

EXECUTIVE SUMMARY

Introduction

In this report, the Committee reviews recent developments in the provision of banking and financial services in rural, regional and remote Australia. It assesses the direction being taken by financial institutions and the communities they serve in meeting the challenge to provide adequate banking and financial services to those in country Australia. As well as describing the problems experienced by such people in obtaining satisfactory access to banking and financial services, the Committee also discusses and gives serious consideration to practical means to improve the delivery of such services.

Branch closures

Since 1994 there has been a steady decline in the number of bank branches in country Australia. Deregulation, technological progress, shifts in consumer demands and demographic trends have contributed to the pressure on banks to prune their branch networks. They now operate in a highly competitive environment shaped in large measure by the global market. This competitive market has changed the face of banking as financial service providers introduce measures to increase efficiency, improve performance and reduce costs. With the help of advances in technology and changes in consumer preferences, banks are now able to offer customers a range of services. The tradeoff, however, has been the rationalisation of bank branches. Some localities in regional, rural and remote areas simply can not attract or retain their local branch.

Where banks have withdrawn their branches, residents and businesses experience a number of problems such as the trouble, anxiety and costs associated with rearranging or transferring accounts, the uncertainty of having to adapt to new ways of banking and the inconvenience involved in travelling long distances to conduct face-to-face banking. For both individuals and businesses, there are also safety and security matters arising from the lack of access to a branch; the loss of economic opportunities; limited choice in obtaining professional advice and finance, especially venture capital; and potential exclusion from the financial world. The loss of a bank branch, especially if it is the last one in town, has wide reaching implications for the economic and social life of the community. Some regard the departure of a bank as the ‘beginning of the end for a small town’.

Without doubt, there is a high level of dissatisfaction with the closure of bank branches in rural, regional and remote Australia and much residual resentment. The banks have ground to make up if they are to change public opinion. The Committee welcomes the announcement of a moratorium on branch closures by a number of banks and the formulation of a transaction services and branch closure protocol. The protocol as it stands, however, does little to enhance the banks’ image. The Committee has made a number of recommendations that would see the protocol convey a stronger

message that banks are aware of the adverse impacts that a branch closure has on their customers and the community and also allow the banks to demonstrate a genuine commitment to serve their customers even in situations where commercial imperatives require a branch closure.

The intention of the recommendations is to ensure that consumers facing a branch closure are assisted by the bank to make the transition to a satisfactory alternative without unnecessary delays, costs and upheaval. The Committee hopes that banks, in adopting the recommendations, will take a more active and co-operative role in assisting customers and their communities to find acceptable solutions to the problems caused by branch closures. The Committee has recommended, *inter alia*, that a bank produce a community impact statement on announcing its intention to close a branch.

The banks are also placing a heavy reliance on non-traditional forms of banking services to convey a positive message that they are indeed catering to the needs of those in regional Australia. The report found, however, that because of the want of competition in some areas of regional, rural and remote Australia, the market has been sluggish in responding to consumer demands. Against this backdrop of branch closures and weak competition, the Committee considered the adequacies of alternative banking services.

Shared banking and mobile banking

For a number of witnesses the solution to the cutback in services was for banking institutions to share facilities. There was, however, strong resistance from the major banks to this proposal. While the Committee believes that the problems associated with shared banking can be overcome, it accepts that without the major banks' endorsement this option seems unlikely to take hold. Although the Committee understands their reluctance to share facilities, it nonetheless urges the banks not to discard the idea completely. There may be circumstances particularly in servicing the needs of small business in regional areas where co-operation between the banks may be the ideal solution for the community and a means for banks to maintain a physical presence in the locality.

The Committee agrees with the observation that delivering banking and financial services through a mobile bank could provide a satisfactory compromise for areas unable to support a bank branch. But banks appear unwilling to expend time and resources on customers unlikely to produce significant returns. The Committee suggests that banks demonstrate a commitment to serve their retail customers in regional, rural and remote Australia by exploring and actively pursuing a range of potential service delivery channels including mobile banking.

Credit unions, building societies and community banks

In withdrawing from some country towns or downgrading their level or quality of service, the major banks have presented other financial service providers, such as credit unions, building societies and community banks, with an opportunity to fill the void.

As with banks, these institutions must balance the commercial interests of their shareholders, the demands of their customers and the needs of the community. Although credit unions, building societies and community banks are involved in the community and have a closer relationship with their shareholders, their success depends ultimately on their economic viability.

The Committee found that small ADIs face a number of hurdles in operating or expanding their businesses in rural and regional Australia which include:

- high start-up costs;
- portability of accounts and bank practices associated with switching accounts which form a barrier for new entrants;
- prudential regulations;
- requirements under the Financial Services Reform Act (FSRA) which result in significant compliance costs;
- their status as non-bank ADIs; and
- their limited experience in servicing the broader financial needs of country Australians.

The Committee was particularly concerned about compliance costs and the lack of flexibility in some of the requirements under the FSRA. It believes that the Australian Government needs to be aware of the difficulties borne by the smaller ADIs in satisfying regulatory requirements and to demonstrate a commitment to keep such obstacles to a minimum.

Unfortunately, some communities without a bank branch, even with determined commitment, cannot generate the level of support or finance needed to establish and sustain a credit union or building society branch or a community bank. This means that communities without satisfactory access to banking and financial services and unable to attract an alternative provider must rely on other means to gain access to such services.

Third party arrangements—agencies, giroPost and RTC

There are various forms of co-operation and partnerships that are being forged by service providers to assist in the delivery of banking and financial services to communities in regional Australia.

Many ADIs have adopted an ‘agency’ or ‘in-store’ model as a means of delivering over-the-counter services but without the need to maintain a fully functioning traditional bank branch. By outsourcing branch functions to a third-party operated facility, they are able to provide services with fewer staff and at lower costs. Although the various agencies and in store facilities vary in the level of service they provide, some submissions raised concerns about the adequacy of the service delivered. They include:

- limited services especially the level of access to professional bank staff; and
- privacy and security concerns.

The Committee shares the optimism of both Australia Post and the Post Office agents about the increased role that post office outlets could have in providing banking and financial services to regional, rural and remote Australia. It accepts that financial institutions could do more to use post office outlets to better service small communities and the Committee encourages financial institutions not yet using giroPost to consider doing so.

The Committee understands that the very purpose of establishing an agency is to deliver banking services but at reduced costs. It follows that the level of service will not be the same as that delivered through fully operational branches. It accepts that the services provided by agencies, including giroPost, are limited. For communities struggling to retain a full branch service, however, they provide access to basic banking transactions. Nonetheless, it is clear that consumers, including small business, miss the personal contact offered through a traditional branch and it is in this area that banks need to show some initiative and willingness to pay heed to the needs of their customers.

The Committee endorses the Rural Transaction Centre (RTC) program as an effective means of restoring services to towns that have witnessed the gradual withdrawal of banking services from their locality. An RTC can be a means of renewing confidence, promoting local enterprise, and providing a convenient and safe location for people to conduct their banking affairs with staff on hand to assist them in transacting business. While the Committee believes that such a scheme holds promise it was concerned about:

- the slow progress in establishing operational RTCs;
- the number of RTCs that do not provide banking and financial services;
- sustaining, even reinvigorating, the program to ensure that the progress made is built upon and not eroded; and
- future funding.

While the Committee recommends that the Australian Government continue its support for the program, it believes that the program would benefit from a close review of its operation with a view to improving and extending the program.

Electronic banking

Without doubt many benefits come with the use of electronic banking. Consumer behaviour and the enthusiasm with which people have adopted this method of banking stands as incontrovertible evidence of the popularity of electronic banking. The convenience, ease of access, and lower transaction costs attract more and more consumers. They now enjoy access outside normal banking hours and have no need to leave their home or place of business to obtain information and carry out transactions. Not all Australians, however, are able to take advantage of the new technology and the

technology itself has limitations in delivering banking services to regional, rural and remote Australia.

The Committee found that a number of obstacles form real barriers to accessing electronic banking including the absence of facilities such as ATMs, EFTPOS, computer terminals, even telephones in the community; inadequate infrastructure to support the delivery of the service; costs associated with purchasing necessary equipment; and poor proficiency and lack of confidence in using the technology.

The Committee acknowledges that there are areas particularly in remote Australia that present challenges for telecommunication service providers in providing adequate access to telecommunication infrastructure on a commercially viable basis. It accepts that such areas may need government intervention to ensure adequate and affordable access to telecommunication services. The Committee believes that the Government in considering the provision of telecommunication services to regional, rural and remote Australia keep foremost in its mind the crucial role that this service now has in delivering banking and financial services to people throughout country Australia.

In turning to the matter of affordability of equipment, the Committee accepts that there are people in country Australia who cannot afford the outlay to purchase a computer and hence will have limited access to internet banking. The Committee believes that assistance from the Government and the banking industry toward ensuring that communities have access to public phones and internet terminals is a first step toward enabling all Australians to access electronic banking.

Furthermore, the Committee believes that the banking sector has not done enough to facilitate access to new technology and most importantly has failed to ensure that their customers have the opportunities and are encouraged to use new technology. It would like to see the banking sector work more closely with community organisations especially local councils in offering support and funding for projects designed to encourage people to use electronic banking. For example by providing libraries with computers and other necessary equipment or investigating and actively participating in projects such as the mobile RTC concept.

Education and Training for banking in the 21st century

The Committee believes that the education of consumers in using and adapting to electronic and remote access channels is of paramount importance. Clearly, the quality and level of education and training offered to consumers is falling short of expectations. The resounding message from local councils in particular is that the banks have failed to equip some of their customers with the skills and confidence needed to use new technology effectively. The evidence before the Committee suggests that the banks have not given attention to practical hands-on training where customers can experiment with new technology without fear of embarrassment or mistakes. A multi-pronged approach should be taken by the banks to improve people's understanding of the technology and how to use it. The range of practical measures that banks could employ to assist their customers adjust to and become comfortable with the new ways of banking is vast. The Committee believes that banks should:

- expedite the introduction of industry standards;
- allow sufficient time for people to experiment with and become accustomed to new technology and for the banks to monitor the transition to new ways of banking so that adjustments can be made in light of any difficulties experienced by customers during this phase;
- offer hands-on training and education programs;
- work in close partnership with local community groups particularly the local council to implement practical strategies to entice older Australians to use modern technology when banking;
- provide education and training programs that focus not only on proficiency in using new technology but on confidence building in the technology itself; and
- ensure that there is on-going and easily accessible support to help people who may be struggling with the technology or loath to use it.

It clearly sees a role for government in partnership with the banking industry and community groups to ensure that the potential offered by new technology is fully exploited. The RTC program and Australia Post present scope for testing a range of projects designed to explore the potential of new technology.

Government and the banking industry also share the responsibility for the development of an educational framework that will encourage people of all ages, from all walks of life and in all localities to use and enjoy using new technologies to access banking and financial services.

Banking and remote Indigenous communities

The Committee is aware that Indigenous people share with other people in regional, rural and remote Australia difficulties in gaining access to adequate banking and financial services. It notes, however, that some difficulties faced by Indigenous people are often compounded by remoteness, lack of financial literacy, socio-economic disadvantages, cultural differences or a combination of some or all of these factors. In some cases, their need for assistance is greater.

The Committee believes that any broad plan to improve access to banking and financial services must also seek to encourage financial institutions to make a commitment toward and to put in place practical measures to improve the delivery of banking and financial services to people in regional, rural and remote Australia particularly Indigenous Australians.

The ABA has committed itself to working with government and other stakeholders to explore options for addressing the problems of access to banking services for the 32 towns identified in a survey commissioned by the ABA as having no over-the-counter banking service. All towns are located in remote and very remote regions of Australia, and have a higher proportion of Indigenous people living in the community than in the general population.

According to the ABA, the banking industry is ‘willing to commit resources in particular to finding solutions for the difficulties that people in remote Australia face, including personal financial literacy skills, and less choice of services’. The most recent step toward this objective was the announcement by the ABA to lead a tripartite Round Table (Remote Services Round Table’). In brief, the initiative is to involve relevant government agencies, in partnership with Reconciliation Australia, to draw up action plans to improve access to banking services.¹ This proposal is in keeping with a number of the Committee’s recommendations. For example, the Committee sees an important role not only for institutions such as the Traditional Credit Union but the major banks in encouraging and assisting Indigenous Australians to pursue a career in the financial services sector (see recommendation 25). Recommendations 26 and 27 are also particularly relevant.

While the Committee endorses the ABA’s proposal and strongly encourages other possible participants to support the roundtable process, the Committee, nonetheless, would like to see concrete evidence of financial institutions taking a more hands-on approach to providing financial services to remote communities.

Community service obligation

The Committee heard a range of opinions on the extent to which banks have a responsibility to the community. Many submissions held the view that banking services should be considered an essential service—a necessity of everyday life.

The Committee believes that banking and financial service providers should strive to deliver the same level and quality of service to country Australia as they provide to metropolitan areas. It accepts that in some cases this objective cannot be achieved on a commercially viable basis. Nonetheless, the Committee believes that access to a basic banking service is an essential service—that all Australians should have affordable and ready access to a deposit account that receives funds and can be used to make payments. In communities where it is commercially unsustainable for banks to provide face-to-face banking services, the banking industry has an obligation to take all reasonable measures to ensure that consumers have alternative means to access their account. In the Committee’s view this obligation extends to providing the education and training necessary for consumers to effectively use the alternative means of banking; working with and providing assistance to communities to find satisfactory solutions to their banking problems; and ensuring that bank practices such as charges and fees and interest rates on loans do not discriminate against people in regional, rural and remote Australia.

Conclusion

The Committee believes that ensuring the provision of adequate banking and financial services to regional, rural and remote Australia is the joint responsibility of the financial services sector and government with the active involvement of the

1 *Supplementary submission 117A p. 2.*

community. It believes that ADIs do have a social responsibility to ensure that the communities they serve are provided with adequate services. It believes that there should be measures in place to guide, assist, even compel Australian ADIs to behave appropriately. The industry code of practice provides a major incentive for banks to observe minimum standards. The Committee has made recommendations to strengthen the protocol governing branch closures by, *inter alia*, requiring banks when considering branch closures to consult with the community and to release a community impact statement. It has also made recommendations to broaden the banking code of practice by including an undertaking that banks will take all reasonable measures to educate customers in the use and benefits of accessing banking services through new technologies. Further, that the code will offer practical guidance on some of the measures that banks could take to ensure that they are effective in meeting this commitment.

In turning to compliance, the Committee has recommended that the ABA take an active role in monitoring and reporting on the banks progress in improving its code of practice and in implementing the recently formulated industry standards. Furthermore, the Committee has recommended that the banks work together to minimize the costs associated with using a foreign ATM in country areas and to introduce a safety net basic account that provides benefits over and above those offered in the recent proposal developed by the ABA.

Governments also have an important role in ensuring that all Australians have reasonable access to banking and financial services. Their central function is to create a marketplace in which consumers are well-informed, their interests are protected and competition flourishes. The Committee believes that the Government has an obligation to intervene should the market fail to look after the needs of consumers especially in the area of access to banking and financial services.

To this end the Committee has made a number of recommendations that include improving the quality of data on, and analysis of, the availability of banking and financial services. It has recommended the continued funding of the RTC program, ongoing support for programs such as the Family Income Management Plan, and the introduction of an incentive scheme providing opportunities for Indigenous people to work and pursue a career in the financial services sector. The Committee has also recommended that the Government take a far more active role in monitoring and encouraging financial institutions to observe minimum industry standards and to express its readiness to implement stronger regulatory requirements should the industry fall short in meeting these standards. The Committee can see the advantages to be gained in placing requirements on banks to report on their work in disadvantaged communities and has asked the Department of the Treasury to consider the merits of a rating scheme.

In turning to the regulatory bodies, the Committee has recommended that—the ACCC examine the competition issues involved in switching bank accounts; ASIC investigate practices associated with book up in an effort to curb unscrupulous conduct; and ASIC and APRA examine and report on the compliance costs for smaller ADIs in providing services to regional, rural and remote areas under the current

regulatory regime and whether the costs can be minimised without compromising consumer interests or prudential standards.

Overall, the recommendations are intended to improve competition in the retail banking industry, strengthen consumer protection and encourage the financial services sector to assume a far more active and responsible part in promoting the economic welfare of people and their communities in regional, rural and remote Australia.

The following section lists the recommendations contained in the report.

RECOMMENDATIONS

Recommendation 1

Chapter 4, p. 62

The Committee recommends that the State and Territory governments and the banking industry work together to establish the exact costs to a customer in transferring a loan from one institution to another as a direct result of a branch closure in rural, regional and remote Australia. Further that they introduce measures to exempt such customers from stamp duty and other associated costs when transferring a loan to another financial institution as a direct result of their bank closing a bank branch.

Recommendation 2

Chapter 4, p. 62

The Committee recommends that in the event of a bank closing a branch in a non metropolitan area and where another branch is not readily accessible that the bank waive any fees or penalties incurred by a customer closing an account, including a loan account, or transferring the account to another institution as a result of the branch closing.

The Committee also recommends that the ABA incorporate this waiver of transfer fees on closure of a branch into the *Transaction Services and Branch Closure Protocol*.

Recommendation 3

Chapter 4, p. 67

The Committee recommends the following amendments to the *Transaction Services and Branch Closure Protocol*—

The following clauses to be inserted:

- During any consideration by a bank to close a branch in a rural or remote area or to significantly downgrade its services, it will consult with customers and community organisations about the future of the branch and the options being considered to substitute for the loss of services.
- Where a bank intends to close a rural or remote branch and where that branch is the only branch in the town and the bank will not be able to provide an over-the-counter facility offering adequate services for both residents and local businesses, the bank will give a minimum of a six months written notice prior to the closure to customers of the branch and community organisations including local government.
- Where a bank gives notice of the closure of a rural or remote branch, it will release a community impact statement. The intention is to assist customers and the community understand the reasoning behind the closure and to equip them with vital information necessary to make informed decisions about measures that should be taken to ensure that the community has access to adequate banking and financial services.

Protocol to be adopted following notification of closure:

- Section 1 (b) be amended to read—‘Where it is not commercially viable for a bank closing a rural or remote branch to provide local ongoing face-to-face services, which provide cash deposit and cash withdrawal facilities for personal and small business customers:
 - the bank will consult with and inform its customers about accessing alternative services;
 - the bank will maintain close liaison with its customers by ensuring that they have ready access to information and advice;
 - the bank will work with its customers and community organisations to facilitate the establishment of some form of banking service for example through the RTC program or Australia Post.’

A clause be inserted that makes a clear statement of intention that a bank closing a branch will facilitate the transfer of accounts to another institution of the customer’s choice. This undertaking to include the timely and orderly transfer of information and documentation.

Recommendation 4

Chapter 6, p. 84

The Committee recommends that the Department of the Treasury and the Department of Transport and Regional Services review the ‘points of presence’ database to determine whether the current system of gathering statistics on access to banking services is producing a full and accurate representation of the delivery of such services to rural, regional and remote Australia. Further, acknowledging that APRA does not attempt to analyse or interpret the information it gathers for the points of presence database, the Committee recommends that the Australian Government nominate another agency better suited to carry out such analysis.

Recommendation 5

Chapter 8, p. 111

The Committee recommends that the ACCC convene an industry working group that would include consumer associations to review current practices in the transfer of accounts from one financial institution to another to determine whether there are impediments to the switching of accounts and, if so, to formulate best practice guides that could be used as a model to facilitate the transfer of accounts to be incorporated in the Banking Code of Practice.

Recommendation 6

Chapter 8, p. 113

The Committee notes APRA’s willingness to examine proposals to ‘develop a viable tier one capital instrument that will not trigger demutualisation’. It recommends that APRA in consultation with credit unions and building societies explore this proposal.

Recommendation 7

Chapter 8, p. 118

The Committee supports the objectives of the *Financial Services Reform Act 2001* and recommends that the Government monitor its implementation and related regulations.

Specifically, the Committee recommends that APRA and ASIC consult with CUSCAL, smaller ADIs and other interested parties about the impact of the regulatory regime on the ability of ADIs to meet the banking and financial services needs of Australians living in rural, regional and remote communities. The Committee further recommends that following the consultation, the two regulators prepare a report for government on the costs of compliance under the current regulatory regime, its effect on competition, and whether and how the costs could be minimised without compromising consumer interests or prudential standards. The report is to be tabled in Parliament.

The Committee also recommends that the consultation and report process give particular attention to the delivery of banking and financial services to Indigenous communities in remote Australia.

Recommendation 8

Chapter 8, p. 122

The Committee recommends that the Government in its review of the levy structure give close consideration to the concerns of the smaller ADIs with a view to easing this burden. Further that the matter be included in the concerns to be taken up by APRA and the industry in the review of compliance costs mentioned in recommendation 7.

Recommendation 9

Chapter 10, p. 166

The Committee recognises a need for those managing RTCs to be part of a more effective communication network so that they can benefit from each other's experience and provide valuable advice for those considering applying for assistance. The Committee recommends that the Department of Transport and Regional Services take a more active role in encouraging the development of stronger links between RTCs throughout Australia and between RTCs and departmental officers.

Recommendation 10

Chapter 10, p. 169

The Committee recommends that the Australian Government conduct a review of the RTC program and its future direction. The review would:

- identify ways to streamline the process of applying for funding and to better assist communities formulate a business case for an RTC;
- develop a program designed to produce a better and more effective communication network between individual RTCs;
- establish why many RTCs do not provide banking or financial services;
- examine the scope and formulate a better strategy for extending the services provided by the centres particularly the provision of banking and financial services;

- determine the adequacy of the level of funding, especially the requirement for on-going funding, to ensure that established centres maintain their momentum and that new centres can be established; and
- consider the value in subsidising RTCs in localities without accesses to banking services but which would have difficulty in becoming self sufficient.

Recommendation 11

Chapter 10, p. 170

In light of the findings of the Auditor-General, Audit Report No. 12, 2003–4, *The Administration of Telecommunications Grants*, the Committee recommends that the Government make a public recommitment to the RTC program especially to enhancing its role as a provider of banking and financial services to areas without access to such services.

Recommendation 12

Chapter 11, p. 180

The Committee recommends that all ADIs place a high priority on introducing the industry standards governing ATMs and EFTPOS in the more remote areas of Australia.

The Committee further recommends that the ABA monitor and report on the progress made in implementing these standards in rural, regional and remote Australia.

Recommendation 13

Chapter 11, p. 181

In turning to the matter of the additional costs imposed for using a foreign ATM, the Committee recommends that banks implement measures to minimise the penalties imposed on their customers living in areas where they have no choice but to use a foreign ATM.

Recommendation 14

Chapter 11, p. 181

The Committee recommends that the ATM Industry Steering Group include in its considerations on the reform of ATM interchange fee arrangements the special circumstances of fees and charges associated with the use of foreign ATMs in rural, regional and remote Australia. The focus of the group would be on building into any proposed reform of the ATM fee structure safeguards that would ensure that people living in country towns and remote communities do not incur significantly higher fees or charges for using a foreign ATM and that an unreasonable or unwarranted differential in fees and charges between those in rural and remote areas and those in metropolitan areas does not develop.

Recommendation 15

Chapter 12, p. 197

The Committee recommends that any initiatives to develop or improve information technology and telecommunications infrastructure in regional, rural and remote Australia take account of the banking needs of those living in country Australia and are implemented to support and enhance the provision of such services.

Recommendation 16

Chapter 13, p. 205

The Committee recommends that the review as suggested in recommendation 10 include consideration of the more innovative ways that RTCs may be involved in delivering banking services to the remote areas of Australia including the concept of a mobile RTC.

Recommendation 17

Chapter 13, pp. 207–8

The Committee recommends that banks have trained officers available in their regional centres to look after the banking needs of customers in country Australia who do not have face-to-face access to trained bank staff. These designated officers would have responsibility for customers from a particular geographic area and have direct knowledge of the local community and businesses in the district.

Recommendation 18

Chapter 14, p. 228

The Committee recommends that ADIs:

- expedite the introduction of industry standards as recommended in chapter 11—standards have also been formulated for telephone and Internet banking;
- allow sufficient time for people to experiment with and become accustomed to new technology and for the banks to monitor the transition so that adjustments can be made in light of any difficulties during this phase;
- offer hands-on training and education programs—the suggestion from the Latrobe City Council about the use of dummy machines is a practical and sensible idea and illustrates the range of options available to ADIs to explore in structuring programs to assist their customers adopt new ways of banking;
- work in close partnership with local community groups, particularly the local council, to implement strategies to entice older Australians to use modern technology when banking;
- provide education and training programs that focus not only on proficiency in using new technology but on confidence building in the technology itself; and
- ensure that there is on-going and easily accessible support to help people who may be struggling with the technology or loath to use it.

Recommendation 19

Chapter 14, p. 228

The Committee recommends that the Australian Bankers' Association amend their current code of practice to include the commitment that banks will take all reasonable measures to educate customers on the use and benefits of accessing banking services through new technologies. Further, that the code will offer practical guidance on some of the measures that banks could take to ensure that they are effective in meeting this commitment. They could include examples taken from recommendation 18.

Recommendation 20

Chapter 15, p. 245

The Committee recommends that the banking industry formulate a safety net basic bank account that addresses the concerns of the ACCC and consumer groups and again seeks authorisation from the ACCC. In particular, the new proposal, while retaining some features of the earlier proposal put to the ACCC such as no account keeping fees, would improve on it by offering more non-deposit, fee-free transactions and also include safeguards that would:

- eliminate fees for bank balance inquiries; and
- not provide an overdraft facility.

The Committee recommends further (and assuming that the ACCC's authorisation is forthcoming) that the banks notify their customers of the availability of the safety net account in literature sent to customers and by displaying the relevant information in a prominent position in every bank outlet.

Recommendation 21

Chapter 15, p. 245

The Committee acknowledges that some ADIs already make available a basic bank account to better suit the needs of low income earners. It recommends, however, that they extend the benefits offered by the account. The Committee recommends that individual ADIs make available to their customers, who are concessional card holders and low income earners, a safety net basic bank account which includes measures outlined in the previous recommendation. Further, in line with the previous recommendation, ADIs notify their customers that such an account is available.

Recommendation 22

Chapter 15, p. 246

The Committee recommends that the banking industry urgently investigate expanding the services offered through EFTPOS to enable a customer to access information on their account balance during a transaction.

Recommendation 23

Chapter 15, p. 248

The Committee recommends that ASIC investigate practices associated with book up in an effort to identify and curb unscrupulous conduct. The Committee is aware that some retailers who use book up are providing a much-needed service to some communities. It has no wish to see regulation prevent them from providing this service. It does, however, want to see the abuse of the system stopped.

Recommendation 24

Chapter 15, p. 252

The Committee recommends that rather than continue with the piecemeal approach to the education of Indigenous Australians in financial literacy that the Australian Government work with the state governments to ensure that financial literacy and money management form part of the core school curriculum starting from the earliest years of primary education and carrying through to the secondary years of formal education and to adult education programs.

Recommendation 25

Chapter 15, pp. 252—3

The Committee recommends that the Government provide funding for an employment incentive and professional development scheme to assist financial institutions, such as the Traditional Credit Union, provide employment and educational opportunities for Indigenous people in the financial services sector. Such a program could build on a number of Commonwealth projects in existence designed to assist Indigenous people find employment and to upgrade their skills. The program, however, would be specifically targeted to encourage Indigenous people to pursue a career in the financial services sector. The program would be of benefit not only to individuals but to Indigenous communities where there is a need to have people who understand how Australia's banking and financial services industry works.

Recommendation 26

Chapter 15, p. 253

The Committee recommends that the banking industry take a far more active and constructive role in improving the level of financial literacy for all Australians but particularly among Australia's Indigenous people. It recommends that the ABA examine closely the work being undertaken in Canada by the Canadian Bankers' Association with a view to adopting similar practices.

Recommendation 27

Chapter 16, pp. 273—4

The Committee recommends that the Australian Government continue funding projects such as the Family Income Management Plan. It, however, recommends that the Australian Government, relevant State and local governments and the banking industry work with Indigenous communities to map out a plan that would use the successes already achieved in trials as a platform on which to build a more coherent and integrated policy for the economic independence of Indigenous people. The work done by the Tangentyere Council, the TCU and the Cape York Community should be stepping stones leading to even greater and lasting success in advancing the economic welfare and independence of Indigenous Australians.

Recommendation 28

Chapter 16, p. 278

The Committee recommends that a member from the Indigenous community, who is able to represent the interests of Indigenous people living in remote areas of Australia, be appointed to the RTC Board.

In addition, the Committee recommends that the RTC Board's Charter be amended to recognise specifically the need for the provision of services to remote Indigenous communities.

Recommendation 29

Chapter 17, p. 293

The Committee recommends that the forum established under the banking code of practice, which comprises consumer, small business and banking industry representatives, meet to consider and report publicly on the jurisdiction of the Banking and Financial Services Ombudsman and whether it should be broadened to examine

complaints about the difficulties encountered by consumers in accessing banking services.

Recommendation 30

Chapter 17, pp. 293–4

Rather than suggest the development and imposition of community service obligations, the Committee has recommended a number of amendments to the current Banking Code of Practice which would in effect set down minimum standards of behaviour expected of the banks. The Committee recommends that the banking industry move quickly to incorporate them in its code of practice.

The Committee recommends that while the banking industry is considering amendments to the Banking Code of Practice, the Australian Government provide further impetus to this process by consulting with all sectors of the banking industry on progress toward improving the industry's code of practice.

The Committee recommends that should progress falter on the banking industry improving its code of practice, the Government take a stronger stand by considering imposing community service obligations on ADIs with an independent regulatory body to monitor and report breaches of the obligations.

Recommendation 31

Chapter 17, p. 297

The Committee recommends that the Australian Government consider ways to collect, analyse and publish data on the state of business activity in rural, regional and remote Australia; the availability of venture capital or seed funding to these areas; and the contribution that financial institutions are making to the commercial development of country Australia.

Recommendation 32

Chapter 17, p. 304

The Committee recommends that the banking industry look closely at the disclosure requirements on financial institutions in the UK, USA and Canada regarding their involvement in providing finance to disadvantaged districts with a view to developing a disclosure regime for Australian banks. The intention of the regime would be twofold. Firstly to provide an accurate picture of the lending practices of banks to disadvantaged areas and secondly as an incentive for banks to assume a more active and constructive role in assisting residents in disadvantaged areas, especially in country Australia, with their financial needs and to help invigorate their local economy.

Recommendation 33

Chapter 17, p. 304

The Committee recommends that the Department of the Treasury also look closely at the disclosure requirements on financial institutions in the UK, USA and Canada in regard to their involvement in providing finance and other assistance to disadvantaged districts. Further that the department:

- monitor and determine whether the disclosure practices adopted by the banking industry in Australia ensure that adequate information is available about the contribution that individual financial institutions are making to assist rural, regional and remote Australia and whether the disclosure regime is encouraging banks to become more involved in the economic development of such areas;
- determine whether the introduction of a rating system as specified in the CRA and outlined in the UK Task Force recommendation to the Chancellor of the Exchequer would have merit; and
- consider whether disclosure requirements on the activities of individual financial institutions in rural, regional and remote Australia should be required by legislation.

