in place and they still have a service basically along the same lines and at the same level as was occurring before.

**Mr CAUSLEY**—Are they offering GiroPost?

**Mr Adams**—I do not know. In some areas I think they possibly are. In some areas they are; in others, in the agency area, I am not quite sure.

**Mr WILLIS**—Can I also congratulate you on a very thoughtful submission. I would just like to raise a couple of points with you. Firstly, in my own area of inner suburban Melbourne, where the Commonwealth Bank has made quite a number of closures, in a couple of cases they have set up an agency, transferring the banking to a local newsagent or whatever, and designating that as a banking agency. That has all sorts of shortcomings, including privacy issues which you mentioned in your submission. At least there is a sort of a service there, particularly for older people, disadvantaged people, passbook holders and people who just do not want to get involved in travel or electronic banking et cetera. Has there been any development of that kind in rural Tasmania?

**Mr Adams**—I do not know whether you were here for the previous submission. The previous submission was from the retailing group that basically looks after most of the regional areas, other than Woolworths and Coles, the network and the warehousing from that area. Mr Richardson gave evidence on that area. I think their submission has a lot of merit in the sense that that will give some service, though Mr Richardson is an old Longford boy, just like I am—and I still live there. The banking service that he said was a pilot is very limited—four days a week, four hours a day. So it is certainly a restricted sort of service that is offered through one of the old stores there, although it is certainly better than nothing and it keeps one of the banks involved.

If that can be expanded or built on, very good, but certainly there is much lower service delivery, much less service than what occurred prior to that. That is the nub of the issue—people have lost an enormous amount of service from the banks that they had before.

**Mr WILLIS**—You mentioned in your submission that credit unions have been filling the gaps left by banks in some country areas. Do you know of areas where credit unions have come in following the loss of all banking facilities?

**Mr Adams**—Yes, mainly where the credit union has had some involvement. On the west coast of Tasmania the credit union bought the bank, physically—the building. That is one area. They have had a number of members there that they were able to build on, and so they have basically taken over.

The changes from Wallis and the recommendation to deregulate credit unions even more to allow them to operate and do away with the 10 per cent limit and let them get into commercial activity and small business will be a great advantage to them in offering their services, but it will be difficult for credit unions to go into some parts of the east coast where there is no major industry, where they probably do not have any member base to expand on.

If there was a pool of money available there may be an opportunity for a community, a local chamber of commerce or whatever, to keep a facility. Pooled together, 30 businesses or whatever would be able to say that they will all bank through this one area if they can get a service. Such local communities may have some opportunity, but they may need an initial amount of money to either set that up or to structure it in some way to get it to happen.

**Mr WILLIS**—The CreditCare system which the Labor government introduced, and which is being continued on, I am pleased to say, has provided some assistance to the expansion of credit union facilities in remote and country areas. I understand there has not been any use of CreditCare in Tasmania. Are you aware of why that is so?

**Mr Adams**—I have no knowledge of that at all. I will endeavour to find that out.

**Mr WILLIS**—In your submission you do not make any mention of building societies. I really do not have a picture in my mind of how prevalent building societies are in Tasmania. Do they have any role in providing a basic banking service in country Tasmania?

**Mr Adams**—They do exist but they have a pretty low profile in Tasmania. They do not really exist in many of the country regions at all.

**CHAIR**—Just following up on what Mr Willis was saying, we have the example, which the committee will be hearing about next week, of Donald in Victoria. It was a town that refused to let a bank close. I was wondering whether you have any examples in Tasmania where local communities have said, 'No, we are not going to accept this,' and rallied together and forced the bank to reconsider?

**Mr Adams**—We have no pickets in front of banks, Mr Chairman, at the moment. Sometimes direct action does work. We have not got to that stage yet but possibly if your inquiry does not give us some results we will have to consider going down that path.

**CHAIR**—When I said 'rallied', I did not mean picketing. The businesses were saying, 'We will support the bank. Its future is viable.'

**Mr Adams**—That has occurred. People have said that they would support it but it has not stopped the bank's decision to change. I only have limited knowledge of that. My understanding is that banks have said, 'If we do not increase our turnover in this town, in this region, by X, we are going to pull out.' It is basically saying, 'Give us more business or we will go.'

**CHAIR**—At least they are giving you a warning because other places have complained they did not get any warning.

As there are no further questions, can I thank you again for your submission and for coming before the committee. It certainly will help us in preparing our report.

**Proceedings suspended from 10.10 a.m. to 10.40 a.m.**

[10.40 a.m.]

**BARRON, Miss Rachael, Research Officer, Local Government Association of Tasmania, 34 Patrick Street, North Hobart, Tasmania**

**WARDLAW, Mr Stewart Allan, Executive Director, Local Government Association of Tasmania, 34 Patrick Street, North Hobart, Tasmania**

**CHAIR**—Welcome. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament.

The committee has received your submission, numbered 20, and it has been authorised for publication. Are there any corrections or amendments you would like to make to that submission?

**Mr Wardlaw**—No. Our submission was very brief and we will be expanding on that this morning.

**CHAIR**—Would you like to make a brief opening statement before the committee starts questions?

**Mr Wardlaw**—Thank you, Mr Chairman. I would like to start by saying that approximately a year ago, in May 1997, at the association's annual conference, we did receive a motion—on that occasion it was from the King Island council—regarding this very issue. That was probably before this inquiry commenced. The import of the motion was that the association take up with the Australian Local Government Association the question of community service obligations, access and alternative means of providing banking services to rural and remote communities in Tasmania, and the fact that it had national implications. The matter then went forward to the Australian Local Government Association general assembly in November 1997. With your permission, I would invite Miss Barron to address its history from the time it went to the ALGA until now.

**Miss Barron**—I have a number of submissions in support of the position of the Local Government Association of Tasmania. Our basic position is that branch and agency facilities should be maintained in rural municipalities to allow residents, most importantly, convenient access to the normal range of banking services.

The first point in our submission is that the availability of banking services is an important element in the sustainability of rural municipalities. Councils in rural municipalities need to attract and retain commercial, retail and manufacturing entities in their local areas. Therefore, they have a very important role to play in the retention of banking services. We see that a loss or reduction in the full range of banking services will have a devastating effect on local area investment and economic development. We feel that this could create a feeling of pessimism in the local community. Particularly for elderly people wishing to retire to rural areas, the lack of banking services could be a deterrent to them doing so.

Importantly, when people travel to larger centres to utilise their banking services, they also conduct other business there. There is a drop, therefore, in consumer spending with local businesses in rural municipalities, resulting in a loss of jobs and out-migration of households and businesses. This would be likely to result in a reversal of any previous intentions to take out loans for investment in local businesses



and thereby impeding development of small enterprises. Therefore, a loss or reduction in the full range of banking services could impede the viability of rural communities and place them in jeopardy.

Secondly, electronic banking cannot provide the full banking services which are essential to the sustainability of rural municipalities. Financial institutions have not developed electronic systems to the extent that they offer a real alternative to traditional banking. EFTPOS terminals cannot accept cash, and businesses which use these terminals cannot facilitate the deposit of money to a customer's account. They cannot provide account balances.

Recipients of social security benefits whose entitlements are paid direct to bank accounts may have to travel to draw their benefits in cash. The high cost of travel cannot be met by the poor. ATMs and businesses which have EFTPOS terminals can run out of cash, thus causing inconvenience to people. The amount of cash that can be withdrawn using EFTPOS terminals is limited and can be conditional on purchases. Cash is still required for many transactions, particularly small purchases. Business that provide EFTPOS facilities also have to hold a large amount of cash on their premises to facilitate cash withdrawals, and this presents a high security risk.

Importantly, customers have reduced face-to-face access for financial planning advice. People cannot discuss their financial affairs via electronic banking. Face-to-face contact is seen as particularly helpful to the elderly and to those who have disabilities. ATMs and EFTPOS terminals present major difficulties for the elderly and the mentally and physically disabled, as well as the hearing impaired and the illiterate.

Internet banking facilities are not able to be accessed conveniently by all people. Most households do not possess the telephones, computers and modems that are necessary to access Internet banking facilities. Low-income earners who live in rural municipalities, and the elderly, are less likely to be able to understand and afford this technology. Information technology infrastructure in rural areas is usually deficient. There is limited access and high costs are involved.

Credit unions and post offices are not viable alternatives to banks. Credit unions are not equipped to provide the full range of banking services. Also, they are not immune to the establishment and operational cost pressures that have forced the banks to close their branches. It is not the responsibility of Australia Post to offer full financial services in rural municipalities. It is not economically viable for Australia Post. Many small post offices are not designed to handle the carriage of substantial amounts of cash. Thank you.

**Mr Wardlaw**—There is one further point I would like to make. Quite recently, about three or four weeks ago, I had a representation from the Launceston City Council regarding their concern about access to ATMs by disabled people. By access I mean the ability of a person in a wheelchair to operate a machine. The council was concerned about that and wished me to raise the matter here.

**CHAIR**—Thank you both very much for your opening statements. In your comments, Miss Barron, you mentioned that it was not the responsibility of Australia Post. Does local government believe that Australia Post should be encouraged to expand GiroPost facilities over and above what they already have?

**Mr Wardlaw**—Australia Post currently does serve a very useful purpose for local government councils, particularly in terms of collecting council rates and through prior arrangements. Undoubtedly, because of the coverage of Australia Post, it could take on more responsibility for banking services, but even

in our wildest dreams we do not imagine that would extend to the one-on-one contact that is needed to transact business and negotiate financial matters. Certainly, in terms of putting money in and taking money out, the normal sorts of transactions, yes, we would envisage that that would be quite a good service, but it is the face-to-face transactions where the trouble remains.

**CHAIR**—One of the other areas we are very interested in is the work that CreditCare has been doing, particularly in New South Wales, and Mr Willis is very proud of that. I think it might have been one of his initiatives when in government. Why is it that you have not been able to expand that into Tasmania?

**Mr Wardlaw**—Could you explain that, please?

**CHAIR**—CreditCare is a method of getting a facilitator to come to a place that has lost its banking facilities, or which does not have banking facilities, to enable the local community, local businesses and local government to come together to say, ‘Can we put together a package that will be attractive to a credit union to set up a branch here?’

**Mr Wardlaw**—That was a bit behind the motion that was passed at our annual conference last May. What that motion intended to do in calling upon the Australian Local Government Association was to try to find an alternative, sympathetic financial institution—other than the four major banks—to actually run those services locally. So my response would be that the concept of what you have explained is probably in a very embryonic stage, but it was reflected in the motion that came forward from King Island council.

**CHAIR**—It is also an initiative which, while there is Commonwealth funding, the state government is expected to put something into as well, so it might be something that you would like to take up with the state government as well.

**Mr Wardlaw**—Yes, certainly.

**Mr WILLIS**—I would like to follow up on that point. It is odd to me that there are something like 36 places around Australia where CreditCare is being used to set up a credit union, yet there are none in Tasmania. This seems somewhat extraordinary, given that Tasmania has the very small village type of development that one would think might lend itself a little to this sort of activity. Have you discussed this at all with the credit union movement? It seems to me that if the credit unions are not using CreditCare in Tasmania, it is probably sensible for you and the state government to jointly approach the credit union movement to ask them why they are not and to see what can be done to try to get the use of CreditCare in Tasmania.

**Mr Wardlaw**—No, we have not considered it or discussed it with anybody. I would imagine from my very recent knowledge of all this—in the last five minutes—that it would require a champion. That champion could be a state government or a local government association or, indeed, a community group. It certainly is food for thought to try to find a champion who would be prepared to broker it, so to speak.

**Mr WILLIS**—Local government seems to me to be rather well placed either to do that itself or to organise somebody else to do it.

**Mr Wardlaw**—Unfortunately, we have had a bit on our minds over the last year or so with

amalgamations.

**Mr WILTON**—Last week I met with a representative from the Huon shire and we were discussing the extent to which local government should be involved in banking arrangements. That shire was uncertain as to the answer to that question. It has facilities for rates to be paid at Trust Bank and at the post office. In a submission to the committee the Flinders shire has indicated that its council could conceivably run a banking facility on a fee-for-service basis. Is that news to you, or have any other councils made submissions to you in that regard? What is the likely chance of the success of any such proposal?

**Mr Wardlaw**—I have not heard of anything other than what you have indicated from Flinders regarding a fee-for-service banking facility. In the case of Flinders Island, King Island, the west coast and, indeed, maybe some pockets of the east coast, that might well be a feasible proposition in terms of putting money in and getting money out, but that is really only one part of the equation. I would think councils could possibly do that under the existing local government act if they wanted to, if they were enterprising enough. I cannot recall any prohibition in the legislation to stop them doing it. It would just be an entrepreneurial activity they would take up to pick up on a local demand.

**CHAIR**—In the same light as that, in Victoria some of the local municipalities have initiated discussions with one of the major banks, the National. Has there been anything such as that occurring in Tasmania, either with one of the big four or, indeed, with other financial institutions?

**Mr Wardlaw**—I cannot speak for every council because we are not in day-to-day, minute-to-minute contact, but I am aware that in the past there has been a number of occasions where councils have been in dialogue with various banks, including our own Trust Bank, about local services. Whenever there is a change in service in a rural or remote community, it is certainly something that receives a lot of publicity between the council and the banker concerned. So my answer to that question would be that, yes, from the evidence and information that is publicly available and from my own personal experiences, there would be dialogue. But of course the reality is that banks nowadays, whether they are the four major banks or our own local Trust Bank, operate on a bottom line, and it is the impact of that that people are feeling most.

**CHAIR**—But have you decided to take this up as an association?

**Mr Wardlaw**—No. Firstly, it is a resource issue which we all have nowadays and, secondly, the association represents all ranges of councils, rural and semi-urban and city. Our loyalty and our allocation of work does get pretty stretched to the point that we probably cannot justify putting our work into three or four remote communities.

**CHAIR**—Coming at it from another angle, obviously the local council account is quite a good account to have. Do you know of any examples in Tasmania where the local council has been able to use that influence of saying, 'We have an account here; it is worth quite a lot'—to presumably the bank or whatever financial institution—to encourage a bank to continue keeping a service which otherwise might have gone?

**Mr Wardlaw**—Yes, there have been public comments made with respect to that where a bank has proposed the change of a service, whether a downgrading or withdrawal. The question of the customer service provider relationship has been publicly raised.

**Mr WILLIS**—Or legislation has changed in the states—and I understand, in Tasmania as well—to enable the credit unions to become the bankers for local government. Are you aware whether many local government authorities are now conducting their financial operations with credit unions rather than banks?

**Mr Wardlaw**—No, I am not aware that there are any at the moment. As far as I am aware, the banks that hold council accounts are either the four major banks or the Trust Bank. I am not aware of any other financial institutions that operate accounts. That is not to say that there might not be some. I am just not aware of them.

**Mr WILLIS**—I suppose in areas where the banks were pulling out services, there might be some sort of incentive to go with a credit union which remained rather than a bank which took off.

**Mr Wardlaw**—Yes. I cannot speak for the business of credit unions but they appear to be going through major changes at the moment where they have amalgamation propositions. That may well improve their ability to provide a wider range of services to wider communities. There are some changes happening there that are in the public arena.

**Mr WILLIS**—Credit unions are increasingly in the position where the difference between their operations and that of banks is virtually unrecognisable. Following the Wallis recommendations, sheer size of the organisation apart, the difference between what a credit union and a bank can do in terms of the transactions they can undertake will not be any different. The only difference will be that one will be called a bank because it meets a certain size criteria in terms of assets and so on and it gets a banking licence per se. In fact, what it can do for local government would be no different from what a credit union could do. In those circumstances, there is nothing lost by local government going to a credit union, which will also be subject to the same prudential regulation as the banks.

**Mr Wardlaw**—I do not think councils would complain or be concerned about the name or the character of the financial institution as long as there was a full range of trading activities available to itself but, more importantly, probably to its community, whether private citizens or businesses. That is probably the issue. It is not necessarily who it is. It does not have to be the big four or the Trust Bank.

**CHAIR**—You said a full range of trading activities or facilities. Do you mean the basic transaction service plus lending facilities or—

**Mr Wardlaw**—Lending, yes—

**CHAIR**—There is a move in the financial services these days to ‘unbundle’ it, as they call it—to use the jargon—so that the transaction service, the basic deposit and withdrawal, is just one part. Lending is often coming from a different area or from a different institution.

**Mr Wardlaw**—I would put investment in that category, too, because there are people living away from the main urban areas who need to invest money for their retirement, pensions, income, et cetera. There is a need for a wide range of services.

**CHAIR**—But often those types of services are being provided in a more flexible and often on a mobile basis. I just want to clarify whether you feel that it is absolutely essential to have that in every

location or whether it is just the basic transaction service that you want to see.

**Mr Wardlaw**—Emphasis on every location is a very sensitive issue. It is inconceivable that you could ever achieve that. You cannot say that you will have a bank or an ATM in every single community in Tasmania. There must be a criteria. For example, we would say that a community like Queenstown on the west coast should sustain a reasonably comprehensive range of banking services. Places like King Island or Flinders Island, because of their isolation, similarly should have access. But then you get mining towns that have declined in size and activity because of changes in the industry. It would not be expected that banks should have any sort of obligation to maintain a presence in that sort of declining environment.

**Mr CAUSLEY**—Your submission more or less said that you did not believe anyone else could provide the range of services a bank could provide and you would prefer to see that remain. How would you stop a person from closing their business?

**Mr Wardlaw**—In terms of the range of services, there is nobody apparent there now to provide them other than banks. I take up Mr Willis's point that maybe credit unions will be putting themselves in a position to do that.

**Mr CAUSLEY**—If someone, whether a bank or anyone else, wants to close a business they decide is not profitable, how do you stop them?

**Mr Wardlaw**—That is happening already. It may go ahead because of a new activity, in which case businesses open and the market attraction may bring new institutions of all types into that town. On the other side of the coin, businesses will close and those institutions will move out. The criteria that we would see is around the very nature of the town. Institutions have a community service obligation to retain a service. That is where we feel it should be arbitrated over.

**Mr CAUSLEY**—I accept the community want that; they want it in my area too. Given that, is local government interested in buying a banking franchise and operating a service?

**Mr Wardlaw**—Without the knowledge of the complications or costs, I would not be in a position to answer that.

**Mr CAUSLEY**—We have had evidence from some banks that they are doing this. They are franchising out services to smaller communities. They indicated that with as low as two thousand or three thousand people it is still reasonably profitable for someone to run a franchise. It is another option of filling the gaps that are appearing in some of these services.

**Mr Wardlaw**—I think that is where this inquiry will be particularly useful at the end of the day. It will identify those types of opportunities.

**Mr CAUSLEY**—Credit unions have to have a little more flexibility than they have at present because they are restricted in lending commercially.

**CHAIR**—Coming back to the regional telecommunications infrastructure funding coming through to Tasmania, have you looked at any of the opportunities that might bring about Internet banking, with local

government possibly acting to provide an agency system using that new technology?

**Mr Wardlaw**—Yes. The state government is putting a considerable amount of effort into projects like Network Tasmania and Service Tasmania to improve the electronic capability of the state to do transactions externally from the major urban areas. We have been working with the state government in that respect and we are involved in several of their major committees. We are not taking any initiative of our own at this stage. We are putting our effort into working with the state in putting a basic infrastructure for technology in place. I would have to say that the telecommunications infrastructure funding does have the potential to substantially improve the infrastructure and capability of these services in communities.

**Mr WILLIS**—Listening to Miss Barron before, I got the same impression as Mr Causley, that basically you seem to be saying no-one can do it as well as banks, which is exactly what the banks would want to hear you say. It seems to me that local government has a bit of a leadership role to play here: if you want to ensure there is some kind of satisfactory provision of financial services in the areas that you cover, then it is up to local government to perhaps provide a bit of a lead. In that respect, it seems to me that local government can do it by expressing a willingness on its own part to be prepared, when credit unions come in to provide financial services, to put their business with that organisation rather than trot off to a bank which has gone somewhere else and left the community without a financial service.

If the local government adopts the view that you seem to be expressing to us that only the banks can provide the real service that you want, then the chances of a community getting a substitute which in effect is just as good, in the post-Wallis environment, as a bank are probably blown. Local government has, it seems to me, a real leadership role here—not just local government in Tasmania, but local government across Australia. It is not a matter of saying to us that we should do something. I think likewise you have a leadership role to play. Have you any thoughts about that? Do you think local governments are prepared to take the lead in that way?

**Mr Wardlaw**—Where this originated last year—before this inquiry became public, anyway—was in the thrust that the councils intended to take. However, I suppose this committee has really focused people's attention on how we get these jolly banks to maintain community service obligations. I take what you say in terms of council showing leadership as being something that I would certainly be prepared to put back to the councils. We are currently doing our annual report in response to the resolutions at last year's conference. I think it is a very interesting point that I can put back to our councils that, if they have a problem, they also have an opportunity to show leadership and to act as a facilitator to try to improve that range of services on their own initiative. I think it is a very valid point, and it is one that I certainly believe at this stage I will take back to the councils concerned.

**Mr WILLIS**—I certainly encourage you to do that.

**CHAIR**—Thanks for that. We are all very encouraged to hear it. I would point out that our terms of reference are to look at alternative banking for regional areas, so it is not just the major banks that we are focusing on; we are looking at all the alternatives. As you may have heard earlier today, there are alternatives being proposed right here, which is very encouraging, but obviously we have got to make sure that everyone is getting access.

**Mr WILLIS**—I have one further comment to make on what you just said about the community

service obligations of the banks. The banks would strongly argue that they have no community service obligations. We might all have different views about that, but certainly in a formal sense they do not have any sort of statutory requirement to provide loss making services with the government providing a subsidy for them to do so. One might argue there are ethical obligations or whatever, but in that sort of formal sense the use of CSOs is probably not appropriate. In those circumstances, the banks would argue their principal obligation is an SSO—a shareholder service obligation. That might mean that they no longer want to be involved in anything that does not make a substantial profit, and that does lead to vacating the field, as we have seen. That is why, as the chairman said, we probably need, at least in part in this inquiry, to look at alternative provision of services.

**Mr Wardlaw**—In that respect, going back to the time before the Commonwealth Bank was floated, back in my childhood, my impression in those days was that the Commonwealth Bank was a bank that almost maintained CSOs; indeed, our Trust Bank probably did that to some extent also. But of course I agree: in the harsh reality of the 1990s—facing up to the turn of the century and what is happening in the economy—it now gets down to the bottom line and the shareholders' interests.

**CHAIR**—You are talking about the days when the banks were much more regulated.

**Mr Wardlaw**—Yes.

**CHAIR**—Thank you very much, Mr Wardlaw and Miss Barron, for coming along today. We certainly appreciate your time and your efforts.

**Mr Wardlaw**—Thank you very much.

[11.11 a.m.]

**BOND, Mrs Ailsa Gray, State and National Past President, Country Women's Association in Tasmania, 68 Davey Street, Hobart, Tasmania 7000**

**ROBERTSON, Mr Reg, Honorary Research Assistant, Country Women's Association in Tasmania, Davey Street, Hobart, Tasmania 7000**

**SMITH, Mrs Beryl Jean, State Treasurer, Country Women's Association in Tasmania, 68 Davey Street, Hobart, Tasmania 7000**

**YOUNG, Mrs Lesley, Group President, Mersey/Leven Group, Country Women's Association in Tasmania, 69 Davey Street, Hobart, Tasmania 7000**

**BINGHAM, Mrs Irene, State Secretary, Catholic Women's League of Tasmania, 199 Flinders Street, Beauty Point, Tasmania 7270**

**CHAIR**—Welcome. I remind you that the evidence you give at today's public hearing is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received your submissions, numbered 18 and 21, and they have been authorised for publication. Are there any corrections or amendments you would like to make to those submissions?

**Mrs Young**—No.

**Mrs Bingham**—The only thing was that, after reading what Australia Post had to say, we thought there was not much use asking them to come to our aid.

**CHAIR**—We will be talking to the post office agents this afternoon. They may have a different view. Would you like to make a brief opening statement before we proceed to questions?

**Mrs Bond**—We thought we would leave it to the question time, thank you.

**CHAIR**—Okay. Mrs Bingham, would you like to make a statement?

**Mrs Bingham**—We would endorse our submission. The only thing we would add is that we felt maybe a rural and remote area credit union and building society could be sponsored by the government specifically to provide a service for the elderly, the immobile and the technologically challenged. We thought that that service, directed at those people, would have a captive market while fulfilling their needs.

**CHAIR**—Thank you. Would you like to expand on the ways you think the banks are out of touch with some of the needs of people in regional and remote areas?

**Mrs Bond**—It is not only banks. A lot of rural areas, because of the recession and downturn, have lost banks, hospitals, police, doctors—all sorts of facilities. It is sad if you do not have left at least police, a doctor and your bank or some other means of banking, whether it is with Australia Post or the GiroPost. But



that does not cover business banking, only personal banking. At this stage, I think GiroPost probably covers most of the personal banking but there are areas in Tasmania that have no banks and have no means of business banking and also tourist banking, of being able to access funds through ATMs or banks. This is well known down the east coast.

**CHAIR**—Yes, we heard that this morning. Mrs Bingham, you have a very interesting submission here. Would you like to expand on what sort of incentives you would see banks ought to be given to maintain an agency on a part-time basis?

**Mrs Bingham**—We felt that, all right, maybe they could charge a bit more. It is going to cost people anyway to try and get their banking done—they are going to have to pay to travel—so if the banks are available, they could charge us a bit more.

**CHAIR**—What would be a reasonable amount?

**Mrs Bingham**—What do they charge now—\$1.50 per transaction? They could put it up to \$2.

**CHAIR**—That is just for basic transactions?

**Mrs Bingham**—Basic transactions.

**CHAIR**—Would you see the alternative of providing that through a post office as reasonable?

**Mrs Bingham**—There is a post office in most places. Even some of the little supermarkets are agencies for banks, but they only deal with the one bank. We have EFTPOS and all that, but with EFTPOS you are getting hit both ways: you get hit by the government, you get hit by the shop. People cannot cash cheques—the shops are not cashing cheques anymore—and, regardless of what happens, there will still be cheques for quite a while to come.

**CHAIR**—Yes.

**Mr WILTON**—I recently had a discussion with Father Dan McMahon at Bridgewater—Mrs Bingham would know him. His parish extends right up into the central highlands and Bothwell. He said that the uptake of new technology or at least the interest by older and especially rural Tasmanians in using phone bank or, in particular, automatic teller machines was lower than anywhere else he had experienced, primarily because the ATMs were often left empty of cash and often went unserviced for long periods and were therefore closed, and that people in this state had no faith in new technologies primarily because of their experiences with ATMs. Has that been your experience?

**Mrs Bingham**—Yes. Older people do not understand all the new rules and regulations. They do not understand the new technology that is going on and they do not want to change because they just cannot quite grasp the new way of doing things. I do feel they should be catered for.

**Mr CAUSLEY**—Do you think the banks have failed here, that they have not tried to educate their customers for these electronic services?

**Mrs Bingham**—Yes. Now they are aiming for the younger ones, which is fair enough—we have to look to our young—but they must also look to their older people.

**Mr CAUSLEY**—I caught my 82-year-old father paying an account by phone the other day. He surprised me.

**Mrs Bingham**—Did he cope all right?

**Mr CAUSLEY**—Yes. It is a matter of being told how to do it, and he did cope okay.

**Mrs Bingham**—I struck one elderly lady a couple of weeks ago. She started, she pressed the wrong button, so she had to start all over again, and after the third time she tore the account up. Then you have problems.

**Mr CAUSLEY**—The banks argue to us that in fact services have not been withdrawn, that there are different services being provided. Even in the lending areas they argue that, if you want to borrow, they will send out a mobile team to assess your business, et cetera. That is their argument. A lot of people do say to us, though, that they cannot handle the technology, they do not understand it. So it seems to me that an education program needs to be adopted by the banks to allow their customers to access these services.

**Mrs Bingham**—They do need educating—there is no doubt about it. You hear them say, ‘We will keep it at home,’ but if they keep their money at home they are at risk.

**Mr CAUSLEY**—The banks argue, of course, that there will not be any money in a few years, that you will have these smart cards—so there is another education program!

**Mrs Bond**—Having just toured South Africa and being able to put about four rand on a card, I can say that that amazed me. We carried no money with us at all but we used cards and they were accepted in the tiniest shops. They would not accept dollars but they would accept Visa even for amounts of four or five rand, which is half a dollar. I do not know how they do it—they must be losing money. That was happening all around South Africa in the last couple of weeks, which was interesting.

**Mrs Smith**—I quite agree with Mrs Bingham about the basic transactions going up a little more. I come from Bruny Island. We have never had a bank down there. We have agencies down there. We have to go 60 kilometres to town to get to a bank or a bit less for Kingston.

**Mr WILTON**—There are great roads on Bruny Island.

**Mrs Smith**—Yes. And sometimes our ferry does not work. As a branch president of South Bruny CWA, I have taken it upon myself to teach my members the technology of the telephone and the ATM for if they manage to get into Kingston. I have asked my members to go out amongst their other friends and teach them as well. That is one way of helping and educating the older people. Bruny Island is a strange place. You can only be sick on Thursdays. We have no doctors. The doctor only comes on Thursday. Now they have taken the mobile library away from Bruny Island as well. Things are getting pretty rough down there.

**CHAIR**—I commend you for taking that initiative of teaching older people to use these machines.

What do you see as the most effective way of educating people about this new technology?

**Mrs Smith**—Most of the banks have miniature ATMs that they will send out to different organisations to teach the use of ATMs. That is a very good idea.

**Mr CAUSLEY**—I have found difficulty reading the older style ATMs myself. There still are a fair few of those in service. Do older people find a problem with those? I think the newer ones have a better display.

**Mrs Smith**—If you have bifocals, you find it very hard to read ATMs. And if you are a short person like me.

**Mr CAUSLEY**—The newer ones have a flatter screen and it is a lot simpler. With the other ones you had to peer through a peephole.

**Mrs Smith**—In Kingston, they have both types. There are no ATMs on Bruny, of course.

**Mr Robertson**—We feel the banking industry is really setting communities into two strata. You have the top one and the bottom one. I feel the CWA represents the bottom stratum of our community. I always remember a statement made by one of the members of your committee, Dr Brendan Nelson, who said today's criteria for success is a BMW, a mobile phone and designer clothes. I would say most of that is out of the reach of the people that we represent.

**CHAIR**—It is out of reach of most people.

**Mr Robertson**—I think about 33 per cent of Australia's population receives some sort of government payment through social security. These people are forced to use a bank regardless of how they feel about it. The bank has a captive audience there and yet they do not cater for it. Being on that lower stratum, their bank account never gets very big and, therefore, they pay the biggest charges.

Only recently I had a case brought to me by an unemployed youth who went into town. He thought he had enough money to get enough petrol to go and see about a job. When he called up the account, he found that he had a debit of 82c. He had overlooked the bank charges on his latest dole payment. He had to wait for the next dole payment before he could even start thinking about going for this job which, in turn, had gone. This organisation represents people. That is the area where we have to forget all the buzz words about ATMs and telephone banking, et cetera. If it was not for the government forcing them to use the banks, they would not be there in the first place.

**Mrs Bond**—A lot of areas do not have the technology. Some areas do not have telephones. Mobile phones do not work in quite a lot of the areas. In some of the really isolated areas, they do not have access to the modern technology.

**CHAIR**—I come back to your point, Mr Robertson, about the government forcing people to use the banks. What alternative would you like to see—cheques or what?

**Mr Robertson**—It is a problem because the whole thing is tied up with the present financial set-up.

Once the cheques used to be posted to the individual, didn't they? Then you went to whichever financial institution you used and cashed the cheque that way. But that is no longer possible. In the present situation, the banks have to be brought back into stream and realise that there are clients they have to deal with, whether they want to or not.

There is a need to amend the CSO provision in the postal service act which brings in GiroPost so it makes it an obligation for the post office to supply that. That should be linked up with an amendment to whichever legislation covers the banking authorities for them to have a CSO within their legislation which enables Australia Post to call upon the banking fraternity who are using them. I believe there are eight major banks in Australia at the moment using GiroPost. If those eight banks paid their fair share under a CSO, it would iron out a lot of problems for the rural and remote areas. Only the other day, our state Premier said that, as far as Tasmania is concerned, the whole state is a regional area of Australia, so that includes our cities as well.

**CHAIR**—Coming back to this point that eight banks are using GiroPost for personal banking facilities, it is not a CSO, it is the fact that it pays its way.

**Mr Robertson**—Yes, at the moment. I agree it is not a CSO because it is outside the requirements of the legislation. But I feel that is the only way you are going to get it to supply a service to the communities to replace the banks that were there. Let us fully understand that what the banks are really doing is using a government agency, such as Australia Post, to cut their own staffing problems, because they just force it onto Australia Post. Surely it would be a good idea if the legislation covering banking institutions had a proviso that, if they were encouraging people to use GiroPost, they should also help Australia Post to cover the cost of that. At the moment they do not.

**Mr WILLIS**—Mr Robertson, three of the four major banks are not using GiroPost. They are not using GiroPost to cut their costs and close branches; they are just not using giroPost at all. Those that have gone to GiroPost, apart from the Commonwealth Bank, are banks that had very minimal branch coverage. A bank like, say, Citibank had a handful of branches around the country, mainly in the capital cities and the CBDs of the capital cities. By going to GiroPost suddenly it had about 1,750 'branches' around the country. They saw that as a great way to extend their operation. It is not a matter of NAB, Westpac or ANZ using GiroPost to reduce services. They are not using GiroPost at all. They are just withdrawing services. They are not using GiroPost. You are saying Australia Post ought to be required to provide a service. I presume you are saying, therefore, that they should be required to be members of GiroPost. Is your position that these other banks are not part of it now?

**Mr Robertson**—I realise the whole thing is voluntary. The last I read in Australia Post's annual report they stated that they thought other banks would join in on GiroPost when they found out the advantages of dealing with rural and remote Australia. I was mainly thinking that if they are encouraged to think that way and if the CSO was extended to the banking industry, it might help the two organisations to cover the cost, which we know will never be covered.

**Mr WILLIS**—It is a bit hard to require Australia Post to provide a banking service because the banking industry will not provide it. Australia Post is there, as they said yesterday, to provide a postal service, in addition to which they can provide some other services. If you had a CSO which required them to provide a service which is not their basic *raison d'être* that would seem rather peculiar to me.

**Mr CAUSLEY**—It would have to be paid by the taxpayer. On the question of bank charges, are you aware that credit unions do not charge fees?

**Mrs Bond**—Yes.

**Mr Robertson**—So far.

**Mr CAUSLEY**—I know that Tasmania apparently does not have a big network of credit unions. New South Wales does, and most people who do not have a lot of money in the bank deal with credit unions because there are no fees.

**Mr Robertson**—Yes.

**Mrs Bond**—They would need to go out into the country and they would need to be better organised. At the present moment most of our credit unions are in the bigger cities. I gather some of the country towns in New South Wales have started their own credit union, with government support, to cover the banking for rural people. We have to have something that we feel is genuine. Personal banking can be better done by GiroPost, but business banking in lots of areas is extremely difficult. On Flinders Island they have one bank but it only opens from 10 till three. On Easter Thursday and Easter Tuesday they did not make any provision for the influx, and people were queued up for ages to do their banking. A lot gave up in despair. They have one bank there, luckily, but lots of areas do not even have one bank.

**CHAIR**—Have either of your organisations gone to either of the smaller banks or possibly a credit union and said, ‘What are the chances of your setting up in this particular community? We desperately need a basic service here. Can we help you to do it?’

**Mrs Bond**—They have not in Tasmania, but I was talking to someone in Western Australia that is doing just that at the present moment, and I know of a couple of areas in New South Wales that have made that approach. That is something that we could possibly do.

**CHAIR**—Did the case in Western Australia have a positive outcome?

**Mrs Bond**—It is very early. The whole community has had to buy the supermarket and the postal agency and they are hoping to get a banking facility, a banking agency, within that. They did not know who they were going to get but they were approaching people.

**Mr HAWKER**—Can you tell us which community it is?

**Mrs Bond**—I am sorry, I cannot—I did not ask the gentleman what the area was. He was someone I was travelling with in South Africa who mentioned it. We were just talking about difficulties and that is what came up in the discussion. I could find out.

**Mr WILLIS**—I would like to ask you about the whole process of withdrawal of banking services and the impact it has on Tasmanian rural life. Is it just an inconvenience thing? Obviously it is inconvenient for the service to be withdrawn and for you to have to go somewhere else to conduct your banking services or to have to do a less than fully adequate banking service with Australia Post or through EFTPOS or something.

Or is it something more than just inconvenience? Is it really a substantial factor in the depletion of rural towns, in people leaving rural towns, businesses closing and the whole drift to the major cities? Is it an element of significance in that, or is it basically an inconvenience issue?

**Mrs Bond**—If a person cannot bank in their town, if they have to go somewhere else to do their banking, they will go there and do their banking, their shopping, probably visit the doctor and do all the things they need to do, whereas that other country town is missing out. That town is virtually going backwards, and going backwards very quickly, because they have lost those facilities and people are going elsewhere.

**Mrs Young**—What you also lose out of a community are the people. If you take away the bank, you are taking away the person who manages it and the person that he or she is married to and their kids, which is taking people out of the community as well. That is happening a lot, not just with the banks but with the police, the schools and other services that are being taken out of rural communities. Even though the inconvenience of not having a bank in your area is there, the losing of the people is a factor as well.

**Mr WILLIS**—The banks might well take the view that if everyone else is withdrawing services, why should they be the ones to remain; if the schools are going, the police station, the hospital—all those sorts of things—then why should they be the ones that keep something going? Do you see this as being a major element in the depletion of rural life or do you think it is just something that is adding to the general process?

**Mrs Young**—I think it is just adding to the general process. Maybe it is time that somebody—and maybe it needs to be the banks—said, ‘Hang on, let’s stop this decline out in the rural areas. Let’s stay here and support this community and try and build it up and get some of those things back into the rural communities.’ We are losing people out of those areas. As Ailsa just said, if you have to go another 50-odd kilometres to do your banking, you are not going to turn around and come back to your local town to get your groceries or go to the doctor or things like that; you are going to do it out of area. So you are losing a lot that way. That is where some of the communities are breaking down or you are losing communities.

**Mr WILLIS**—So you think a lot of businesses in small towns are basically going bust because of the withdrawal of banking services in their towns?

**Mrs Young**—Also because industries are going bust. Because you are taking your car to have it serviced at a town that is further away, we are losing the younger generation out of the communities because there is no work for them in those areas. They have to go where the work is, so that means that they leave. It is happening here in Tasmania, with all the young ones who are leaving and going to the mainland. It is also happening in rural communities where people are leaving the towns and going into the cities.

**Mr WILTON**—On page 4 of your submission, Mrs Young, you go briefly to the question of mobile banking. You refer to the operating system in the UK and you presume that it works on the same basis as a mobile library. Do you have any more hard evidence as to how and where a mobile bank might work and whether or not it could conceivably provide the range of services that you might need for all consumers, in particular those on pensions and social security benefits?

**Mrs Smith**—A few years ago Melbourne sent over a mobile bank from the Commonwealth. I had a

picture of it blown up for you so you can have a look at it. We feel that perhaps a mobile bank might be one of the options that rural people could have. Actually, a Mrs Roberts from the CWA has put in a submission, which is in volume 4, where she writes some more about the mobile bank. I think what first started her off on that was that they run a very good mobile bank in Scotland. So that could be another option.

**Mrs Young**—There is another thing about having a mobile bank going into an area on a regular basis. One of the things where we are losing out in a lot of areas, and banking is one of them, is that we are starting to deal with machines instead of with people. I think a lot of the older generation are not happy—plus they do not understand—about going and trying to get money out of EFTPOS or ATMs. They prefer to go into the bank, see the person, have a chat and get their money or bank their money, or whatever. Maybe if there were mobile banks going around into the areas, if they know they are going to be doing that once a week or once a fortnight, that certainly could be something of value.

**CHAIR**—Okay. I think we have had a pretty good innings here. Thank you all very much for coming along. We certainly appreciate the time you have put in to make a submission and to come and meet the committee.

**Proceedings suspended from 11.38 a.m. to 1.30 p.m.**

[1.30 p.m.]

**McGRATH-KERR, Mrs Marie, National Chairman, Post Office Agents Association Ltd, PO Box 61, Evandale, Tasmania 7212**

**MATTESON, Mr Steven, Tasmanian Chairman, Post Office Agents Association Ltd, Box 61, Evandale, Tasmania 7212**

**CHAIR**—Welcome. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of parliament. The committee has received your submission as No. 73, and it has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

**Mrs McGrath-Kerr**—No.

**CHAIR**—Do you wish to make a brief opening statement before we proceed to questions?

**Mrs McGrath-Kerr**—For the benefit of the committee and others, the Post Office Agents Association Ltd—or POAAL, as we call ourselves, because the full name is such a mouthful—represents all contractors who work for Australia Post. They are people who own and operate their own licensed post offices, mail contractors and community postal agents and, indeed, now some cleaners. You can see why we have shortened it to POAAL. Of Australia Post's retail network—what the public know as post offices—77 per cent of offices are privately owned and operated. They are the people we are representing here today.

We would be delighted to answer questions. We had hoped that that was the way you would do it, because we felt that that way you would be getting the information that you specifically want. We can then fill you in on any other areas. Fire away.

**CHAIR**—What exactly is the relationship between post office agents and Australia Post?

**Mrs McGrath-Kerr**—There are only about five post office agents left now. Licensees of licensed post offices have a legal agreement with Australia Post, called the licensed post office agreement, which is similar to a franchise. It is a legally binding document. It authorises the licensees to operate a post office; use Australia Post's marks, logos and products; access postal products for reselling; be an agent for all Australia Post's third-party agency principals, such as Telstra, AMP, Optus and so on; and—for most of them—to do banking. I believe that a little over 80 per cent of all banking transactions through post offices are done at licensed post offices. That would give you an idea of the scope of banking that is done in licensed post offices. If you are interested, I can get the exact figures.

**CHAIR**—Could you also explain the procedure for a licensed post office to take on a banking agency and a GiroPost facility?

**Mrs McGrath-Kerr**—It comes with the agreement.

**CHAIR**—How would a licensee who did not have that go about getting it?



**Mrs McGrath-Kerr**—Do you mean a licensee who does not have the technology?

**CHAIR**—Yes.

**Mrs McGrath-Kerr**—With great difficulty, if I may say so. In the notes I have just given you, I have quoted that there are 2,948 LPOs in Australia as at yesterday, and that 1,897 of them have the technology to handle private banking. So there are 1,051 LPOs that do not have the technology, and the only banking that they can do is CBA passbook transactions. They are not part of the GiroPost network, and on the whole they are rural and remote. On the second page of the notes that I have just given you, dot point 3 says that, of those 1,051 LPOs without technology, 70 per cent are rural and 14 per cent are remote. I thought that you would be interested in those figures.

**CHAIR**—We certainly are. Can we expand of this? In these areas where, say, the last bank branch closes, what scope is there for the licensed post office to then say, 'We would like to step in and provide this service,' if the technology is not already in the post office—and to provide a GiroPost and/or a banking facility?

**Mrs McGrath-Kerr**—If it is what is called a manual office—that is, an office that can only do CBA passbook banking—the licensee can put in a written request to Australia Post, asking for the technology to do that particular type of work. However, to get the current technology, which is called EPOS—

**Mr WILLIS**—Can you just expand that?

**Mr Matteson**—It is electronic point of sale.

**Mr WILLIS**—Okay.

**Mrs McGrath-Kerr**—There is a mandatory limit to get EPOS, because it is an expensive system. At the moment, the mandatory number of transactions is 10,000. I would suggest that the 1,051 post offices that do not have the technology do not come within a bull's roar of 10,000. However, some of them could see that they were in a catch-22 situation: if they do not have the technology, they cannot do the business; but, if they have not got the business, they cannot get the technology.

So we, POAAL, negotiated an agreement with Australia Post whereby licensees at licensed post offices who are near the 10,000 mandatory limit can put up their hand and say, 'I would like to have EPOS, thank you very much, Mr Australia Post, and I am prepared to pay part of the cost towards putting that technology in.' However, because Australia Post are now changing their systems from EPOS to RIPOSTE, they are not expanding their EPOS network.

There is a certain logic in that: why would you expand a system that you are going to shortly replace because of the year 2000 capabilities? That is the reason it is being replaced. Those people are in a difficult position; however, there is a further technology called EFTPOB—that is, electronic funds transfer point of banking—and there are 177 LPOs which have that type of technology.

**CHAIR**—Which does what?

**Mrs McGrath-Kerr**—Which just does banking. We think that is super. It is low-cost technology—I have put that in the notes I have given you today—and we believe that, when a bank leaves town, there is no reason why the bank should not provide one of those terminals to a post office.

**CHAIR**—Can you give us some idea of the cost of that terminal?

**Mrs McGrath-Kerr**—I would only be guessing. My guess would be around about \$2,000, but we could find out for you.

**CHAIR**—No, that ties in. The Bank of SA have suggested that they could put a similar sort of arrangement in an agency for about that cost.

**Mrs McGrath-Kerr**—That deals with private banking only; it does not deal with business banking—I should emphasise that.

**CHAIR**—How hard would it be to expand that to small business banking?

**Mrs McGrath-Kerr**—Fairly difficult. There are many problems associated with business banking.

**CHAIR**—We heard of some yesterday. Maybe you would like to give us your version.

**Mrs McGrath-Kerr**—Ours are probably the same. It starts with the fact that we would require an adequate commission to perform any work like that. If any of you have stood in a bank behind people who are doing business banking, you would know that it takes a lot longer to do business banking; therefore, it would be very frustrating for other customers of the post office to stand there while business banking is being transacted. We are aware of that. So extra staff would probably have to be put on, even if it were only for brief periods. Consequently, the whole management system in the licensed post office would change. We would need an adequate commission to recompense for the time, for the risk and for the extra staff.

Also, different arrangements for cash handling would have to be put in place. Cash handling for private banking customers is quite different from cash handling arrangements for business banking. Under cash handling, we do of course include cheques and credit card facilities, because they are very time consuming.

**CHAIR**—Have you got any feel for the viability of this if you were able to expand that? Would it be worth your while, given the extra business you would generate, to take on business banking?

**Mrs McGrath-Kerr**—We would have to be paid very well.

**CHAIR**—What if you got paid to run EFTPOB, and so on? That has obviously got some income.

**Mrs McGrath-Kerr**—To make a comparison, if a private banking customer comes into the post office and wants to withdraw, say, \$150—to pick a figure—from their keycard account, that might take 20 to 30 seconds. For a business customer, it could take 10 minutes, and in the meantime the other customers are building up behind. It is hard to put a value on that. For instance, licensees are paid \$5 for opening a new bank account, because of the time involved in checking the 100 points, doing the deposit that is involved, and

so on. That is the highest paid transaction there is. Business banking would be more complex and more time consuming.

**CHAIR**—With private banking, how much of what you get do you actually keep?

**Mrs McGrath-Kerr**—You mean gross, I assume, not net?

**CHAIR**—Yes.

**Mrs McGrath-Kerr**—The net would be different per outlet.

**Mr Matteson**—We receive 81 cents per transaction.

**Mrs McGrath-Kerr**—That is on-line banking; off-line banking is \$1.53, isn't it?

**Mr Matteson**—It is \$1.57—that is for the country people who have to do it manually.

**CHAIR**—Of that, you keep how much? How much do you have to pay to Australia Post?

**Mr Matteson**—That is what we receive.

**Mrs McGrath-Kerr**—However, out of that money the licensee has to pay for the premises, the staff, the cleaning, the stock—everything.

**Mr Matteson**—And the rental of the machines.

**CHAIR**—But it is an attractive additional part of the business?

**Mr Matteson**—Yes.

**Mr WILTON**—Mrs McGrath-Kerr, you say on page 5 of your submission that Australia Post's criterion for post offices to participate in the electronic network—I assume you mean GiroPost—should be eased to allow small LPOs, or EPOS in small and isolated areas, to join. Are you suggesting then that Australia Post should extend its GiroPost network to all isolated and smaller rural centres?

**Mrs McGrath-Kerr**—That would be very nice, but I do not think it would be practical. It would be very expensive, and I very much doubt that it would be profitable for either Australia Post or the licensee. However, I can see the banks rubbing their hands with glee at the thought. There are undoubtedly licensed post offices out there that transact perhaps 5,000 or 6,000 transactions per year, and we believe that with technology it would be very simple for them to build that up to the 10,000 mandatory limit.

But there are some post offices that are very small and, even if technology were put in, they still might only do three or four transactions per day. That could not possibly be viable, either for Australia Post or for the licensee. Again, it is a tricky situation, isn't it? Some licensed post offices might, for instance, earn as little as \$60 or \$70 per week gross; others might earn three-quarters of a million dollars a year gross—there is such variation. That is, of course, what makes your task a lot more difficult.

**Mr WILTON**—When you say that banks have closed their country branches for economic reasons, they must expect to pay realistic commissions to alternative providers of their services. Are you suggesting that maybe the banks ought to contribute to the cost of extending GiroPost to those outlying areas?

**Mrs McGrath-Kerr**—We would welcome that, yes. After all, in most of these instances it is the bank that has caused the problem. It is as the bank branches have closed that pressure has been put on our members. They are often in an intolerable position after the bank has closed. The bank manager and the bank staff will have said to their customers, ‘That’s all right; you can do your banking at the post office.’ In other words, they are being very general, not specific. You can only do private banking at a post office, and then only if it is a GiroPost bank.

Banks often give misleading and confusing information to their customers, who then go down to the post office and want to do whatever it is they have been told they can do. But the licensee has to refuse, which then puts him or her in a very awkward position in a small town where they probably know everyone—they could well be related to half the town. It is an invidious position to be in.

We feel that this problem has largely been brought about by the banks and we resent any suggestion, particularly in the media, that post offices should pick up the slack. Indeed, it is also said by Australia Post, and we are not apologists for Australia Post either. It is largely a banking problem. I agree with you: if the banking fraternity contributed towards some of these mini-banking terminals, for want of a better expression, that would be great.

**Mr WILTON**—Has POAAL ever had discussions with any of the banks, particularly Trust Bank in Tasmania, on that particular question? If so, what sort of feedback have you got about this notion of community service obligations?

**Mr Matteson**—At the moment, Australia Post is in negotiations with Trust Bank for them to come on-line with GiroPost. It has been delayed for about 12 months because of the Trust Bank’s new system for them to be able to be compatible with Australia Post. That will be a big help for a lot of people in Tasmania when they do come on line.

**Mrs McGrath-Kerr**—We have spoken to the Commonwealth Bank in years gone past about providing more EFTPOB terminals. However, they were reluctant to do so.

**Mr WILTON**—If, as you say, banks were to pay a realistic commission, what would you deem to be a commission and, basically, what are they paying at the moment?

**Mrs McGrath-Kerr**—There is no business banking done at the moment, so therefore there is no commission. We have discussed this with Australia Post and we believe that a tiered structure would be better. For instance, it may be that up to X dollars in cash and up to X number of cheques would be one fee. If you step up to another level it is perhaps doubled, and at another level it is tripled. Some businesses might only bring in \$100 in cash and 10 cheques; others might bring in \$2,000 in cash, half of which might be coin that they want to get rid of, and 35 cheques. Clearly, there is a large time difference involved in coping with that. It is not just coping on the counter, it is actually handling the cash and the cheques afterwards and getting rid of them. They do not just magically disappear somewhere; they have to be written up and sent somewhere. Does that answer your question?

**Mr WILTON**—Yes.

**CHAIR**—You say that they have got to be sent somewhere. You obviously have very frequent connections in transport to other larger centres, so how difficult would it be to organise that?

**Mrs McGrath-Kerr**—It is very rare these days for cash to go through the mail. The unions do not like it, we do not like it, and Australia Post does not like it, so usually cash handling is done within an area. Business banking would put greater pressure on cash handling facilities. Cheques can be sent through the mail quite readily, but clearly they have to be written up. The post office, whether it is a corporate office or a licensed office, has to balance daily. Once that balancing procedure has been done, the cheques are remitted to a place that has been designated by Australia Post. It may be to a large Australia Post office, or it may be to a bank. The cash management plans are different for each post office, so we cannot give you a definitive answer on that, I am sorry.

**Mr CAUSLEY**—I notice the list of banks that do deal with you at the present time through GiroPost, but three of the majors do not. Have you had any discussions or made any approaches to those three majors about using the facility?

**Mrs McGrath-Kerr**—It is not our position to do so, but we have encouraged Australia Post to do so. As far as we are aware, Australia Post has had discussions with them. If we find ourselves in a situation where we are talking to someone in authority in the bank, which happens from time to time—and we certainly encourage it—they have shown a great reluctance to join the GiroPost system. It may be that they do not want small, private customers, because they are the type of people who are largely dealt with by GiroPost. We actively encourage Australia Post to talk to the other big three banks, because our customers are asking us for those services.

**Mr CAUSLEY**—In their submission to us the banks said it would undermine their custom if they joined now. Do you think that is a reasonable statement?

**Mrs McGrath-Kerr**—No, I do not.

**Mr Matteson**—We would be able to service their customers without their customers having to travel 20 or 30 kilometres to go to their banks.

**Mr CAUSLEY**—If their customers left their banks and went to the Commonwealth Bank, then you could service them.

**Mr Matteson**—That is correct.

**CHAIR**—Australia Post put it to us that it is all or nothing and that they will not accept the selective branch concept. For example, if the Commonwealth Bank had a branch in the town, they would not want it on GiroPost as well. We have questioned them as to why, in practical terms, you would not be able to have selective branches, but so far they have been very reluctant to pursue that. What would be your response to that?

**Mrs McGrath-Kerr**—I would have to agree with that. For instance, if the anonymous town of Woop

Woop had a Westpac bank and the Westpac bank left town and there was no other bank left there, only the post office, I do not think it would be right for Westpac to do a deal with the Woop Woop post office—only because that causes confusion in the customers' minds. If the customers are used to doing Westpac at a particular post office and then they go to another town, they will assume that they can do Westpac there. If a traveller coming through suddenly discovers they can do Westpac at that particular post office but nowhere else then, again, that is confusing. I am inclined to agree that it is all or none. Surely, isn't that giving the banks what they want anyway, if we let them pick the eyes out of the network?

**Mr CAUSLEY**—It is a classic Mexican stand-off, isn't it?

**Mrs McGrath-Kerr**—Yes.

**Mr CAUSLEY**—For instance, if a bank did leave town, it is probably still saying that it would not use GiroPost, but what you are saying is that if you use it in one town you should use it in every town.

**Mrs McGrath-Kerr**—If they thought it through, it may be that it could rationalise their system further: if they were using the post office network for more private banking, it may take the pressure off their branches. I am sure they do not like their queues getting longer and longer for private customers that perhaps just want to draw out \$50 or \$100 or whatever. Customers in country areas are in an invidious position. It is not helped by the fact that, once a bank goes, there may be no ATM in that area, so the card customers lose access to ATM services, and in some small country towns there is no EFTPOS. A lot of businesses do not have it, or if they do have it then it is only for their own business. They will not give out cash, because they have no means of getting any more cash in. Cash flow is an integral part of this.

**CHAIR**—I put it to you that there are other agencies already looking to set up in competition, or looking to provide a service when there is nothing else. For example, the pharmacists have suggested that they are looking to expand to provide credit union agencies. Given that, if it is not going to be the licensed post office, it would be the pharmacist. What would be the attraction for you to say you want to get the agency—for, say, Westpac—before the pharmacist puts in something? What is the incentive? Is there an incentive?

**Mrs McGrath-Kerr**—The disincentive is cost. To set up an electronic network, we are talking of tens or perhaps hundreds of millions of dollars.

**CHAIR**—No, I mean GiroPost.

**Mrs McGrath-Kerr**—But you were talking about the pharmacies. For them to get the same advantage as the Australia Post outlets, they would have to have an electronic system as opposed to a manual system, otherwise you are not comparing apples with apples.

**CHAIR**—Come back to the case of, say, the Westpac in Woop Woop. If you do not get Westpac into Woop Woop, the pharmacist might get something in, a similar service, even if it happened to be a credit union. Would there not be some incentive for you to grab it before the other one came?

**Mrs McGrath-Kerr**—Only if it were worth it. We are being practical here.

**CHAIR**—That is what we want to know.

**Mrs McGrath-Kerr**—I cannot see the Westpac putting in—perhaps they would—an electronic service for one town.

**CHAIR**—We are talking about a bank putting in selective agencies where they do not have a branch, through GiroPost.

**Mrs McGrath-Kerr**—We would not support it, because we would like to see a uniform network. We believe that any customer should be entitled to see a post office sign and say, ‘Ah, I can buy a stamp there’, and go in, or, ‘I can pay a telephone bill there’, and go in. We want the same services everywhere. If you have to say ‘at selected post offices’ or ‘at certain post offices’, or ‘only at post offices that bear this sign’, it is then discriminating against the whole network and the network loses its integrity.

**CHAIR**—But surely you do that to some extent now, because only some post offices have GiroPost.

**Mrs McGrath-Kerr**—Yes. They all have a sign outside that says that they are GiroPost. The ones that do not have GiroPost are largely, as we said earlier, rural and remote. I would expect every single customer of that post office to know what they can and cannot do there. That is why we said in our submission, as Mr Wilton said, that we would like that electronic network expanded.

**Mr WILLIS**—Mrs McGrath-Kerr, you said in your original submission that there were something like 706 licensed post offices which have electronic counter services and 179 which have EFTPOB facilities. I think you said the electronic counter facility service was EPOS. What is the difference between EPOS and EFTPOB, in terms of what you can deliver?

**Mrs McGrath-Kerr**—With EFTPOB you can do only banking; that is the easiest way to do it. EPOS does all third party agency transactions and balancing procedures, and indeed some calculating for postage and so on. But EFTPOB is a small, dedicated terminal, just for banking.

**Mr WILLIS**—What else can you do with EFTPOS that you cannot do with EFTPOB or EPOS?

**Mr Matteson**—Have you seen the PCs on the counter in the big post offices? That is an EPOS machine, as we call it. You can do only banking on EFTPOB and nothing else.

**Mr WILLIS**—What else can you do with EPOS?

**Mr Matteson**—We can do any transaction. You can pay your Telstra account with it.

**Mr WILLIS**—Pay your accounts.

**Mr Matteson**—Yes. We balance on it; we do everything with it—whereas the EFTPOB is only for banking.

**Mr WILLIS**—So in terms of the banking operations, there is no difference in terms of what you can

do, whether they have EFTPOB or EPOS.

**Mrs McGrath-Kerr**—That is close—8½ out of 10.

**Mr WILLIS**—You are implying there is a difference. What is the difference?

**Mrs McGrath-Kerr**—Usually, EFTPOB terminals are dedicated to one bank, the Commonwealth.

**Mr WILLIS**—Does that mean that, if you come in as a Citibank customer and they have EFTPOB, there is nothing doing for you?

**Mrs McGrath-Kerr**—That is right. However, most of the banking that is done in post offices through GiroPost is still Commonwealth banking. I would suggest it is in excess of 80 per cent but, again, Australia Post could give you the exact figures on that.

**Mr WILLIS**—Australia Post was before us yesterday but I missed that, so I might ask you a question or two which shows my lack of awareness of what was said yesterday. In terms of the introduction of GiroPost in the past few years, what difference has that made to the banking volume in post offices, given that you already were operating as an agency for the Commonwealth Bank?

**Mrs McGrath-Kerr**—In the past two years the banking transactions have gone up almost 25 per cent, so GiroPost has had a good impact from a business point of view—and, indeed, from a customer point of view—because the transaction volumes would not have gone up if the customers had not wanted to come in and do their transactions. I would suggest that there are other reasons. One is the convenience of the post office. Let us say you have a Commonwealth Bank key card: you can do that transaction at the post office any time the post office is open—not between the archaic hours of 9.30 a.m. and 4 p.m. or whatever. How they still get away with that, we do not know. Any time the post office is open a banking transaction can be done. That is a distinct advantage. Quite often the post office is convenient. People are going to the post office to do something else, and so it is a one-stop shop now.

**Mr WILLIS**—Would you expect that rate of growth to 25 per cent in the past two years to be reflected in future years as continuous growth of that sort of order, or was that a bit of an establishment impact?

**Mrs McGrath-Kerr**—If the banks keep on closing branches, yes, it probably will increase.

**Mr WILLIS**—You said there were 10,000 transactions needed before you can qualify to get EPOS. What do you mean by a ‘transaction’?

**Mr Matteson**—A Telstra account—

**Mrs McGrath-Kerr**—They are ‘billpay’ transactions.

**Mr WILLIS**—It is not buying a postage stamp or anything?

**Mrs McGrath-Kerr**—No, it is not. It is what they call ‘billpaying’ transactions.



**Mr WILLIS**—You also said that you do not do any business banking. My understanding was that actually some business banking had been transacted in various post offices until recently when Australia Post more or less said, ‘You should not be doing it because we basically do not have an agreement to do it.’ Is that the case as you understand it?

**Mrs McGrath-Kerr**—There were a few isolated instances; you are quite correct. Those licensed post offices have been told that they may no longer do it. We agree with this ruling because there is no agreement between Australia Post and the particular banks for business banking, so therefore there is no legality in the licensee performing those banking transactions. If anything went wrong—let us say that the money went astray between the post office and wherever it was being remitted to, or that they got held up or broken into or something—the licensee would hold sole liability for that. Considering that the amounts involved were somewhat substantial, we were seriously concerned. The other thing is that anything that is done in breach of the LPO agreement puts the licensee at risk of losing their LPO agreement. We do not encourage people to put their livelihood at risk just for the convenience of one or two customers.

**Mr WILLIS**—There must be a large grey area, though. If you have single person enterprises, family businesses and so on, what is individual private banking and what is business banking would not be all that clear quite a lot of the time, I would have thought, particularly in small towns with a lot of small businesses.

**Mrs McGrath-Kerr**—You are quite right. On the whole, there are no withdrawals conducted at business banking. They are usually just depositing because they have a cheque account, and usually the cheques that are deposited to a business account are clearly identified as a business. But you are right; there are a few grey areas. We acknowledge that and Australia Post acknowledges that, and sometimes we have to get a ruling from the bank as to whether it is a business account or not.

**Mr WILLIS**—You were pointing out before the problems in getting into business banking, but are you really of the view that this is something that the post offices can handle satisfactorily, despite delays and all that sort of thing—10 minutes as against 30 seconds for a private banking transaction?

**Mrs McGrath-Kerr**—I really do not think anyone would know until it was tried, which I suppose is not the answer you want. It is one of those things that we can only imagine the difficulties of in advance and try to come up with solutions to those difficulties and hope that in practice they will work. Sometimes a little old lady who cannot find her passbook in the bottom of her handbag can take up more time than a business customer in a bank branch. I have seen that happen myself. Everyone is getting frustrated, but we are understanding with the elderly. We put up with those sorts of things. But I do not know; I am sorry.

The security risk is certainly very real and we are worried about that. Post offices are being held up at increasing rates. In New South Wales a licensed post office is held up on average every day—some days, it is three or four a day.

**CHAIR**—Is that in remote areas or in larger centres?

**Mrs McGrath-Kerr**—It is usually in larger centres but it does extend out. For instance, there was a spate of hold-ups around Orange. One of our members at Orange was held up twice in two or three weeks. I do not consider Orange a city area, but perhaps the people of Orange do. Smaller post offices that are run in conjunction with a roadhouse or general stores or something like that are being held up. We can see that, if

business banking were part of the deal, the perception out there in customer land would be that more money is going to be handled. That may not be so, but we believe that that perception would be there. Therefore, greater security measures would have to be put in place. Frankly, we do not want our people at risk.

**CHAIR**—What would make it attractive to take on that extra business? Would you want just an additional fee? If it were attractive financially, would you want to take it on?

**Mrs McGrath-Kerr**—It would have to be very attractive, but yes.

**CHAIR**—The pharmacists, for example, obviously already believe that since they carry a lot of drugs and so on they have to have reasonable security for other reasons. Therefore, they would presumably be happy to take on a certain amount of banking.

**Mrs McGrath-Kerr**—I would suggest that there are lots of little towns in Australia that have a post office but not a pharmacy.

**CHAIR**—Yes, we are aware of that.

**Mr WILLIS**—Are you really saying to us that the organisation wants to see the right to have business banking conducted through post offices, so long as all the problems can be overcome? Or are you really not that fussed about it at all and prefer, on balance, not to have to put up with it?

**Mrs McGrath-Kerr**—If you look on the second page of the paper we gave you today, you will see the very last point is business banking. We believe that adequate commissions for performing the work, arrangements for cash handling, secure safes, adequate security, training, satisfactory handling of queuing procedures so that other customers were not disadvantaged, and complete responsibility for moneys to be taken by either the banks or Australia Post are the sorts of things we would be looking at before we would be prepared to take on business banking.

On several occasions we have held preliminary discussions with Australia Post over these matters so that, in their discussions with the banks on business banking, they know our position and understand where we are coming from. They have similar concerns because they have to carry out a lot of these things. It may be more practical in some areas than others. We are certainly not against it, but we believe that certain other things have to take place prior to that happening. Anyone who rushed into business banking without giving heed or thought to these sorts of things would be very foolish.

**CHAIR**—I have a motion to incorporate the first two pages of this submission you have given us. I think the rest of it is already on the public record.

**Mrs McGrath-Kerr**—That is right, sir.

**CHAIR**—Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

*The document read as follows—*

**Mr CAUSLEY**—I want to go back to the very isolated communities and very small communities where there is likely to be a licensed post office, if nothing else.

**Mrs McGrath-Kerr**—Like Fitzroy Crossing.

**Mr CAUSLEY**—Yes, some of those very small communities. Probably the most important thing is cash. Are you saying that they could get cash with a service like EFTPOS?

**Mrs McGrath-Kerr**—Yes.

**Mr CAUSLEY**—Very small communities could be serviced for no great cost to get cash?

**Mrs McGrath-Kerr**—That is right. There are still line costs. I am not a technical person, but I believe that they work on a dial-up facility, which should keep down the costs.

**Mr CAUSLEY**—The banks have told us they are going to have mobile officers that might go out to deal with their customers.

**Mrs McGrath-Kerr**—Ho, ho, ho.

**Mr CAUSLEY**—I mentioned that I had not seen anything.

**Mrs McGrath-Kerr**—A mobile bank would be a pretty good target, wouldn't it? Does that mean they are going to have a lot of cash on board? It would be like an Armaguard van.

**Mr CAUSLEY**—Ned Kelly might come back.

**Mrs McGrath-Kerr**—To me that seems like an incredible risk to take.

**Mr CAUSLEY**—No. They are really dealing with things like loans and things such as that. They would go out and sit down with the business or the farmer or whatever.

**Mrs McGrath-Kerr**—That is hardly a mobile bank. It is a mobile loan facility.

**Mr CAUSLEY**—I said mobile 'officers', not 'offices'.

**Mrs McGrath-Kerr**—I like the thought of a mobile bank. That is great.

**Mr CAUSLEY**—I am looking at what you lose in communities when a bank closes and how that can, in some way, be replaced.

**Mrs McGrath-Kerr**—When a major service leaves town and the residents of that town have to go to another centre to do their banking, they do other things as well. They go into the supermarket, they buy their petrol, they have their hair cut, they go to the doctor and those sorts of things. That has a flow-on effect, and so other businesses in the town can gradually die. We are working with post offices. We are saying to communities and the government, 'Don't let the post office close because, if the post office closes, the

community will die.' It has happened over and over again. Bank closure is just a part in that step. If the bank leaves town and people have to go to another centre to do their banking, they will undoubtedly do other business while they are there. That is a threat. You are quite right.

**Mr WILLIS**—To your knowledge, have any post offices been closed in remote or rural areas?

**Mrs McGrath-Kerr**—Some of them have closed voluntarily because the business has been so low. Others have been converted to what we call CPAs, community postal agencies. There are about 440 community postal agencies in Australia. They provide limited postal services: incoming mail, including delivery; outgoing mail; stamp sales, calculation of parcel charges and that sort of thing. They are usually only open for a couple of hours a day. There is a service there, but it is a lesser service. It meets the needs of that particular community. Some licensed post offices convert to CPA operations, and that seems to meet the needs. Some of those CPAs might be conducted in the front room of someone's house. You may have seen a few of those in your travels. Others are perhaps a corner in a general store or something like that. For what it gives, it is quite a good service.

**Mr WILLIS**—But no banking.

**Mrs McGrath-Kerr**—No banking.

**CHAIR**—You suggested that less than 10,000 transactions could be worth while. How many of these licensed post offices that do not have GiroPost or one of these similar services would be able to provide a service at a reasonable cost? In other words, it may not be all that profitable but, with a little bit of assistance from somewhere, it could provide some sort of service for a community that has nothing else.

**Mrs McGrath-Kerr**—As we are both Tasmanians, we could answer on a Tasmanian basis. Communities such as Swansea and Dunalley, for instance, would benefit hugely by technology in the post office, because there are no banks there.

**Mr CAUSLEY**—What is the population?

**Mr Matteson**—There are 400 or 500 houses.

**Mr CAUSLEY**—About 1,200 people?

**Mr Matteson**—Something like that.

**Mrs McGrath-Kerr**—Has Swansea had a bank?

**Mr Matteson**—Yes.

**Mrs McGrath-Kerr**—The bank at Swansea closed, so people there now must have a large distance to travel. Dunalley has a lot of tourists travelling through it. There are other areas, such as Gippsland, where they would very much like to have banking services. Sometimes demand is seasonal, and that is something we have not touched on. There are some areas where, either in the winter because of the snow or in the summer because of beaches, areas suddenly expand during the holiday period and have a great demand

during that time, but where for the rest of the year demand goes right back to low, as there are only the normal residents there. It is very hard to justify to Australia Post or the bank that you need some sort of electronic terminal for that period. Perhaps we need travelling terminals, just as we have travelling banks.

**CHAIR**—Another area of great interest to me is the provision of social security type payments. As you are well aware, the Commonwealth is the biggest provider of payments in the nation. One of the areas that we are very concerned about is that, when there is no bank in a town, the person who wants to get access to part of their social security payments often has to pay \$1.50 for a withdrawal. Do you have any suggestions as to how this might be done in a cheaper way?

**Mr Matteson**—The banks have got us over a barrel there. My post office is in exactly that area you are speaking of, and it is rather a problem to get around it. It is not Australia Post that is charging the \$1.50 but the bank that is charging the \$1.50. We do not want to see that happen because it affects our business: if we are getting fewer transactions, we are earning less money. We do not want to see that, either. But how to get around it?

**CHAIR**—The smart card has been one suggestion: how hard would it be to gear up for that?

**Mrs McGrath-Kerr**—The trouble with the smart card is that, unless it is identified to the person with a pin number or something, if they lose their smart card they have lost their money. That is one of the snags with the smart card. Our understanding is that smart card technology is not quite as advanced in Australia as people would lead us to believe, and that it is a little further away. We are aware that the Department of Social Security are trialling a facility where they give some of their clients a card which can be used through ATMs, and Launceston is one of the areas that is being trialled. I am sure that if you asked Senator Newman she could fill you in on that.

But there are difficulties with that facility as well: ATMs will only dispense \$20 and \$50 notes, and we have had complaints that, when DSS customers have been given a card—and let us say it has \$110 on it—and they have put it into an ATM and drawn out \$100, they then have a card with a value of \$10 on it which they cannot access. So you then have to train your customers as well. That only works where there are ATMs. If the same system could be accessed through post offices, that would be good, but I believe that it would be up to Australia Post and the Department of Social Security to hold discussions over that.

I have spoken to the Minister for Social Security on this matter and have suggested that it would be a very good set-up for Australia Post outlets having either EPOS or the new one, RIPOSTE, to be able to do those transactions. Again, it would have to be protected in some way by a pin number or something, otherwise they might just as well have lost all their money, if they lose the card. It is tricky, isn't it?

**Mr CAUSLEY**—It is a terrible name: it sounds like 'Rip-off'!

**Mrs McGrath-Kerr**—It is RIPOSTE, sir.

**CHAIR**—Do you feel frustrated by Australia Post's attitude on some of these issues?

**Mrs McGrath-Kerr**—As regards banking, the only area we feel frustrated in is that we believe the electronic network should be greater. We get immensely frustrated with the banks, of course, when they pass

on misleading or confusing information to their customers and we are then the ones who have to wear the flak. We have reluctantly come to the conclusion, over the years, that Australia Post is caught in its discussions with the bank. In many instances, they are between a rock and a hard place. If they cannot get a commercial rate for doing some of these transactions, why should they do them? They have got to pass on most of that money to us anyway, so it is not as though they are making all the money.

They provide the technology and the transportation of the cash and the cheques—the handling of the cheque encashment and so on—so they do a lot of work for their portion of the money. They are certainly being put under pressure, and their outlets, including ours, are being put under pressure as bank branches close. It certainly has appeared to us—over the past two or three years in particular—that post offices, including licensed post offices, are taking the flak for a lot of bank closures, and we thoroughly resent that.

**Mr WILLIS**—Can I ask about the 10,000 transactions? I understand that it was said yesterday by Australia Post that it was 12,000; but, whatever the number, is this some kind of arbitrary number, or is there a real economic calculation behind it as to the minimum volume of business necessary to justify the input of the electronic equipment?

**Mrs McGrath-Kerr**—That 10,000 is an arbitrary figure, as you call it, but it was anticipated that that was an economic number to put it in. We do not say so, but Australia Post says that at 12,000 transactions it becomes profitable. We believe that different outlets have different levels of profitability and so we do not agree that that 12,000 is the profitable number of transactions. That is where the difference between the 10,000 and the 12,000 comes in.

**Mr WILLIS**—That is profitable for Australia Post?

**Mrs McGrath-Kerr**—Possibly.

**Mr CAUSLEY**—Is it the return on capital investment that they are talking about being profitable—the cost of putting the equipment in?

**Mr Matteson**—Yes, because of the price of the machines and the ongoing fees on the lines.

**Mr WILLIS**—Is that the same for both EPOS and EFTPOB?

**Mrs McGrath-Kerr**—No; there are much greater costs for EPOS than for EFTPOB.

**Mr WILLIS**—Is the number of transactions required before you can qualify the same?

**Mr Matteson**—No.

**Mrs McGrath-Kerr**—No. It is a lot less for EFTPOB but I am sorry that I cannot tell you what it is.

**Mr CAUSLEY**—Presumably, if there were a CSO from, say, government for the cost of the equipment, that number could come down.

**Mrs McGrath-Kerr**—Certainly, sir.

**CHAIR**—You may have said this before, but how many people have actually got the EFTPOB one?

**Mrs McGrath-Kerr**—There are 177, as of 31 March this year.

**CHAIR**—As we have no further questions, I thank you very much for coming along today. We certainly appreciate the submission and your appearance before the committee.

**Mrs McGrath-Kerr**—It is our pleasure. If any of you have any further questions, please feel free to get in touch with us.

**CHAIR**—Yes, we will.

[2.22 p.m.]

**ALLEN, Mr Martin James, General Manager, Corporatisation, Trust Bank, 14th Floor, 39 Murray Street, Hobart, Tasmania 7000**

**CLUES, Mr Stuart Leon, Manager, Banking Operations, Trust Bank, Level 8, 39 Murray Street, Hobart, Tasmania 7000**

**CHAIR**—Welcome. I remind you that the evidence you give at this public hearing is considered to be part of the proceedings of parliament and accordingly I would advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received your submission, and it has been authorised for publication as submission No. 4. Are there any corrections or amendments you would like to make to your submission?

**Mr Clues**—No. The submission that was made still stands.

**CHAIR**—Do you wish to make a brief opening statement?

**Mr Clues**—We would like to take that opportunity, if we may.

**CHAIR**—Please do.

**Mr Clues**—I would like to lead off by giving a little background on the bank, and then my colleague will give an indication as to the future direction of distribution channels for Trust Bank within Tasmania and interstate. For your benefit it is important to note that Trust Bank is probably the oldest financial institution within Tasmania and, arguably, within Australia. We were established in 1845, which makes the bank a bit more than 160 years old. We were established under a trustee act of parliament. That does not mean that we have any government control or intervention: the state government is not responsible for the stability of the bank.

In terms of the products and services that we provide, we are the same as any of the major financial institutions. We provide housing loans, investment loans and commercial facilities, as well as transaction based accounts. The Trust Bank has, at this point in time, 206,000 customers with open accounts, of which 17,000 are commercial accounts. In terms of their contribution to our operating income, 60 per cent of our income is drawn from personal banking and 40 per cent from commercial banking. As at the end of our financial year last year, which was 31 August 1997, our total assets were in the order of \$2 billion, and we made an after-tax profit of \$11.6 million. The Trust Bank has the largest market share within Tasmania in terms of both lending—which is in the order of 25 per cent of bank lending—and deposits, which are 42 per cent of the market.

In terms of distribution channels, Trust Bank has 41 branches within Tasmania and employs 560 staff, of whom 240 are engaged in the branch network. We have 17 agencies throughout the state and, despite a number of representations this morning, three of those are on the east coast between St Helens and Sorell. We have branches both in Sorell and in St Helens. We have agencies in Triabunna. We also have an agency in Swansea and one in Bicheno. We heard representations this morning from a number of people that that area is completely without financial services. I am putting up my hand to say that we have been there for some time and that we have no intention of leaving.



It is also worth noting that, in terms of our interstate expansion, we now have six branches interstate: at Gosford, Newcastle, Melbourne, Maroochydore, Brisbane, and Chatswood in North Sydney. They have all been operating for a couple of years now and are presenting the bank with a very good return. The future direction of the bank is to continue to be profitable within Tasmania; but, recognising our market share, there is a need to expand interstate, and we have been able to do that successfully.

We have 41 ATMs throughout the state, which average about 6,000 transactions each. We have 178 EFTPOS machines, which perform about 30,000 transactions per month—about 170 transactions per machine. We also have a call centre that operates in both the north and the south of the state. That call centre manages, on average, about 36,000 calls per month that were traditionally going through the branch network. We believe that the investment that we have made in terms of electronic distribution has been well accepted by our customer base. More than 50 per cent of the transactions that we now conduct for our customers are done through electronic means other than over-the-counter transactions through the traditional branch network. I will hand over to my colleague now.

**Mr Allen**—I would like to start with the conclusion from our submission and briefly touch on the three key points that we have made. The first one—and I am sure you have heard this before—is that in our view the delivery of banking services to rural and remote communities in Australia will be based on the profitability of the customer segments in those markets. Where the customer segments are unprofitable, the community can expect—and we have seen this—banks to do one of two things: either vacate the market or provide low cost services.

Secondly, where the customer segments are profitable, there will remain a place for traditional branches, particularly for commercial customers requiring cash handling facilities. This will continue to be the case, in our view, until electronic commerce replaces the need for cash. The view of Trust Bank is that, until there is a greater penetration of the market by personal computers with modems, and until such time as electronic commerce becomes available on a much wider scale, Internet banking will remain a niche form of banking, and it is not an activity that we are exploring with great vigour at the moment.

The third point we would like to make is that it is our aim to provide the service mix which makes every customer a profitable proposition. We do not wish to remove—and we will not be removing—our services from particular locations, but we will be doing all we can to make them profitable. It was with that aim that we set about doing our own research, which we have included in our paper. Consistent with studies of retail banks around the world, we found that a small percentage of customers generate the bulk of our profit, that a large number of customers are in fact unprofitable and that, traditionally, profitable customers have cross-subsidised the services to non-profitable customers. The economics of banking, though, mean that today we cannot continue to have that situation apply.

Based on our analysis, we have identified a preferred distribution mix for each of our geographic markets. It is a mix which we believe will minimise the costs associated with delivering our services to what we call unprofitable customer segments, whilst maximising the prospect of retaining profitable business. A major implication of this study, obviously, is that the 'one size fits all' model has gone, and it has gone forever. We are not in a position to divulge the distribution service mix in detail; that would pre-empt all the communication that is necessary, the education that is necessary, for our customers and others in the Tasmanian community. But we did provide in our submission a table to give you some form of guide as to what our thinking is.

In conclusion, we would like to reiterate the point that Trust Bank wishes to continue to provide services to its customers. But its objective is to find the service mix which makes every customer a profitable proposition. Thank you.

**CHAIR**—Thank you. Maybe we could start off by following up a proposal that was put to the committee this morning. That was the idea of agencies set up in retailers. I was wondering what Trust Bank's response or attitude towards that might be.

**Mr Clues**—It is not a new proposition. It is not one that is foreign to Trust Bank. Basically, we have had a number of agencies over the time the bank has been operating. As I stated earlier, we currently have 17 agencies throughout the state. As the premier financial institution, I guess it is even arguable that within Tasmania, with the number of branches and the number of agencies that exist, people are almost overserved, in comparison with what is operating interstate.

We do see that there is a good role for agencies. What you are talking about there is a bricks and mortar site, where you have people dealing with people, you have the support of an electronic network and you also have all the security issues associated with having a physical site. Trust Bank would see the agency arrangements as being an integral part of its future distribution channels. As has been indicated by my colleague, it is a matter of matching the distribution channel to the customer base in that area to ensure that there is an appropriate return, that the service is ongoing and viable, and that it meets the needs of the local community.

**CHAIR**—Which means that you would be looking to expand these agencies—or only odd ones, as you think it becomes attractive?

**Mr Clues**—It will be a matter of having a look at our existing agencies to determine whether they are viable—and most of them are. Into the future, where it is no longer viable or it becomes unviable to continue a branch operation at a particular site, it will be a matter of having a look at whether the next best option is to enter into an agency arrangement.

Agencies can come in a number of forms. It could be an unmanned agency, where you have almost a franchise type of arrangement and the owner of that business takes all responsibility for the banking. Or it could be that we have manned agency, where Trust Bank staff actually provide commercial banking facilities to the local community and maybe the person we have entered into that co-location arrangement with would take responsibility for the consumer based transactions; or, alternatively, they are picked up by electronic means, such as an EFTPOS machine or an ATM.

I am sure that the committee would have received advice to date that EFTPOS machines have come a long way and that they can, in fact, now accept deposits and provide account balances. So there is a range of options that we see as being available. It is just a matter of striking that balance, based on a good understanding of the market in that area.

**CHAIR**—Does that mean you expect to expand into this area, or is it just replacing an existing service?

**Mr Clues**—I believe that it would probably be replacing an existing service. I cannot see that the

bank in Tasmania would be looking at expanding the number of agencies as though that were a good infrastructure to have. At this time, we have 41 branches within this state. We have 17 agencies. We believe we have got most points of representation covered. I do not believe that we would be going and opening up additional points of representation.

**CHAIR**—Do you see any place for a mobile banking facility, servicing more remote areas—

**Mr Clues**—Such as a bus?

**CHAIR**—An Armaguard type of vehicle, probably.

**Mr Clues**—It is a concept that we have only toyed with; it is not one that we have explored in any great detail. I am aware that from time to time the Commonwealth has a mobile bus that visits Salamanca wharves during peak periods, and those types of things. It is not something that we have seriously explored but it is certainly not an option that we would rule out. I cannot really add much more than that.

**Mr WILTON**—Can you explain what a customer profitability segment is?

**Mr Allen**—What we have done within the bank, as a number of other banks have done, is looked at the profit to the bank of customers. Using that as the starting point, we have then attempted to segment our customer population. When we have done that analysis we have found that there have been certain similar characteristics. To give a very simple example, you look at how profitable a range of products is for the bank, you look at the product holdings the customers have, you look at how long they hold those products for, you group them in terms of profitability to the business, you then look at the characteristics of those groups and, often, you find similar trends, similar patterns, emerging.

Equally as interesting, you also find, as you would expect, that certain communities—this is not only in Tasmania but elsewhere in Australia and around the world—have particular profiles and particular banking habits, be it a strongly commercial community, a predominantly residential community, a community that is predominantly unemployed. These patterns get reflected in the issue of product holdings, of transactions. We can look at the profitability. Based on that, you can make some judgments about the sort of service you can ‘afford to provide’ and still provide a profitable solution.

**Mr WILTON**—Why would you prefer to use those as criteria for future bank determinations rather than a broader category of, say, economic capacity?

**Mr Allen**—What is obviously important to the business at the end of the day is ensuring that we can be profitable—that is a driving modus operandi. What we are trying to do is to find ways to deliver services which enable us to continue to generate that profit. What has happened in the past, as our model shows, is that we have had a situation where our high profit customers have been subsidising our low profit customers. Margins are coming down. We cannot afford to charge someone more for a home loan than what is happening in the market, of course. We just cannot afford to do that, so we have to find the right mix: a price that matches the revenue flow and leaves a margin for profit.

**Mr WILLIS**—I have a couple of questions. Firstly, have you closed any branches in the past few years? If so, where were they?

**Mr Clues**—The answer is twofold. What you need to understand is that the Trust Bank is an amalgamation of two previous banks—the SBT and the Tasmania Bank. When they merged, back in 1991, we had the situation of two rival banks sitting on the same street, often right next door to each other.

One answer would be to say that since 1991 we have closed 24 branches, but what I would like to do is qualify that because often you end up with a headline that says, ‘Trust Bank has closed 24 branches.’ That is eye-catching and dark and evil. However, what you need to recognise is that for each one of those sites you are often talking about having another site sitting next to it or on the other side of the street. A more appropriate answer would be to say that in October 1996 we closed 10 branches around the state and that they were reasonably evenly distributed. I have those locations for you here.

**Mr WILLIS**—You can supply them to the committee later on.

**Mr Clues**—I can. Basically, it was because there was a duplication of our services. For example, in the southern region we closed the Bellerive branch because less than one kilometre away we had the Rosny branch. In relation to the north-west, we closed the East Devonport branch because we had the Devonport branch nearby and we closed the Sheffield branch because we had the Latrobe branch nearby. In Launceston we closed the Brisbane Street branch since it was a stone’s throw away from the St John’s Street branch. Our argument would be that the only branches that we have closed are those where there was another within reasonable commuting distance.

**Mr CAUSLEY**—You have not closed any in small towns?

**Mr Clues**—There are towns all over the place and they are very closely located. One could argue that we pulled out of Geeveston, but Huonville was within a 10 minute drive. We have a branch at Huonville.

**Mr WILTON**—It is half an hour from Geeveston to Huonville, isn’t it?

**Mr Clues**—I do not believe so.

**Mr WILTON**—Ten minutes, do you reckon it is?

**Mr Clues**—I would argue that.

**Mr Allen**—It is 10 minutes when I go to Geeveston for afternoon tea on a Sunday—from Huonville, that is.

**Mr Clues**—Without wanting to get into the semantics of how long it takes to drive from one town to another, our argument in terms of the strategy that we have employed in closing branches is that we have always had a branch nearby.

**Mr WILLIS**—You said there were 17 agencies. Has that number been growing as there has been a reduction of branches, or is it pretty much stable?

**Mr Clues**—It is very much stable.

**Mr WILLIS**—Okay. I find the little table that you have provided quite fascinating. You have classified your customers as unprofitable, low, medium, and medium to high, in terms of their profitability. Then the likely service solution in each case, even with the medium to high group, seems to be to remove the branch. For unprofitable ones, the likely service solution is to:

. Replace the branch with an agency through a local retailer.

For low profitability ones, the likely service solution is:

. Replace branch with an agency through a local retailer.

For the medium profitability group, the solution is:

. Mobile banker, operating from a small office base, or in-store branch.

For the medium to high group, the solution is:

. Mobile commercial banker.

. Retain small branch possibly located in the retail store to provide cash transaction services.

With the possible exception of the medium to high profitability group, everywhere else it seems as though the branches are going to go. Is that what you are telling us?

**Mr Allen**—That would not be an accurate reading of what is going to happen at the end of the day.

**Mr WILLIS**—How then do I interpret this table?

**Mr Allen**—We were attempting to demonstrate here that, under the likely service solution, the relative cost of providing these service solutions was either low or high. What we are attempting to do is to match the service solution cost to the profitability of the customer mix. To make it clear, in a case in point, because the application of a table like this becomes quite myriad in reality, we attempted to demonstrate that with a commercial loan customer, which is typically our most profitable customer group, from a banking point of view we would have least difficulty in affording the provision of a branch physical structure with staff, with cash handling facilities, separate from a co-located facility. As we move down the groups, we become less and less able to do that.

The issue of the branches themselves becomes complex when you look at issues like sunk costs and depreciation. All these matters need to be looked at. It is certainly not our intention to say we are moving away from our branch structure in toto. What we are trying to communicate here is that the mix of services is going to be radically different over time from that in the past.

**Mr WILLIS**—I am still not quite sure what that means. Where this chart says, 'Likely service solution,' presumably that means that is the direction that the branch is thinking of as how you make those customers more profitable.

**Mr Allen**—Yes.

**Mr WILLIS**—In most cases, it does involve replacing the branch. Certainly it does with the first two

groups—the unprofitable and the low profitability groups.

**Mr Allen**—Certainly, if we look at a community that is predominantly a transaction based banking community, you can say that on the basis of this table it is highly unlikely that any bank is going to retain a branch there, Trust Bank or any other bank. That is the way that we would look at it.

**Mr WILLIS**—Okay. So you are saying to us that, where the customer base is largely the transaction type of customers, the personal passbook holder type, you are not going to keep your branch in that sort of area?

**Mr Allen**—It is unlikely that the bank would look to retain a full service branch there. What we would be looking to do is to replace it with a range of lower cost services, as we have got here. What we are trying to do is to communicate the point that whereas banking used to be bricks and mortar and everything in it, today we are able to pull everything out of it and rejig it. I think the legitimate concern of a number of communities has been that we move everything away. What we are trying to do is find ways of leaving the bits that we can afford to provide.

**Mr WILLIS**—You say also that one of the service solutions is to provide the GiroPost service, but you are not in GiroPost. Are you thinking of joining it?

**Mr Allen**—That is our intent. Our only constraint is our computer system, which we have been attempting to update—we have just spent \$20 million on it—and the moment that the new system is up and running we will be in GiroPost, no doubt about that.

**Mr WILLIS**—You also say ‘encourage use of telephone banking’ for some people. Do you really think that, for many of those people, telephone banking is much of a solution?

**Mr Allen**—Which people are they?

**Mr WILLIS**—I am talking about pensioners, elderly people, people who probably have the highest use of passbook type accounts.

**Mr Allen**—Stuart would have some figures on that which might be helpful.

**Mr Clues**—Within the bank, we have been operating a telephone banking service for the past 18 months. During that time, we have found a great deal of acceptance from our customer base for telephone banking. As I said, we now have approximately 36,000 calls going through our telephone banking centre. I was there only yesterday, and the range of inquiries was quite diverse. Even during the time that I was there, there was a pensioner calling about the balance in her account. Most of us have friends and family who are elderly, and I do not deny that the elderly love to have the social contact of coming into a branch and talking to people. It is an outing in its own right. You only have to look at—

**Mr CAUSLEY**—Do you agree with Don Argus?

**Mr Clues**—I am not sure what comments he made.

**Mr WILLIS**—Read today's paper.

**Mr Clues**—Okay. Basically, what I am saying is that our customer base accepts telephone banking. We have seen phenomenal growth in that area. It provides a full range of services in terms of people being able to find out account balances and make transfers from one account to another. With our assistance, that customer base will continue to accept that form of technology.

I was interested in Mr Causley's comments this morning that we cannot go backwards, that we are not going to end up with a situation where every town will have a branch or where we will be building new branches. We are at the beginning of a new stage, and there are lots of reasons for that. One of them is technology: the fact that previously we did not have the options that we now have before us in terms of delivering service. Another reason is the fact that banks used to have the luxury of being able to cross-subsidise the services that they offered and the people to whom they offered them.

We do not have that luxury anymore. We have a number of niche players entering the market, and they have the opportunity, without the cost of infrastructure, to attack a particular segment and offer services at a very competitive price. Unless we do likewise we are going to be left with a whole range of transactions that cost us money and we will not be able to compete in the profitable areas.

I was very much comforted by hearing the comments not only from this committee but also from a number of the other people that that is a reality that is recognised. The biggest thing that we can do, as a financial institution, is help people manage that transition—to teach them about TBCs, ATMs, EFTPOS and mobile bankers—and recognise that we are on a major change journey and that we need to assist them in that process.

**CHAIR**—What are you doing as far as educating people is concerned?

**Mr Clues**—Where queues of people bank up and you have people standing there waiting, maybe up to 15 or 20 deep, to go to a counter, we will have a teller come around to the back of the queue and ask the people whether they have considered using the ATM.

**CHAIR**—Wouldn't most of them want the teller working behind the counter?

**Mr Clues**—Whilst we have converted close to 60 per cent of our customer base to card usage so that they have the option of either standing in a line or using the ATM, a number of them choose to stand in the line and take their card to the counter. We are finding that our role is an educative and communication process in terms of getting over that barrier of going to the machine, making a withdrawal or making a deposit. We believe it is worth the time to educate the customers up front, to take them over, to show them how to use it, and then maybe the next day they will not be the ones standing in that line but will be the ones using the ATMs.

**CHAIR**—Apart from that, what other things are you doing to educate them?

**Mr Clues**—That is one process. The other thing is that from time to time we have training evenings that we advertise in the local paper. We did that before the last branch closure where we had an hour's session in our branch. We set up an ATM and we had some staff there. We notified some of the local retirement homes, and community service advertisements were placed in the paper. So it was a matter of

bringing people in and offering a seminar.

Our TBC staff educate people. When people ring up the TBC, they have the choice of using the IBR service or talking to an operator direct. When they are talking to an operator, that person takes the opportunity to talk to them about how to use the IBR service. Through the 560-odd staff that we have, there is a strong emphasis on getting people to accept this new form of doing business transactions. That is what we are doing.

**Mr WILLIS**—That is not for their benefit, though: that is more for your benefit. If they get onto the electronic means of service, that makes them much cheaper for you to handle than if they are using the old, traditional methods. When you say you go around the queues and suggest to them that they use electronic services in the future, you are creating the inconvenience—not just your bank but all the banks—by not providing enough tellers to enable the traditional form of service to be conducted, without the long queues. All the banks are forcing people to go down the electronic path whether they like it or not, by making the old service either unavailable or else very inconvenient in terms of having to wait a long time. I know in my area in the Commonwealth Bank it is quite common for people to wait about 40 minutes.

**Mr Allen**—I am sure you have heard these sorts of figures before. The cost of an across-the-counter transaction is in the order of \$4; the cost of a direct entry transaction is in the order of 6c; an EFTPOS transaction is in the order of 80c; a GiroPost transaction is in the order of \$1.60; an ATM transaction is in the order of 90c; a telephone centre transaction is in the order of \$2; and an agency transaction is in the order of \$1.40.

It is true that banks have become a lot more competitive. Margins have come down and the pressures on the revenue side are there. It is true that banks are doing what they can to try to match the cost of delivering a service to the revenue gained. I take issue with the comment that the banks are creating the difficulty. What the banks are doing is staying in business by responding to the economic environment that we are in. That is the view that we would take.

**Mr WILLIS**—We understand very well the sorts of forces driving what is happening. The committee has been pretty well educated about that. I was taking up the language of helping the customers that was used by Mr Clues. You are not so much helping the customers to help them. Many of them would be more than happy to stay with what they have known all their lives, but they are being forced to use other services they would rather not have to take up. That is not to help them, but to help the bank meet the economic pressures which are upon it and produce a reasonable bottom line despite squeezed interest margins. We understand that.

I do not think we should pretend that any of this is happening for the benefit of the customers. At the end of the day, a lot of customers are undoubtedly getting a much worse service, as they see it, than they were before—because there is no service available where it used to be, or it is a much less efficient service or one that is very unfriendly to them, because they do not like the electronic means of service.

Are you as a bank at all worried about customer alienation? Something like only 35 per cent of customers of banks are satisfied with the service they get these days, whereas with credit unions the figure is more like 80 per cent. Are you worried about that at all? Do you think it does not matter as long as the bottom line is okay?



**Mr Allen**—I was going to pass over to Mr Clues to respond to your previous question.

**Mr Clues**—It is probably better if you answer that.

**Mr Allen**—Okay. On the issue of customer service, we run our customer service surveys, too. We are aware of the results of those surveys in this marketplace and others. It does concern us very much. We would say that banking is clearly in a period of transition. Customers are feeling it; we are feeling it too. I could bring a number of our staff into the telecentre who would say, 'We are providing the best service.' We could take you to some staff of the customer service line who might think providing direct face-to-face service is better. I could find customers that do both, as well. It is a whole period of transition.

I suspect you might find that customer attitudes to the major banks, when they were first approaching this sort of transition, were lower and are possibly getting a little better. Certainly, I think you will find that customer attitudes to credit unions have been quite high but, as they start to go through this transition, they will start to fall. I think you will find regional banks somewhere in the middle.

**Mr CAUSLEY**—On those figures that you quoted, it is fairly obvious that there is an interest in it for you. Do you think the banks are doing enough with customers who are likely to use these electronic banking services? Are you doing enough to give information about these services and also a user-friendly ATM in those areas whereby people would then feel comfortable using the services?

**Mr Clues**—I think that is a fair comment. There is more that financial and banking institutions—and Trust Bank, as a part of that—can do. That is becoming more and more apparent. For our part, we would like to take a greater role in educating, communicating and helping people through that transition. Whilst one of your colleagues quite rightly stated that there is a return for the bank in making that transition, it needs to be recognised by all parties that, unless we make the transition together and try to do it in a reasonably smooth way, we will see a repeat of history. When the crunch date comes and the bank can no longer sustain the loss and there is no more time for tolerating that loss, you will simply see the bank walk out of that community.

Before it comes to that point, we are seeking to start turning some of these markets around and making them profitable. That is simply not going to happen in a number of these instances by continuing to operate in the way we have. It needs to be a matter of education, support and directing people towards the lower cost channels. That is a win-win situation. That is a win for the bank on the basis that we are now offering a service that is profitable. It is a win for the community on the basis that they get to retain some services. It is certainly fundamentally different from the way we have operated in the past. For all the reasons that this committee would be completely aware of, we do not have a choice in terms of continuing to operate in the way we have in the past. It is not a luxury that we have.

**Mr CAUSLEY**—So would you agree with evidence that has been given by two of the majors, that they see more rationalisation and probably electronic banking in the future?

**Mr Clues**—Yes, definitely. I think the Wallis report hit the nail on the head when it talked about the number of branches across the country halving. You only need to see the rapid change in terms of the adoption of new technology, the development of new technology and the options that that presents to see that that is the path of the future.

**Mr CAUSLEY**—You rightly said that there are competitors out there targeting certain sections of the finance industry. Many people have given us evidence that a certain section of the industry or the customer base is considered unprofitable. Would it be cynical to suggest that some banks are not interested in those customers and do not want them?

**Mr Clues**—What I would indicate is that they do not have to be unprofitable. High volume, low value transactions that are your traditional passbook accounts do not need to be unprofitable. They are, though, if you choose to go to a branch and demand that a branch provide you with those transactions.

The comparison that I use in talking to our staff—and it is a crude one, but I will present it to you anyway—is that you need to pay for the service. If you want a McDonald's drive-through service, then you pay a very low cost. You get a pleasant, efficient and effective service and, at the end of the exercise, you are full. If you want a silver service where you have a waiter, a maitre d'hotel and your meals served on china, then you will pay another price. That is simply what we are trying to do.

For the low value, high volume transactions, we need to look at cheaper delivery systems. They are telephone banking, ATMs and EFTPOS. In terms of higher value transactions, such as business transactions, we can afford to have people dealing with people, building relationships, having offices and infrastructure. That is the parallel that I would draw.

**Mr CAUSLEY**—A final question is: how did you hide three branches between Sorell and St Helens?

**Mr Clues**—I can only say that was a glib line in a newspaper a long time ago and that everyone seems to have run with it. They are not branches; they are agencies. We have a full branch in St Helens; we have a branch in Sorell, and we have three agencies in between. I remember the newspaper article that said, 'The east coast now has no banking services.' We put out a media statement that same day saying, 'Hey, we do.' As I said, often these things look better with a nice flash headline saying, 'East coast abandoned.'

**Mr Allen**—I make just one more point. We have been serious about the issue of saying, 'Let's find a way to deliver services properly, not remove elements of our community.' In talking about this, both Stuart Clues and I just want to pose the proposition: has anyone put the idea of trialling an electronic banking demonstration project? We have tried the education path. We have advertised and had our staff there during the day and evenings. No-one has turned up. We have not quite got that one right. We can continue to try that and make costly mistakes. People say it does not work.

We hear what you are saying about education. We are saying we tried a bit of that as a bank and did not get to make it work. We have heard people talk about subsidies to put back traditional branches. We think that is rear vision, looking back. We have heard people talk about the smart card issue.

We know the Commonwealth from time to time has looked at the issue of demonstration projects. We know there are small rural communities where local councils and bodies would be prepared to get involved when we do try a full-blown electronic banking operation, where we assist the traders to understand the benefits of electronic capture and the sort of equipment they need, and also assist them to put that in place. We assist the people that work and live in that community to understand the benefits of the cards and make the debit cards and EFTPOS cards available. We make sure they have telephone banking numbers, PIN numbers. It is all linked together. Go a step further. We put a kiosk in a newsagency or a supermarket.

We look to put all of this together to demonstrate our end of the future. Electronic banking can truly work to everyone's benefit. I think then the banking community, as well as the broader Australian community, will really learn how we can make it happen better than we know how to do it today.

**CHAIR**—I must admit, if you cannot get them along, you had better find some way to do so. You have a vested interest in this as well.

**Mr CAUSLEY**—You will have to prise them along.

**CHAIR**—The committee has been told on a number of occasions that the bigger banks are reluctant to get into GiroPost because they see that it, in their words, 'would cannibalise existing branches' where there was a post office in the same town. What is your response to that?

**Mr Allen**—We fully support getting involved in GiroPost. I will put it this way: if a customer goes into a post office and uses GiroPost to make a transaction, at the end of the day it is going to cost us less for that particular transaction. What will happen over time is that you might get some shifting in provision of services in the community as a result. We are not shying away from being involved in GiroPost across Australia. We have been anxious to make it happen—perhaps particularly because, being a bank which is predominantly in Tasmania, we need to get access to electronic services for our customers as they travel right across Australia. To us, it is a tremendous vehicle.

**Mr WILTON**—Would you shy away from involvement in GiroPost if you were asked to contribute in some way to the cost of its installation?

**Mr Allen**—It is not a proposition that has ever been put to us. I could not give a considered answer to that. I would suggest that the answer is probably negative.

**Mr WILLIS**—Do you believe that your bank or, for that matter, the banking industry has any form of social responsibility to ensure that people are left with a service in towns that might be threatened with a loss of any such service?

**Mr Allen**—I would like to say that, having been with this bank for five years and having worked in two other banks, from our history as a trustee bank I know that the general council and the board hold that responsibility very dearly, if I can say it that way. Having had roots in this community in the way we have had them, they are very concerned about that and they are very concerned to ensure that we can find a way to continue to provide services. That is not a homily; that is the case.

**Mr WILLIS**—Albeit by means in the future that are somewhat different from those in the past, including GiroPost and other new devices?

**Mr Allen**—Yes.

**Mr Clues**—If I could just build on that, our board has made a commitment that it will not simply abandon a particular community. It will always ensure that other alternatives are put in place before something is removed, not afterwards. We will ensure that we give the community at least three months notice before any change occurs.

**Mr WILTON**—What is left in Geeveston these days?

**Mr Clues**—Basically, you have got a situation whereby the nearest branch is that of Huonville. We have EFTPOS facilities there and we also have that area serviced by a personal banker who is available there to do home loans, personal loans, credit cards and the like, in people's homes.

**Mr Allen**—A mobile personal banker. We have put in an ATM off-site in a hardware store in Huonville, and they also have access to telephone banking services.

**CHAIR**—Mr Allen and Mr Clues, thank you very much for your evidence. You have been very helpful to the committee in both your submission and your appearance before us today. Many thanks.

[3.09 p.m.]

**COURT, Mrs Cynthia Grace, Office/Finance Manager, Tasmanian Council of Social Service Inc., 32/82 Hampden Road, Battery Point, Tasmania 7004**

**CHAIR**—Welcome. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament. The committee has received your submission, which is No. 4, and it has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

**Mrs Court**—Under the section on rural closures, on the second page, I would like to put that there are 35 branches and agencies that have been closed, and not 20.

**CHAIR**—Right. Do you wish to make a brief opening statement before we proceed to questions?

**Mrs Court**—No.

**CHAIR**—One area that we have raised a couple of times is the charge by individuals on EFTPOS. You have been quoted as saying that in one town there were three different charges. Do you have further evidence of that? Is it still continuing, or has it changed?

**Mrs Court**—TASCOSS, together with the Department of Consumer Affairs here in Tasmania, researched this at great length. We contacted the five major banks, firstly by phone, asking what their policy was for these charges. We got very conflicting answers, so we ended up writing to them so that we had their responses in writing. Two of the major banks do not allow any retailer to charge their customers any fees, whereas the other three banks do actually allow it. So it is continuing, but some of them are allowed to pass on those charges.

**CHAIR**—Did you publicise the findings?

**Mrs Court**—We will do that at our banking forum at the end of the month.

**CHAIR**—Could you elaborate on your suggestion about a mobile banking service?

**Mrs Court**—That was a suggestion from a banking forum that we held in October last year. There was one resident who had to catch a bus to her local branch. She was a pensioner and she did not want to do any electronic transfers using ATMs or anything like that. She was afraid of that technology. She had to catch a bus which would leave at six o'clock in the morning. She would get to the closest branch, do her banking and was ready to come home, but had to wait until something like five o'clock that night to return. She did not drive. The suggestion was that a mobile service would help people like her. Apparently there is a service in England that is running. She had actually seen that working and had used it—she could do normal banking services through the bus.

**CHAIR**—Is the English or Scottish example the only one that you have?

**Mrs Court**—Yes, that is right.

**Mr CAUSLEY**—I dare say that most of the people you represent are the customers that the banks say are non-profitable. I think most banks charge fees to people who do not have a certain amount of money in their accounts. Is that not the case down here?

**Mrs Court**—No. All five major banks down here in Tasmania actually have accounts for low-income people. Most of these people do not realise that they exist, but they are there and there are no fees attached.

**Mr CAUSLEY**—So, particularly with low-income people, the bank fees are not a problem down here?

**Mrs Court**—No. The only problem is that with their accounts they have, for example, six free ATM transactions and if they go over that they are charged quite high fees. There are services provided by credit unions that are much better than those of the banks.

**Mr CAUSLEY**—On the issue of disabled people and, in particular, their access to ATMs, do we need a design engineer to come up with a user-friendly ATM?

**Mrs Court**—A lot of disabled people cannot possibly use ATMs. At our last forum we found that they were being charged exorbitant prices to use over-the-counter services. One of the banks is actually changing their policy when their new system comes in.

**Mr WILTON**—What about the elderly and those who are welfare recipients? What do you suggest could be done to ensure that they have access to banking services on a regular basis? I am talking primarily about those in rural areas.

**Mrs Court**—If we had a travelling bus or something, that could actually offer those services. Pensioners do not want the electronic transfer systems; they want the face-to-face contact. That came out really strongly at our forum. Most of them live by themselves and want that personal contact. By having a movable banking service they would actually get what they needed—both their money and their personal contact.

**Mr CAUSLEY**—We have just heard a bank say that that costs \$6. They would not pay that for it, would they?

**Mrs Court**—No. But if they can offer free transactions for them on a bank account, how come they could not do it through a bus?

**Mr WILTON**—Does TASCROSS have any idea as to how a bank's community service obligations might best apply? What is it that you would like to tell us about CSOs as they apply to banks?

**Mrs Court**—TASCROSS had not really had a lot to do with banking until October last year, so we have only just started working with them and I could not answer that.

**Mr WILLIS**—In relation to the disabled, you say in the submission that you have had discussions

with the National Bank to correct their policies and that the Trust Bank have corrected their policy. I take it that that means that they are no longer charging: is that right?

**Mrs Court**—Their fees have actually gone down in line with using ATMs, so they are actually the same prices.

**Mr WILLIS**—I see. That is a big reduction on what they would have been charging before.

**Mrs Court**—Yes: half the price. The National Bank had a discounted fee but they did not have a policy on how to sign up someone with a disability. They have a policy in place now where the person's GP will have to sign to say that they can get a disability exemption fee.

**Mr WILLIS**—Have you had discussions with the other banks about this?

**Mrs Court**—The other banks are now in line: they are the same. I think it was the Trust Bank that was the last one to come across, and they will be changing theirs as soon as their new system comes in.

**Mr WILLIS**—So the situation now is that none of the main banks in Tasmania is charging disabled people except at ATM rates?

**Mrs Court**—Yes, that is correct.

**Mr WILLIS**—For EFTPOS, I think you said that there were two who do not allow retailer charging for EFTPOS and three who do allow it.

**Mrs Court**—Yes, that is right.

**Mr WILLIS**—Which is which?

**Mrs Court**—ANZ and National do not allow charges. TASCOS did a press release at the beginning of this month calling on the other banks to come into line with those two.

**Mr WILLIS**—What have they said about that?

**Mrs Court**—Nothing.

**Mr WILLIS**—If there were no right for retailers to charge, do you think that might have some impact on their willingness to actually take on EFTPOS? Or is there a commercial imperative that overrides that anyway—just the need to service their customers?

**Mrs Court**—I think it is a service to their customers. If you can draw money out at a shop, you will buy something as well. I am not sure what they get charged to have an EFTPOS machine in there.

**Mr WILLIS**—For those who do allow retailer charges, are you aware that there is any sort of ceiling on those charges?

**Mrs Court**—There are no ceilings.

**Mr WILLIS**—So the retailer can essentially charge whatever he likes?

**Mrs Court**—That is right.

**Mr WILTON**—Would it be the TASCROSS view that, overall, banks are out of touch with your constituents? If so, can you just summarise the TASCROSS position on that?

**Mrs Court**—They are a little out of touch. A lot of people do not want to go towards electronic ways of banking; they like the face-to-face contact, as I said. It is great for some people. Some people love it and would prefer to do it that way. But I think the banks need to talk to our people, to talk to their customers, and ask them what they actually want. TASCROSS has set up forums so that banks can hear this, and most of them are participating so we are getting some sort of feedback. The outcome with the disability fees was one example.

**Mr CAUSLEY**—Is that an opportunity to do some education? If you are arranging these meetings with the banks, that would be an ideal opportunity, wouldn't it, to talk about electronic banking and probably make it less frightening for customers?

**Mrs Court**—Yes. At the last forum the word about smart card came up. Most low income people did not know much about that, so the banks certainly educated people on what that meant. The ombudsman was also there, so that helped.

**CHAIR**—What sort of reaction did you get to that education—when smart card was explained? What were people's reactions?

**Mrs Court**—Horrified. They did not like the idea that they could actually lose their card and have no money for the rest of the fortnight. Security was a big concern.

**Mr WILLIS**—You mentioned before that the existence of a basic banking product with no fees was not terribly well known. This has been around for a little over two years. What is TASCROSS doing to try to publicise this to the people that you represent so that they can take advantage of that?

**Mrs Court**—I have just completed a banking newsletter that will be handed out at our forum on 30 April. We will also publish that in our newsletter that goes out to 300-odd people in Tasmania. So we will let our people know about it, and maybe the banks also need to have their information out front so that people can actually grab it rather than have to ask for it from behind the counter.

**Mr WILLIS**—I think it is a clear case that the banks do not seek to publicise this too much. It is there if people ask, but they are not running around advertising it on TV.

**Mrs Court**—That is right.

**Mr WILLIS**—Unless organisations like yours make people who might really want to take advantage of this aware of it, it is just not going to be used.



**Mrs Court**—That is right—definitely.

**CHAIR**—Thank you very much for appearing before the committee. It seems that the committee has all the answers that it needs from what you have already written and from what you have told us today. Again, thank you for your appearance here and thank you for making a submission.

Resolved (on motion by **Mr Wilton**, seconded by **Mr Causley**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 3.22 p.m.**