

# CHAPTER 1

## INTRODUCTION

### **Establishment of the inquiry**

1.1 In March 1999, the House of Representatives Standing Committee on Economics, Finance and Public Administration tabled a report, *Regional Banking Services: Money too far away*. The report strongly encouraged service providers, governments and communities to work together to develop strategies aimed at ensuring that rural and regional communities have access to the financial services they need.

1.2 The subsequent years witnessed further change in the banking industry as technological developments continued to spearhead advances. The Parliamentary Joint Committee on Corporations and Financial Services considered that it was time to assess whether government and service providers have achieved effective outcomes in the way financial services are delivered to country Australia and how communities in these areas are responding to changes in the delivery of such services.

1.3 On 25 July 2002, the Chairman of the Parliamentary Joint Committee on Corporations and Financial Services announced that the Committee had agreed to inquire into the level of banking and financial services available to Australians living in rural, regional and remote areas of the country. The inquiry was to place particular focus on:

- (a) options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities;
- (b) options for expansion of banking facilities through non-traditional channels including new technologies;
- (c) the level of service currently available to rural and regional residents; and
- (d) international experiences and policies designed to enhance and improve the quality of rural banking services.

### **Conduct of the inquiry**

1.4 The Committee advertised the inquiry in all capital cities, in the *Australian Financial Review*, the *Weekend Australian* and major rural magazines during the last week of July 2002, calling for written submissions to be lodged with the Committee by 30 August 2002. The Committee also wrote to relevant Commonwealth Government ministers, State premiers and Territory chief ministers drawing attention to the inquiry and inviting submissions. In addition, the Committee notified local shire councils, banks, credit unions and building societies, financial planners, consumer

associations, and organisations and people interested in matters dealing with banking and financial services in rural, regional and remote Australia.

1.5 The terms of reference and other information about the inquiry were also advertised on the Committee's internet homepage at <http://www.aph.gov.au/senate/committee/>.

1.6 A total of 133 submissions was received together with a number of supplementary ones. A list of submissions is contained in Appendix 1. All but three of the written submissions were made public documents.

1.7 Apart from the information contained in written submissions and in oral evidence presented to it, the Committee drew on a range of material contained in reports and reviews from various committees of inquiries and from comments and articles by people directly involved with banking and financial services. A select bibliography is set out at the end of the report.

1.8 After initial consideration of the submissions, the Committee commenced its program of public hearings in Canberra on 12 and 14 November 2002. They were followed by further hearings in Sydney, Melbourne, Adelaide and Darwin as well as in some regional areas including Tanunda and Jamestown in South Australia; Yarraman, Nanango, Toowoomba and Boonah in Queensland; and Daly River and Alice Springs in the Northern Territory. The Committee also made field visits to a number of small towns including Yacka and Port Broughton in South Australia and Blackbutt and Crows Nest in Queensland to inspect their banking facilities. On 5 November 2003, the Committee held a special hearing, which took the form of a round table discussion, on proposed changes to the ATM fee structure and the likely implications for country Australia.

1.9 Details of the hearings and the witnesses who appeared at them are contained in Appendix 2. The Hansard transcript of evidence taken at the hearings was made available on the internet.

## **Structure of the report**

1.10 The report 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.

1.11 Although the report describes the problems experienced by people in country areas in obtaining access to adequate banking and financial services, it also discusses and gives serious consideration to practical means to improve the delivery of such services. The report is divided into four broad parts as outlined below.

1.12 *Part 1* focuses exclusively on bank branch closures. It reviews the available statistics on the network of branches that spreads across Australia and describes the underlying causes for the recent cutback of this network. It documents the effects that

the rationalisation of branches has had and continues to have on regional communities. Finally, it looks at the practices of banks when closing branches and the steps they have taken to better manage such closures.

1.13 *Part 2* surveys the much broader landscape of banking and financial services in country Australia especially the substantial structural changes taking place in the industry. It examines the statistics covering the distribution of banking and financial services in regional Australia. It looks at the way institutions such as credit unions, building societies and community banks are providing banking and financial services in regional Australia and the many different partnerships that have emerged over the last decade for delivering such services. This part of the report concludes with a discussion on the growing importance of electronic banking as a means of delivering banking and financial services to regional, rural and remote Australia.

1.14 *Part 3* draws heavily on the evidence presented in the first two parts of the report but highlights the problems confronting particular sections of the Australian population in rural, regional and remote areas of the country—older Australians and Indigenous Australians.

1.15 While drawing together the dominant themes in this report, *Part 4* focuses on the social obligations of financial institutions to the communities they serve. It explores the regulatory regimes in operation in the United Kingdom, the United States of America and Canada particularly their approach to the delivery of banking and financial services to districts or communities not well served by traditional financial institutions.

## **Acknowledgments**

1.16 The Committee wishes to express its appreciation to everyone who contributed to the inquiry by making submissions, providing additional information or appearing before the Committee at public hearings. The Committee especially thanks the Barossa Council, the Northern Areas Council, the Rosalie Shire Council, the Nanango Shire Council, the Progressive Community Crow's Nest Ltd, the Nauiyu Nambiyu Community Government Council and the Tangentyere Council for their warm hospitality.



# **PART I**

## **The Traditional Bank Branch in Country Australia**

Part I comprises three chapters which deal specifically with aspects of bank branch closures in rural, regional and remote Australia.

Chapter 2 presents and analyses the statistical data on bank branches in Australia and the rate of decline in their numbers over recent years. It identifies the reasons behind this pattern of branch closure and examines the following matters:

- the influence of globalisation on the banking industry in Australia;
- financial regulatory policy and its effect on the banking industry;
- technological developments and their influence on the way banks and their customers conduct their banking and financial affairs;
- consumer preferences; and
- demographic trends in regional Australia and their influence on bank branch closures.

Chapter 3 looks behind the statistics to gain an understanding of how branch closures affect people in rural, regional and remote Australia. It is concerned with representing the views, experiences and expectations of those who live in areas where branches have closed. It considers the effects of branch closures on individual customers, local business and the community as a whole.

Chapter 4 investigates the measures the banks have taken to manage branch closures. In particular, it looks at the development of a bank branch closure protocol and assesses its adequacy.

