

# **ADDITIONAL COMMENTS BY LABOR MEMBERS**

## **MONEY MATTERS IN THE BUSH**

1.1 Labor members welcome the Committee's report into banking services in regional, rural and remote Australia and generally support its recommendations. However, there are a number of matters which we consider require additional comment.

1.2 One of the main principles expressed in the report is that:

Access to a basic banking service is an essential service—and that all Australians should have affordable and ready access to a deposit account which receives funds and can be used to make payments.<sup>1</sup>

Labor members agree with this and have always advocated that banking is an essential service.

1.3 The level of monitoring of access to banking services and the cost of those services is an issue of concern to the Labor members. More needs to be done to ensure that the monitoring of such services is independent, rigorous and has appropriate stakeholder input.

1.4 While noting that services such as phone banking, EFTPOS, ATMs and giroPost are filling some of the gaps left in communities when banks have removed their branches—these alternatives are not always sufficient in some communities and the higher costs associated with consumers using some of these services is of real concern.

1.5 Labor members note that there is some inconsistency between the conclusions reached in this report and the report on the inquiry into foreign ATM fees and charges in respect to the potential for differential fees for rural or remote areas. In particular, the Committee report states that the obligations of the banking industry include:

...ensuring that bank practices such as charges and fees and interest rates on home loans do not discriminate against people in regional, rural and remote Australia.<sup>2</sup>

1.6 Labor members believe that this is at odds with Recommendation 1 of the Foreign ATMs Fees and Charges report that recommends the following:

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1 *Money Matters in the Bush*, Executive Summary, p. xxvii.

2 *ibid.*

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.<sup>3</sup>

1.7 Labor members believe that this recommendation does not go far enough and does not ensure that the fundamental flaws in the ATM Industry Steering Group (AISG) model are appropriately dealt with. In Labor's view no differential in foreign ATM fees between different locations is reasonable or warranted. This qualification gives the ATM industry too much discretion to ramp up fees in rural regional areas.

1.8 Further comments on this issue are contained in the Labor members' separate report on Foreign ATMs Fees and Charges.

## **Comments on specific recommendations**

### ***Recommendation 3***

1.9 In respect to closure of rural or remote branches, Labor members support the Committee's recommendation for improved consultation and a notice period of six months to be provided if a branch, which is the only branch in a town, is to close.

1.10 Labor believes the six-month notice period should cover all branch closures, not just those in regional and rural areas.

1.11 While recognising the value of the proposed community interest impact statement that would be completed by a bank where a branch is to be closed, Labor members believe that the guidelines of any such impact statement need to be agreed with by appropriate government, industry, community and consumer groups. Without appropriate guidelines and some form of quality control of these impact statements their value may end up being quite limited. As a minimum the following stakeholder groups should be included in the process to develop guidelines and quality control measures for the community interest impact statement:

- Australian Local Government Association (ALGA)
- ASIC
- small business representative
- state governments
- consumer groups

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3 See Parliamentary Joint Committee on Corporations and Financial Services, *Report on the ATM Fee Structure*, January 2004, p. 23.

***Recommendation 4***

1.12 Labor members welcome the recognition by the Committee that the current system for the ‘points of presence’ database is not adequate. However there needs to be broader consultation with regional communities to ensure that reforms to the points of presence database are both adequate and encapsulate the needs of industry, government and the community.

1.13 Labor members share the Committee’s concern that there does need to be improved analysis and commentary on the information provided through the points of presence database. While the Committee has requested that another government agency, not APRA, be requested to do this, Labor members believe that APRA should have a role in analysing and commenting on the data but this should be done in conjunction with the ACCC. Given the ACCC’s role in assessing levels of competition in the banking services industry they would bring a good deal of expertise to any assessment of access to banking services.

***Recommendation 12***

1.14 Labor members support the priority placed on introducing industry standards that support older Australians and those with a disability to achieve full and equal access to services such as ATMs and EFTPOS.

1.15 However in respect to the monitoring of the implementation of these standards Labor members believe that any such monitoring should not be left solely in the hands of the ABA. To ensure adequate stakeholder input appropriate disability and older Australians advocacy groups should be both consulted on the process for monitoring the introduction of these standards and these groups should also be involved in the monitoring and reporting processes.

***Recommendation 22***

1.16 Labor members support the expansion of EFTPOS facilities to allow for access to account balances. However, there should not be an additional fee for this service and the balance information request should not be considered as a transaction where consumers can only access a limited number of free transactions.

1.17 This approach to EFTPOS balance enquiries is consistent with Labor’s call for the banks to introduce real time disclosure for ATMs and provide account balance information at no cost to the consumer.

**Banking and remote Indigenous Communities**

1.18 Much evidence was taken by the Committee on the difficulties confronting indigenous Australians regarding access to banking services and financial literacy generally. It is apparent that many remote and regional indigenous communities lack sufficient basic banking services. In some cases, it is not a case of services previously being enjoyed being withdrawn, but services not ever having been provided at all. As importantly, the lack of such services is compounded by factors such as remoteness,

socio-economic disadvantage (in some instances extreme), poor levels of numeracy and literacy (and accordingly low levels of financial literacy), cultural difference, and language barriers.

1.19 Labor members consider that access to basic banking services and minimum levels of financial literacy are preconditions to redressing the disadvantage experienced by many indigenous communities in remote and regional Australia. There is little point in governments encouraging indigenous Australia to achieve greater economic independence if the basic building blocks of economic development are not in place.

1.20 Accordingly, whilst Labor members are generally supportive of the Committee's recommendations in relation to indigenous Australians, we make the following additional points.

1.21 In relation to Recommendations 24 and 26, Labor members see a need for a multi-faceted strategy to improve the financial literacy of indigenous Australians, co-ordinated by the Government, and involving indigenous organisations, state and territory governments, and financial institutions. Whilst we support Recommendation 24, which calls for financial literacy to be included in core school curricula, we consider this to be only one of a number of strategies that are required. We also believe that the involvement of indigenous organisations, particularly those with demonstrated success in the area of financial literacy education, to be critical.

1.22 Further, we consider that Recommendation 26 fails to go far enough. It is insufficient to call on the ABA to simply 'examine' the successful practices utilised in Canada in relation to indigenous financial literacy. In our view the ABA should develop, in partnership with relevant indigenous organisations, a comprehensive strategy for improving the financial literacy of indigenous users of banking services, drawing on the Canadian experience. Labor members are encouraged by some of the initiatives taken by some banks, and also by the ABA's indicated willingness to work with Reconciliation Australia on this issue. However, it is our view that in the event these voluntary initiatives prove to be insufficient, these issues would properly be considered in the context of compulsory community service obligations.

### ***Recommendation 25***

1.23 Labor members support the Committee's call for government assistance in the form of an employment and professional development scheme to encourage employment of indigenous people in financial services. However, we consider that more specific government or non-government support for organisations which (successfully) provide financial services to remote and regional indigenous communities ought be considered. Organisations such as the Traditional Credit Union provide much needed, culturally sensitive services, often under significant cost pressures resulting from the nature of the services provided and the make-up and geographic location of their customer base. We consider that the Government should investigate means of providing support to such organisations. In addition, we would

encourage the ABA to consider methods of providing financial or in-kind assistance to such organisations.

***Recommendation 29***

1.24 Labor members support extending the jurisdiction of the Banking and Financial Services Ombudsman (BFSO) to be able to consider and advise on complaints regarding consumer difficulties in accessing banking services. Labor members believe that the jurisdiction of the BFSO should be widened further to encompass consumer complaints about the cost of banking services.

***Recommendation 30***

1.25 Labor supports the introduction of Community Service Obligations on ADIs – the ALP has signalled its preparedness to re-regulate the banks if they do not agree to meet appropriate voluntary community service obligations.

SENATOR PENNY WONG  
**DEPUTY CHAIR**

MR ANTHONY BYRNE MP

SENATOR STEPHEN CONROY

MR ALAN GRIFFIN MP

