

CHAPTER 6

ACCESS TO BANKING SERVICES IN AUSTRALIA

Anticipated branch closures

6.1 The cutback in bank branches was foreseen. The Wallis report anticipated that the banks would rationalise their branch network. In 1997, it concluded:

The Inquiry recognises that there will be a need to replace any rural bank branches which are closed with alternative delivery channels. If this occurs, the importance of a branch presence is likely to become less relevant to individual consumers, if not to the community. As well as ATMs, EFTPOS, telephone and computer banking, new delivery mechanisms which may be of assistance in rural areas include mobile rural industry specialists and agency arrangements with non-financial services providers such as Australia Post. Rural and remote communities and institutions should work together to explore alternative delivery options which meet the needs of all concerned.¹

6.2 Clearly, the Wallis report presumed that while competition would result in branch closures a range of services would spring up to replace them. As expected there has been a decline in traditional bank branches accompanied by a corresponding growth in alternative forms of banking. Taking a broad approach, this chapter presents an overview of the range and type of banking and financial services that are now available to people in regional, rural and remote Australia.

Current access to a banking service—overview

6.3 In essence, the banks readily acknowledge that there has been a reduction across the board of bank branches in Australia. Nonetheless, according to the ABA, the introduction of different forms of banking, in most cases, has compensated for the loss. It asserted that the major banks maintain extensive face-to-face and electronic self-service banking networks throughout rural and regional Australia.² The ABA submitted that in 2001:

- banks maintained 4,712 branches and around 5,043 agencies;
- Australia Post had 2,821 giroPost outlets (which commenced in 1995); and

1 Commonwealth of Australia, *Financial System Inquiry Final Report*, March 1997, pp. 468–9. (The Wallis Report)

2 *Submission 117*, p. 1.

- taken together (branches, agencies, and giroPost), the current level of over-the-counter services available in Australia today is only 14 per cent less than the number of over-the-counter facilities provided in 1990.³

6.4 Mr Bell, ABA, explained further that there are 400,000 EFTPOS outlets in Australia and 12,000 or 14,000 ATMs together with telephone banking.⁴ There is also the ability for customers in rural and remote areas to deal with mobile bankers or with regional banking centres on particular agribusiness matters.⁵ The figures seem impressive and are supported by current data.

6.5 Indeed, the ABA relies on a recent study to demonstrate that the great majority of Australians have access to a banking service. It maintained that this latest research shows that there is good representation of financial services in regional and rural Australia, compared with other commercial and government services.⁶ The study found that there are a total of 3,380 points of presence for Australian banking and financial services.⁷ Any Australian non-metropolitan town or metropolitan suburb that contained at least one banking service (Bank and Credit Union branches, ATMs, giroPost outlets and Australia Post Office Manual Bank Agency Locations) was considered as one point of presence for this analysis.⁸

6.6 Before looking at the findings of this survey, the report discusses the APRA database on access to banking services in Australia on which this survey was based.

Statistics on access to banking services

6.7 In 1999, the Hawker Report concluded that ‘the statistical information that is readily and officially available is of limited use in compiling a picture of the delivery of financial services through branches and agencies.’ It recommended that the Minister for Regional Services, Territories and Local Government and the Minister for Financial Services and Regulation, in consultation with State colleagues, undertake a collection of comprehensive data on the access communities have to financial services.⁹

3 *Submission 117*, p. 6. See also *Committee Hansard*, 14 November 2002, p. 61.

4 The numbers of EFTPOS outlets and ATMs in Australia have increased since Mr Bell gave evidence. See Table 11.1 (p. 171) which records 433,640 EFTPOS terminals and 21,603 ATMs as at June 2003.

5 *Committee Hansard*, 14 November 2002, p. 75.

6 *Submission 117*, p. 3.

7 *Submission 117*, Background Paper, p. 5.

8 *Submission 117*, Background Paper, pp. 3 and 5. The list on p. 3 of the paper did not include Australia Post Office Manual Bank Agency Locations.

9 Report from the House of Representatives Standing Committee on Economics, Finance and Public Administration, *Regional Banking Services, Money too far away*, March 1999, pp. 15-16.

6.8 In its response to the recommendation, the Government agreed with the finding that the lack of comprehensive data on the availability of services to different regions made it difficult to draw conclusions about access to services in regional and remote areas of Australia and whether they had improved. It explained that the Australian Prudential Regulation Authority (APRA) with the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) had embarked on a major exercise to review and harmonise its data collection and analysis processes.¹⁰ It recommended that:

APRA take into account the recommendations of, and the issues raised by, the Hawker Committee in its review of data collection and that it works closely with representatives of the financial sector in determining the most appropriate data to be collected. The Government also recommends that APRA consider publishing information that easily and accurately represents the level of access Australians have to basic financial transaction services both face-to-face and electronic, and that this data distinguishes between the access people have in urban and rural communities. The relevant financial institutions are understood to regard APRA as the most appropriate agency to handle the collection of such data.¹¹

The Commonwealth considers it appropriate to await the outcome of APRA's review before it undertakes any separate collection of data on the access communities have to financial services. If such a collection of data is to be undertaken by the Commonwealth, then it will be done in consultation with the relevant State authorities.¹²

6.9 Although APRA did not see the collection and analysis of data on the availability of banking services as part of its prudential functions, it has now assumed responsibility for gathering such information. APRA explained that rather than focus on branches and agencies as was the case previously it had developed a survey that captures all service channels available to customers.¹³

APRA's 'Points of Presence' database

6.10 In June 2001, APRA announced the release of the Points of Presence data which was to be the first of an annual series that would over time show the changing patterns of financial services available to the community. The information contained in the survey reaches down to the level of individual service channels within separate localities, towns and suburbs.¹⁴ The survey recognises that banking services are now

10 Commonwealth Government Response to the Recommendations of the House of Representatives Standing Committee on Economics, Finance and Public Administration Inquiry into Regional Banking Services, p. 6.

11 *ibid.*, p. 7.

12 *ibid.*

13 Dr Darryl Roberts and Earl Burgess, APRA, *Committee Hansard*, 25 February 2003, pp. 183–185.

14 APRA, *Points of Presence, Summary of branches*, 30 June 2001.

delivered through a wide range of ‘service channels’ and not just by traditional bank branches.

6.11 In its spreadsheet entitled *Points of Presence 2001*, APRA divides the various channels of banking service into those that qualify as ‘branches’ and those that do not. To qualify as a ‘branch’, a service channel must meet the following criteria:

- accepts cash and other deposits (including business deposits) and provides change;
- facilitates the keeping of accounts for customer access, including the provision of account balances;
- opens and closes accounts;
- can facilitate or arrange the assessment of the credit risk of existing and potential customers; and
- offers additional services in the one establishment such as financial services, business banking and specialist lending.

Problems with definitions—branch and agency

6.12 Although the definition of a branch is now used consistently in the database, institutions have the latitude to name and define their other service channels as they choose. According to APRA, this approach makes comparing similar service channels across institutions difficult. Indeed, APRA’s figures provide almost 120 different types of ‘points of presence’ (see appendix 4). The sheer number of terms employed under the category ‘non branch’ is confusing especially where a number of institutions retain the term ‘branch’ in titles even though the facilities are not branches under the definition. These include terms such as Branch–Kiosk; Branch–Non Cash, Interstate Branches and Mini Branch. While the description accompanying each point of access conveys some understanding of the level of service provided, the range is still very great and the information is buried in the raw data. For instance the term ‘agency’ is used in both branch and non branch categories—for example, Commonwealth manual agencies and agencies with Electronic Funds Transfer at Point-of-Bank (EFTPOB) are not regarded as a branch while the National’s agencies are deemed to be branches.

6.13 Thus, the definitions present a very difficult challenge for statistical analysis. How does one compare a Westpac In-Store bank with an Elders Rural Bank agency? An Agribusiness Banking Centre with a MAXI Multimedia kiosk? Measuring banking services according to the number and location of ‘points of presence’ without further considering the services those points of presence actually deliver is fraught with difficulty. Terms such as ‘agency’ are too broad to have any value as a statistical tool to help in understanding the level of service provided.

6.14 Other information about the quality of service is also missing. For example, the Committee visited the small Queensland town of Blackbutt which has an RTC. The statistics may well show that this town has a banking facility but it does not show

that the Nanango Shire Council subsidises this facility to the amount of between \$8,000 and \$10,000 a year.¹⁵ Goombungee may well have an ATM but according to a council representative it spends 90 per cent of its time with ‘an out of order’ sign on it.¹⁶

6.15 More importantly, while the data shows the services available it provides no indication of areas without banking facilities. This deficiency in the data base was evident to the Committee when it sought information on the availability of banking services to remote communities in the Northern Territory. The only information available was a very basic survey undertaken by field officers (see appendix 5). The Committee believes that any data collected on the availability of banking services in Australia should also document communities where there is no point of banking presence.

Other difficulties in analysing the data

6.16 APRA also drew attention to another aspect of the data that makes analysis difficult. It warned that service channels other than those meeting the definition of a branch, can not be aggregated to achieve the total. The same points of presence may be simultaneously reported by separate institutions, for example giroPost.

6.17 Furthermore, APRA told the Committee that it did not believe that the 2002 comparison figures for 2001 are worth anything mainly because the institutions provided numbers but ‘did not know where to classify them’.¹⁷ The Committee hopes that these teething problems are soon resolved.

6.18 Without doubt the Points of Presence database is comprehensive—it lists all facilities providing a banking service. The Committee accepts that the quality of the statistics now being collected has improved, particularly in having the one standard definition of a bank branch. Even though the statistics in defining a branch offer a better understanding of the services provided by such a facility, the almost 100 remaining types of facilities that are grouped together under the classification of non branch pose a problem for analysts.

Lack of analysis

6.19 Of greater concern, however, is the lack of analysis of this material. The Department of Family and Community Services noted that evaluation of the data is left to individual users. It suggested that there may be some benefit in APRA or another agency developing ‘a more coordinated approach to analysis’ that could be

15 Richard Brittain, *Committee Hansard*, 22 May 2003, p. 477.

16 Clinton Weber, CEO, Rosalie Shire Council, *Committee Hansard*, 22 May 2003, p. 465.

17 *Committee Hansard*, 25 February 2003, p. 185.

used by governments, banking and other financial institutions.¹⁸ APRA, however, told the Committee:

...we do not attempt to analyse or interpret this information, nor do we have any particular insight into the accessibility of banking services across regional and rural Australia.¹⁹

Further that:

...we do not actually want to put the effort into analysing that return because it is not germane to our mandate which is set out in the APRA Act.²⁰

6.20 The Committee accepts that APRA's core responsibility is to ensure the prudential soundness of ADIs. Nonetheless, the Committee believes that the data collected by APRA is a rich source of information for the banking industry and for governments and should be presented in such a way that it provides some insight into the accessibility and level of banking and financial services in country areas. It definitely should identify areas that have limited access to bank services particularly those without a bank branch that are dependent on self-service banking channels.

6.21 The Committee believes that further work is required to refine the definitions used in this database so they can be used to convey a more accurate understanding of the level of banking and financial services available across Australia. The Committee also believes that the body of raw data collected by APRA should be analysed and presented so that it 'easily and accurately represents the level of access Australians have to basic financial transaction services' in metropolitan and in country areas. The Government recommended as much in its response to the Hawker Report.

Recommendation 4

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.

6.22 The following section looks at a recent study that draws on APRA's database to reach conclusions on the access to banking and financial services in regional Australia.

18 *Submission 101*, p. 8.

19 Brandon Khoo, *Committee Hansard*, 25 February 2003, p. 181.

20 Dr Darryl Roberts, APRA, *Committee Hansard*, 25 February 2003, p. 183.

A map of the distribution of banking and financial services in Australia

6.23 On behalf of the ABA, the National Centre for Social Applications of GIS, the University of Adelaide, conducted preliminary analysis to map the nation's access to banking services using the data collected by APRA in its 2001 survey on the various points of presence. It explained its findings as follows:

For this analysis 20 km was identified as a maximum reasonable distance to travel to access a banking service. Few localities with a population greater than 200 persons are further than 20 km from a banking service. Within the whole of Australia these localities number 32. Within Remote and Very Remote Australia there are 28 localities that are further than 20 km from a banking service, the majority of these are concentrated within the Northern Territory and Western Australia, where population densities are low and distances between populated localities are high...Euclidean analysis of the distances between those 28 localities and their nearest banking service shows that 6 are within 50 km, 4 are within 100 km, and 18 are greater than 100 km from any banking service.

The 28 Remote and Very Remote localities isolated from banking services tend to be remote communities, whose populations fall between 200 and 950 persons.²¹

6.24 The study also suggested that throughout Australia there are less than five localities with greater than 200 and less than 700 persons whose only access to a banking service within 20 km was an ATM.²² It concluded that 'Australians have extensive access to banking services through a variety of distribution channels—including over the counter, in a supermarket, newsagent, post office or an ATM'.²³

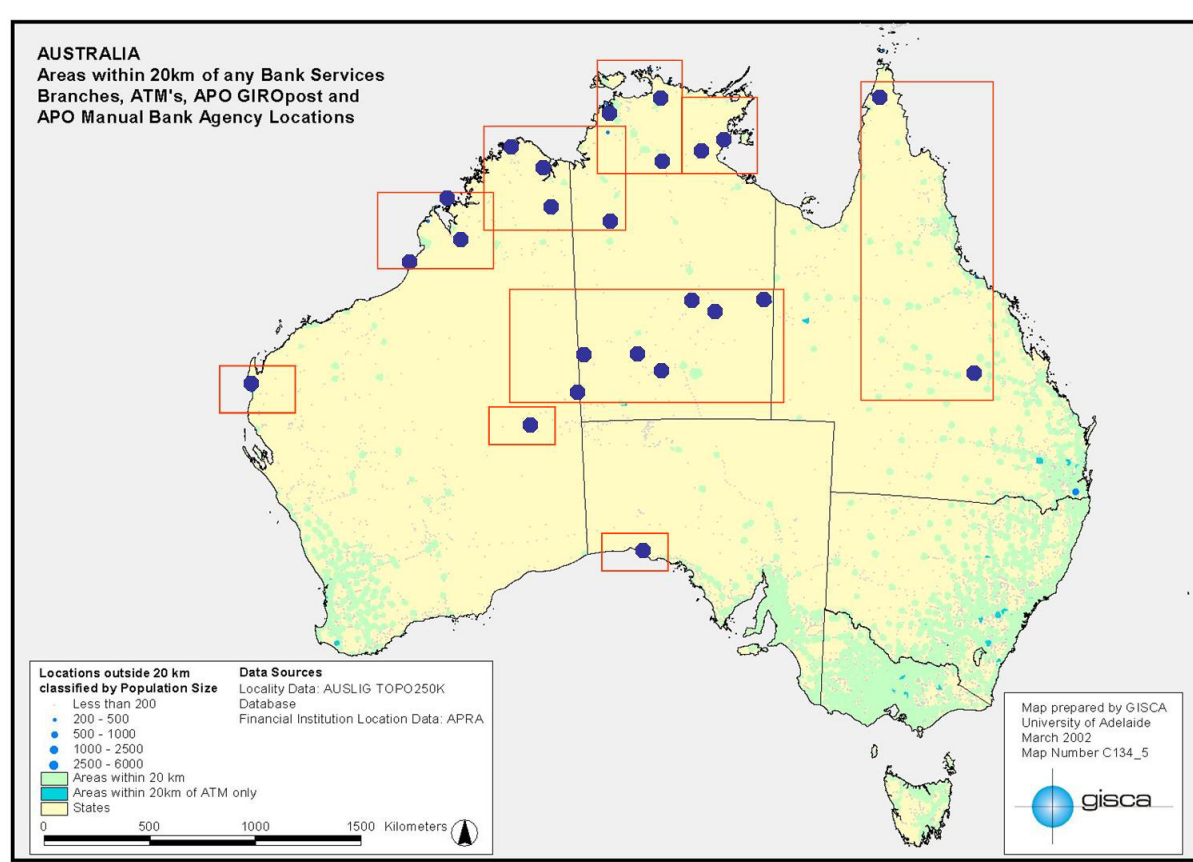
6.25 The map below shows the locations of communities in Australia with more than 200 people that do not have an over-the-counter banking service within 20 kilometres.

21 Attachment to *Submission 117*, p. 6.

22 Appendix B to *Submission 117*, p. 7.

23 ABA, Media Release, 'ABA Maps Community's Extensive Access to Financial Services', Sydney, 27 March 2000, <http://www.bankers.asn.au/ABA/adminpages/Admin/New.AnArticle.asp?ArticleID=331> (19 July 2002).

Table 6.1—Map showing the areas within 20 km of any Bank Services Branches



6.26 These statistics appear quite promising for the case that access to banking services in rural and regional Australia are adequate. For example the Commonwealth Bank cited APRA's latest points of presence data to confirm that it is increasing its services to regional, rural and remote communities through a variety of distribution points such as ATMs, EFTPOS machines, Woolworths Ezy Banking and giroPost.²⁴

6.27 Unfortunately, definitional problems cloud the issue. As noted earlier in this chapter, the ABA includes Australia Post Manual Banking Agency locations and giroPost outlets as banking 'points of presence'. There are 805 of these agencies and more than 14,000 giroPost outlets throughout Australia, many in rural and regional Australia. These outlets do not meet APRA's minimum criteria for a branch and the level of banking service offered by the manual banking agency is very limited.²⁵

24 *Committee Hansard*, 25 February 2003, pp. 123–4.

25 ATMs similarly fail to meet the 'branch' criteria, but the ABA report acknowledges that they are less acceptable points of presence, and excludes them from some of its analysis. The ABA suggests that the presence or absence of ATMs in the analysis has a negligible effect, presumably because there are few locations where there are ATMs, but no other points of presence.

Further still, including an ATM as a banking point of presence means that the understanding of a banking service is reduced to its most rudimentary level.

6.28 So, while the ABA's statistics indicate that very few Australians are more than 20 km from some form of banking service, it is impossible from their research to determine how many Australians have access to adequate services.

6.29 Thus, although the statistics may seem impressive in showing that there are only 32 localities in Australia with populations over 200 that do not have a banking service within 20 kms they give no indication of the level of service provided to those communities. It should also be noted that the survey did not include communities with less than 200 residents. There are over 1,000 discrete Indigenous communities alone with populations under 200. Chapter 15 provides more information on these communities.

Conclusion

6.30 Clearly, the banks are 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. Evidence to this Committee, however, highlights community dissatisfaction with the level of service they provide. Chapter 3 quite clearly identified the problems caused by branch closures or the withdrawal of banking services from country areas. Chapter 5 found that because of the lack of competition in some areas of regional, rural and remote Australia the market was tardy in responding to consumer demands. Against this backdrop of branch closures and weak competition, the following chapters look more closely at the range of banking services provided to people in regional, rural and remote Australia and consider the adequacies of such services.

