

## **Senate Inquiry into bank closures in regional Australia**

East Gippsland Shire Council – Endorsed by Council 28 February 2023

1 March 2023

### **Introduction**

On behalf of East Gippsland Shire Council and the East Gippsland community, Council would like to thank the Senate Standing Committees on Rural and Regional Affairs and Transport for providing Council with an opportunity to present to the Inquiry into Bank Closures in Regional Australia. As a large rural Shire that battles the tyranny of distance on a daily basis, the ability to speak directly to members on this important community and social issue is appreciated.

We recognise that bank branch closures are ultimately commercial decisions for banks, but we contend that banks must consider the social impacts of those decisions on regional communities particularly those smaller communities and towns that are long distances away from larger regional service hubs.

Decisions based purely on bottom line results over socially 'doing the right thing' flies in the face of being a good corporate citizen and given that taxpayers, our community, bankroll bank's significant profits, the banks in turn have an unwritten duty to maintain essential banking services in those regional communities.

### **About East Gippsland**

The Gunaikurnai, Monero and the Bidawel people - the Traditional Custodians - have cared and nurtured East Gippsland for tens of thousands of years and represent the second largest population of Aboriginal people in Victoria. Council values their living culture and practices and their right to self-determination.

East Gippsland is a large and vibrant region in a beautiful natural setting, home to proud and involved communities that embrace and encourage self-reliance, responsibility and new ideas.

The past 30 years have seen East Gippsland evolve from its rural origins to a flourishing economic and tourism region in eastern Victoria, drawing more than one million visitors each year. The region has kept its identity and sense of place as it has grown.

The Shire is the second largest in Victoria and stretches from west of Bairnsdale to the New South Wales border, covering more than 21,000 square kilometres or 10 per cent of Victoria.

East Gippsland's unique qualities are both its strength and challenges. The region is distinguished by its natural setting, with its southern edge defined by the Gippsland Lakes and rugged coastline and the rising backdrop of the High Country. Historical rural landscapes and natural bushland characterise the region and surround our communities.

With its fertile soils, good rainfall and temperate climate, East Gippsland has diverse agriculture and horticulture sector renowned nationally for its highly quality produce. As East Gippsland has matured as a region, its communities have also developed and diversified. Residents, both new and old, continue to understand the importance of place and our direct relationship to where we live.

## East Gippsland Shire Council submission to Inquiry into bank closures in regional Australia

### East Gippsland - A community in recovery

The Committee Members will be very familiar with the impact of emergencies on communities. What is sometimes lost in the narrative is the cumulative affect disasters, structural industry changes and government policy change have on people and communities.

East Gippslanders are a strong and resilient community that look after one another and pick themselves up after challenges; however to put this into context over the recent past East Gippsland has had a disproportionate number of changes and issues to deal with:

- The 2016-2019 drought, one of the driest ever for our community
- The cessation of the Gippsland Lakes commercial fishing industry
- The 2019/20 Black Summer Fires
- The planed cessation of the native timer logging industry by 2030, likely to be early due to legal and economic realities
- The COVID-19 pandemic impact on recovery and then rebuilding supply lines and cost
- The La Niña impact on critical infrastructure through significantly higher than normal rainfall
- The recently announced buy out of South East fisheries trawler licenses

The cumulative impact on our communities is starting to show through high levels of family violence (unfortunately the highest in Gippsland and second highest in Victoria), increasing homelessness, loss of identity for some communities such as Swifts Creek and Orbost, reducing levels of volunteerism, suicides and job losses.

Banking closures as experienced recently in Omeo and Lakes Entrance create further uncertainty and destabilisation of communities. What our communities tell us is they are exhausted and need time to heal and recover.

For many of our communities it is not as simple as moving banking transactions online. Poor telecommunication coverage through much of East Gippsland, together with system capacity and reliability constraints, already make it difficult for those transacting online. Areas of disadvantage and lower digital literacy also affect access to services<sup>1</sup>.

### We address the terms of reference<sup>2</sup> as follows:

#### a. the branch closure process, including the reasons given for closures;

The feedback from our community is that this process is usually swift and non-consultative. A decision has been made, and customers are notified of the next nearest branch or process to continue being a customer.

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<sup>1</sup> *Digital Connectivity – Gaps and Priorities – Report on the Lived Experience fs of Communities, Businesses and Agencies in East Gippsland*, September 2021

<sup>2</sup> Taken from [Bank closures in regional Australia – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au) accessed 23 February 2023

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### **b. the economic and welfare impacts of bank closures on customers and regional communities;**

Bank branch closures are felt far and wide, but for regional communities it seriously hurts.

Branch closures force customers to travel long distances to physically access their bank which in turn they incur additional cost-of-living increases with petrol and accelerated vehicle maintenance costs, not to mention the opportunity cost of a poorer life balance spending their valuable time travelling to and from their bank to whom they have been loyal customers.

These customers include vulnerable members of our communities, small businesses who are doing it tough and visitors that come to these smaller regional towns that help to stimulate the local economy.

It is clear that the cost-of-living pressures are pushing up the number of customers relying on local bank branches to help them manage their squeezed budgets – often because they want to speak to an ‘actual’ human being.

It is also clear that vulnerable people and populations within our communities struggle to use online banking services as their preference so branch closures will add to the struggles facing vulnerable members of our community; some do not even own a computer let alone subscribed to an internet service provider.

Much of the aftermath and angst caused by a branch closure is left to the Council to ‘mop up’ with its community.

### **c. the effect of bank closures or the removal of face-to-face cash services on access to cash;**

The access to cash has become problematic for community organisation and events. Whether it be the local school fair, fundraising event, a garage sale, roadside stall or farm gate store or any event where a cash float is required, the need for cash exchange in communities still exists, but the structures to support its use seem to be eroding. It seems that the transition to a cashless economy is being driven by bottom line profits not what is in the best interests of community.

We recognise that the handling of cash can be an expensive process; however it is still a legitimate and important part of the economy and if banks are not going to provide ‘cash related services’ to rural and regional communities then the government may need to step in.

As Banks move more of their transactional activity and customer interaction online, they neglect the people who cannot access these services. They mention community groups moving to digital payments for their community events and shows for entry payments and purchases; however not all community facilities are in an area that supports these mobile payment devices.

Although Australia Post can provide a basic service in communities, not all bank customers can access this service. It would appear that a government supported banking facility needs to be created, perhaps in collaboration with Australia Post that can be accessed by everyone.

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The effect of bank closures on businesses in our townships means that these businesses are unnecessarily exposed to overnight cash and security risks, as they are unable to deposit their takings into a secure night depository facility nor into deposit taking ATMs as these too are withdrawn. These deposit taking services provide business owners with peace of mind as cash is not having to be stored securely overnight in a safe or other means. In many cases, the business owners will have to travel long distances and several hours with large sums of money, exposed to unnecessary travel and security risk, to deposit their takings at a major service hub that has a banking service. This is untenable for business owners.

Our community is also telling us that bank closures place an unnecessary burden on those people who have been appointed as a Power of Attorney to make financial and/or property decisions for another person. In these cases, the appointed Power of Attorney must present themselves to a financial institution in person to produce documents and make transactions. Bank closures are making simple interactions extremely difficult for our community.

**d. the effectiveness of government banking statistics capturing and reporting regional service levels, including the Australian Prudential Regulation Authority's authorised deposit-taking institutions points of presence data;**

It is difficult to make comment on the effectiveness of government banking statistics regarding regional service levels and points of presence data, but we would be interested to understand whether these statistics and data also factor in the following key statistics captured for the East Gippsland Shire when decisions are being made about regional banking services:

- 68.9% of East Gippsland households have an internet connection, compared with 79.6% in Victoria.
- The median age in East Gippsland is 51 years, 14 years older than the median age of Victorians (37 years). We have a growing, ageing population with 41% being aged 50 years and over and 28% older than 65 years.
- 10.8% of the East Gippsland population (16-64 years) receive the disability support pension, compared to 8.8% in Gippsland and double the Victorian rate of 5.3%. 13% of East Gippsland population provided unpaid care to someone with a disability, long term illness or old aged.
- East Gippsland has a suicide death rate of 22.6 per 100,000 population (12.7 Victoria, 14.6 Gippsland).
- Our townships of Cann River, Orbost, Lakes Entrance are among the most socio-economically disadvantaged in the State.
- East Gippsland has the highest rate of family violence per 100,000 people in Gippsland and second highest in the State.

These key statistics reveal a compelling story of our ageing population, less digitally connected and vulnerable communities and it is this type of data that should also be captured and considered when decisions are being made about withdrawing vital, essential banking services from our communities. It is our view, that this is not the case.

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### **e. consideration of solutions; and any other related matters.**

We do not for one minute argue that all banks should be represented in our smaller regional communities, rather we seek to have a least one financial institution providing essential services, be it a private financial institution or a government backed bank.

Closing branches is a poor solution to improving bottom line results and the quest to increasing shareholder price levels. So, we urge the banks to collaborate with each other to see if there could be a sensible collaborative approach to regional town representation in providing essential banking services rather than following each other blindly into closing branches without social justification, care or thought.

Banks collaborating with each other to problem solve, identify and possibly pilot innovative ideas to create opportunities for local economic growth and increase financial wellbeing and prosperity in regional towns would be well received.

If a bank cannot be supported in a remote or rural community, provision should be made for post offices to increase their capacity to undertake banking services such as cash handling.

There is a rapidly increasing reliance on online services for funding transactions / payments etc. and businesses are compromised when digital connectivity, reliability, bandwidth and speed is limited. So if online banking is the solution – then the ability for business' consulting with banking partners in lieu of face to face meeting becomes really important....otherwise it's a trip to the nearest full business banking service (often hours away) which in many cases means shutting the business to travel and potentially wearing the costs of lost trade in addition to travel and sometimes overnight accommodation.

East Gippsland Shire Council is doing its bit. Council plays its part by making investments in locally based financial institutions. A socially responsible policy decision has been made by Council to invest in a financial institution, the Mallacoota and Paynesville Community Banks (Bendigo Bank affiliates). Irrespective of the rate of return on these funds invested, Council have made that decision in the interests of assisting the viability and economic development of these small communities located in the East Gippsland Shire. The investment we have made with the Community Banks is currently \$2 million.

Council has large sums of money deposited in financial institutions and as at 23 February 2023 Council held deposits in excess of \$90 million with the big four banks. Council surmises that the ability of these financial institutions to generate high rates of return in the wholesale markets on the use of those funds would be far higher than the rate of return Council receives for these investments. We do our bit, but where is the reciprocity?

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### Key points in summary

1. Bank closures have a disproportionate impact on people in regional areas because of distances between towns and services, and particularly for community groups, older people, people with a disability and marginalised people.
2. On-line banking services using mobile, fixed or satellite connectivity is only as good as location, internet services offered, capacity to pay and digital literacy, and is contingent on good power supply that is often problematic in East Gippsland, which makes our communities particularly vulnerable to bank closures.
3. Our communities and businesses are exhausted from consecutive natural disasters and change, and need some stability and certainty in their future.
4. Face to face services are possible, but require a commitment to social and community responsibility beyond values statements and rhetoric.
5. If banks can't or won't provide a mechanism for cash circulation in regional communities, then the government needs to step in and provide a suitable alternative mechanism.
6. We need innovation, collaboration and a willingness to do better to solve the issue of bank closures.
7. Regional people matter. Regional people are important contributors to Australia and its wealth. East Gippsland provides a Gross Regional Product contribution to the economy of Australia in the order of \$2.66b every year. East Gippslanders should be afforded banking and other services to reflect their contribution to the State and Nations' economies.

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### Case Study

Omeo Banking Services – Due for closure on 31 March 2023

Council on behalf of a large bank has operated an agency from our customer service centre in Omeo since 2016. The decision was made by Council following the closure of the Omeo Westpac branch to support banking services not just for Omeo, but the broader district taking in places such as Benambra, Swifts Creek, Ensay and many small high country settlements.

The Agency was established on the basis that Council would run the day to day operations. This has come at considerable cost to Council over the years due to the safety and security arrangements required having a banking agency within a Council facility. It has also been a well utilised and valuable community service particularly for businesses and community groups.

At the time of establishment there was quite the fanfare that the Bank would become part of the community and work with the community to promote and build its customer base. Feedback from community is that this never happened.

In 2022, Council undertook a review of its Customer Service and Library Services across the Shire. In doing so it identified that the cost to ratepayers to maintain a bank at the current hours was an unreasonable burden on the basis of supporting a private entity with public funds. It worked out to be in the many thousands of dollars per annum. When asked to increase their assistance as part of their commitment the Bank declined. To address the costs, but maintain the service, Council proposed a reduction in hours to balance cost and community access, working with the local business and tourism association to find a suitable model.

To Council's surprise following discussion between senior bank staff and the Mayor and CEO written notification was received from the Bank that it was not interested in offering a reduced, more economical service, and had instead determined to shut down the agency. Customers were advised during the 2022 Christmas period.

To Council this demonstrates the challenge for communities. This case study shows there was a viable bespoke arrangement with minimal costs that could have worked, and despite trying to work with the Bank, we were simply told '***the computer says no!***'