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Committee Secretary
Standing Committee Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Members,

Bank closures in regional Australia – Senate Committee Inquiry

On behalf of the Council and community of the Shire of Carnamah, we would like to thank the Senate Standing Committee on Rural and Regional Affairs and Transport for providing all Australians with an opportunity to submit to the *“Inquiry into Bank Closures in Regional Australia”*.

The following is the submission to the Committee from the Shire of Carnamah.

By way of information, the Shire of Carnamah is a large local government area encompassing 2,873 square kilometres¹ in the Mid West region of Western Australia.

There are two townships. One is Carnamah, which is situated on the Midlands Road, 308 kilometres north of Perth. The other is Eneabba, which is situated on the Brand Highway, 278 kilometres north of Perth, 65 kilometres west of Carnamah and 30 kilometres east of Leeman.

The friendliness and diversity of the two towns make for a relaxed lifestyle. The district supports the principal industry of agriculture (grain and sheep farming) with rural suppliers, machinery dealership, automotive and smash repair businesses, primary and high schools, and various retail and service outlets.

Carnamah is one of the largest primary grain receival points in the region. Up until recently, Carnamah also had a functioning and strongly supported Westpac bank branch. Tourism is an emerging industry, with the Shire being one of the richest areas in the state for wildflowers from August to October, and having a number of other natural, cultural and heritage attractions.

¹ www.mycouncil.wa.gov.au (n.d.). MyCouncil - View a council. [online]
Available at: <https://www.mycouncil.wa.gov.au/Council/ViewCouncil/21> [Accessed 14 Mar. 2023].

According to the 2021 Census, the population of the Shire is 552² with some 407³ people residing in the town of Carnamah. The median age of a resident of Carnamah is 43⁴ compared to the State Median age of 38 years.

The people of the district understand the reality of distance between larger centres and that commercial enterprises will make decisions based on their economic and financial needs. For example, when banks closed in the neighbouring towns of Three Springs (approximately 26 km from Carnamah), and Morawa (approximately 66km away) and Perenjori (56km away), many of these residents, along with social and sporting groups moved their banking needs to the only bank in the district; the Carnamah Westpac branch.

On 24 February 2023, Westpac ignored the appeals of the community and closed the only bank branch within 120km of any other banking institution.

Attachment 1 of our submission seeks to address the Standing Committee's terms of reference into bank closures in regional Australia.

The Council and community of the Shire of Carnamah thank the Senate Committee for initiating the Inquiry into Bank closures in regional Australia. As the Committee will note throughout our submission, Westpac closed our branch without consideration of the impact it will have on our residents.

It is recognised that it is very unlikely that any legislative action will eventuate from the Inquiry to reverse the decision of banks to close branches in rural and regional Australia. However banks such as Westpac must be made to acknowledge the devastating impact branch closures have on communities like Carnamah and that our wider community remains deprived of an essential service.

It is hoped that as an outcome of the Inquiry, other rural and regional communities will not suffer the same consequence of irresponsible bank branch closures that has been inflicted on Carnamah and the many hundreds of small towns across Australia.

Yours sincerely

Robert Paull
Chief Executive Officer
Shire of Carnamah

² www.abs.gov.au. (n.d.). 2021 Carnamah, Census All persons QuickStats | Australian Bureau of Statistics. [online] Available at: <https://www.abs.gov.au/census/find-census-data/quickstats/2021/LGA51470> [Accessed 14 Mar. 2023].

³ www.abs.gov.au. (n.d.). 2021 Carnamah, Census All persons QuickStats | Australian Bureau of Statistics. [online] Available at: <https://www.abs.gov.au/census/find-census-data/quickstats/2021/SAL50266> [Accessed 14 Mar. 2023].

⁴ www.abs.gov.au. (n.d.). 2021 Carnamah, Census All persons QuickStats | Australian Bureau of Statistics. [online] Available at: <https://www.abs.gov.au/census/find-census-data/quickstats/2021/SAL50266> [Accessed 14 Mar. 2023].

ATTACHMENT 1 Addressing the Terms of Reference

The following seeks to address the Standing Committee Rural and Regional Affairs and Transport terms of reference into Bank closures in regional Australia.

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

The experience the broader Carnamah community has had with our Westpac branch closure is that the decision was purely from a remote business perspective taken, several hundreds of kilometres from the town. There was no consultation in relation to the closure and there never has been any clear explanation why the closure of the Carnamah branch was necessary.

From Carnamah's experience, the following is the process banks take when closing a branch in a rural and regional community:

- the decision is made hundreds of kilometres away from the branch;
- there is no consultation about closing the branch with the community or customers or even staff before closure;
- banks do not identify themselves as an 'essential community service';
- there is no social impact assessment undertaken by the bank to determine the affect closure will have on the community;
- there is no consideration how far the next nearest bank branch will be once the branch is closed;
- there is no consideration how the wider community will access the next nearest bank branch given the lack of reliable public transport;
- there is no explanation why the branch was identified to close;
- Bank@Post (Post Office) is promoted as being as good as a bank branch where it clearly isn't;
- there is no assessment undertaken by the bank as to whether there is universal access to the Post Office for Bank@Post;
- there is no consideration by the bank that a community that relied on a 'face to face' bank branch may not necessarily be able to access a digital banking service;
- the bank only concerns itself with limiting any public relations fall out and not in addressing its closure mistakes; and
- closure is simply communicated by the bank to the community and customers via letters, press release, and then executed within months.

For the town of Carnamah, Westpac's corporate entity simply made the decision to close the only bank branch within 120km and which had been in existence since well before the Second World War.

For the Council of Shire of Carnamah, notification of the Westpac's decision to close our branch came in the form of a visit on Thursday 29 September 2022 to the Shire administration office from a Westpac employee, advising that the branch was closing on 24 February 2023.

There was no discussion from the Westpac representative beyond the branch closing. When asked if there was any chance of a review of the closure or reprieve, the answer was a definitive no.

There was an observation from the Westpac employee that they would investigate relocating the 24-hour Automated Teller Machine (ATM) from the bank to the Carnamah Post Office. This never eventuated and it is believed that Westpac never made any real attempt to investigate an ATM relocation.

Westpac was not interested in offering a reduced, or more economical banking service. Instead Westpac executives from either St Georges Terrace, Perth or Kent Street, Sydney simply determined to shut the branch down. This was despite the branch being staffed by capable and well-respected bank employees who resided locally.

Despite pleas to Westpac to explain specifically why they had chosen to close our branch; Westpac never gave an explanation beyond the general characterisation of 'changing customer needs towards digital banking'. However, the closest rationale by Westpac provided was via email where a Westpac Complaint Manager stated:

"Given you have requested further review, I am able to provide the following transaction details for your information.

- 84 customers completed 161 transactions monthly. This is down 18% in since 2020.*
- To give further context to these transaction numbers, the branch is currently servicing around two (2) transactions per hour.*
- 96% of branch transactions can be performed at Australia Post. Most of the gap to 100% relates to transactions that exceed the withdrawal or deposit limits imposed via our agreement with Australia Post.*
- There are an average of 6 transactions (1 deposit and 5 withdrawals) a month that are outside of these limits. Westpac will work individually with these customers to adjust how they do their banking.*
- Five customers are currently using passbooks and will need migration to a debit card. Again, individual and personalised support will be provided to these customers to assist with this change over".*

Westpac's own figures ignored the limited trading opportunities during the COVID19 pandemic and reference a very modest 18% transaction reduction since 2020. The number of transactions per hour as referred fails to acknowledge the use of the ATM that had been installed which would significantly reduce transaction numbers, but which forms part of the overall customer service.

b) the economic and welfare impacts of bank closures on customers and regional communities;

The most obvious and compelling impact of a bank branch closure for rural and regional communities is the extensive travel distances required to physically access a bank. For Carnamah, it is a minimum 240km return trip to Moora; or 260km to Dongara where there still are banks. The cost of fuel, vehicle costs and actual travel time impact those individuals who have and can drive a car to get to a bank.

Simply put, the majority of Westpac's customers residing in Carnamah and surrounds have a 240km round trip to access an essential financial service, such as personalised financial advice, replacement cards, detailed personal banking advice or ID recognition.

Those that do not have access to a (dependable) vehicle will need to take a bus on either a Tuesday or Thursday to Moora from Carnamah. Moora is the closest bank branch and some 120 km from Carnamah. The trip is under 2 hours but for the return to Carnamah, you will need a 2 night stay in Moora. Accordingly, when you need face-to-face banking and without access to a vehicle, Westpac's decision to close our Carnamah branch will be devastating. Again, a Social Impact Assessment undertaken by Westpac would have identified the result of their decision to close the branch.

By removing the ATM from Carnamah, Westpac has denied 24 hour access to cash in the district. Westpac has also failed to address accessibility issues at the local Carnamah Post Office which has no access for people with disabilities.

Looking to the future and the stated direction of most banks, the question has to be asked: how long will it be before it is a 400km return trip to Geraldton for our community to have a face-to-face banking service?

Importantly and as will be discussed further in this Submission, Westpac simply ignored the request to undertake a 'social impact assessment'. Had they undertaken even a cursory assessment, it would have been made aware of the disturbingly negative impact the closure of the branch has on the community.

There is of course an alternate view: that Westpac did undertake social impact assessment and it simply chose to ignore the outcome because it would have slowed their intent to close the Carnamah branch.

Either scenario shows a significant failure of process and empathy from a corporate entity.

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

It is acknowledged that Australia Post Agencies can potentially provide a basic cash service in rural and regional communities. However, not all bank customers can access Bank@Post⁵.

The experience in Carnamah is that Westpac's removal of face-to-face service also resulted in the removal of the only 24 hour ATM within 120km.

In 2015 Westpac announced an investment of \$40 million in regional branch networks to provide "...customers access to the highest quality branch network, service and advice".⁶

Clearly Westpac with its recent Australia wide branch closures has reneged on the above commitment by removing face-to-face banking expertise, tailored advice and 24-hour ATMs to many rural and regional areas across Australia.

It is reasonable to suggest that Australia's rural and regional residents probably don't require the highest quality branch network, service and advice. What is necessary however is access to an essential 'face-to-face' banking service within 40-60km from the next service centre.

The recent actions of Westpac and other corporate banks has been to shut their doors and forget about their regional customers. Two (2) months before Westpac's announcement to close our Carnamah branch, Westpac identified that it was critically important to advance rural industries and enhance regional infrastructures so as to lead the way for growth and economic recovery.⁷

For the first time since 1981, Australia's regional population grew more than the capital cities during 2020-21, according to the Australian Bureau of Statistics⁸, with almost a third of our population living outside our capital cities and some of our largest industries based across rural and regional Australia.

Regional economies have continued to outperform metropolitan markets under these much tighter conditions, with the value of farm production increasing to \$61 billion in 2020/21.⁹

⁵ www.westpac.com.au. (n.d.). Westpac customers can now BANK@POST. [online] Available at: <https://www.westpac.com.au/about-westpac/media/media-releases/2015/20-april/?searchsource=search-results&kw=regional&rank=5> [Accessed 14 Mar. 2023].

⁶ www.westpac.com.au. (n.d.). [online] Available at: <https://www.westpac.com.au/about-westpac/media/media-releases/2015/19-march/?searchsource=search-results&kw=regional&cat=news-%26-media-releases&rank=4&result-type=natural> [Accessed 14 Mar. 2023].

⁷ www.westpac.com.au. (n.d.). Westpac survey shows farmers see a fine future. [online] Available at: <https://www.westpac.com.au/news/making-news/2022/08/westpac-survey-shows-farmers-see-a-fine-future/> [Accessed 14 Mar. 2023].

⁸ Australian Bureau of Statistics (2022). Regional population, 2018-19 | Australian Bureau of Statistics. [online] www.abs.gov.au. Available at: <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

⁹ regionalaustralia.org.au. (n.d.). Regional Labour Market Update - December Quarter 2022. [online] Available at: <https://www.regionalaustralia.org.au/Web/Toolkits-Indexes/Regional-Jobs-Update/Updates/2023/Regional-Labour-Market-Update-December-Quarter-2022.aspx> [Accessed 14 Mar. 2023].

In addition, agritourism is expanding and it is expected to contribute \$1.8 billion to domestic consumption by 2030¹⁰.

Services and infrastructures, such as local banks, contribute enormously to the sustainability and growth of regional centres with positive shifts in the standards of living and job opportunities. Job creation and growth of existing industries, and potentially the introduction of new ones through strategic infrastructure investment, has the advantage in not only attracting new residents but also helping to retain the young people who grew up in these communities.

The foundation of a healthy community is a strong economy. When people are employed and financially secure, they are better able to positively contribute to their community in a more meaningful way.

The removal of face-to-face cash services due to the closure of our Carnamah Westpac branch will not just impact the residents of Carnamah but also current and future business where their location decisions could be influenced by the availability of banking services. New casual employees working on local grain bins for the summer harvest often need to open bank accounts for their wages. This is not available in Post Offices and now not available in Carnamah.

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;

With respect, it is not for the Council or even the community to comment on the effectiveness of government banking statistics regarding regional service levels and points of presence data or the role of the Australian Prudential Regulation Authority's (APRA) authorised deposit-taking institutions points of presence data.

However, there does appear to be several institutions that should have a role in the closure of a rural and regional bank branch. For example, the Australia Banking Association's (ABA) 'Banking Code of Practice'¹¹ effectively clashes with how banks close their local branches. The 'Banking Code of Practice' states:

"We are committed to providing banking services which are inclusive of all people, including:

- (a) older people;*
- (b) people with disability;*
- (c) indigenous Australians, including in remote locations; and*
- (d) people with limited English".*

¹⁰ Australian food and agribusiness. (n.d.). Agritourism. [online] Available at: <https://research.csiro.au/foodag/premium-interactions/experiences-and-tourism/>

¹¹ www.afca.org.au. (n.d.). Banking Code of Practice | Australian Financial Complaints Authority (AFCA). [online] Available at: <https://www.afca.org.au/about-afca/codes-of-practice/code-of-banking-practice>

Without undertaking a transparent social impact assessment, it is queried how any bank could close a branch without first addressing the Banking Code of Practice and informing itself how such a closure will impact a community. In fact, the position of the ABA appears to be more a 'champion' of the banks closing their branches without investigating the consequences on communities. There is no penalty or condemnation of banks like Westpac who ignore the Banking Code of Practice.

For example, if Westpac had undertaken such an assessment, it would have found:

- i. several members of our community have a disability;
- ii. Carnamah has an ageing population and less digitally linked community, and;
- iii. that local Australia Post Agency does not have universal access.

The Federal Government's *Regional Banking Taskforce* (September 2022) sought to bring banks and other key stakeholders to work together in partnership to share information, assess the impact of regional bank branch closures and identify possible solutions.

Taskforce Recommendation 7 made direct reference to APRA:

*"Recommendation 7 – Review the APRA Points of Presence collection; Australian Prudential Regulation Authority (APRA) to commence in 2022 a review of its Authorised Deposit-taking Institutions (ADI) Points of Presence collection to better capture indicators on how banking services are accessed, with public consultation in early 2023".*¹²

On January 21, 2023, the Sydney Morning Herald reported that Finance Sector Union national secretary Julia Angrisano said the four big banks had told the union of about 650 closures since the start of 2020, and "...it estimates that including smaller banks as well, more than 700 branches have been shut in that period"¹³.

By closing the branches as they continue to progress, the banks and the ABA have strategically thwarted Regional Banking Taskforce Recommendation 2:

*"Recommendation 2 – Implement branch closure impact assessments; Banks should establish a process for conducting and publishing regional branch closure impact assessments by mid-2023. Assessments should provide clear reasons for the closure and the engagement that will occur with customers, local government and other stakeholders following the announcement of the closure."*¹⁴

Again, there is further reference to action in early 2023 of Taskforce Recommendation No. 2 addressed in 'The Regional' online publication (October 2022)¹⁵:

¹² Regional Banking Taskforce Final Report (2022), page 21.

Available at: <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>.

¹³ Yeates, C. (2023). Where are all the local bank branches? [online] The Sydney Morning Herald. Available at: <https://www.smh.com.au/business/banking-and-finance/where-are-all-the-local-bank-branches-20221212-p5c5qt.html> [Accessed 14 Mar. 2023].

¹⁴ Regional Banking Taskforce Final Report. (2022), page 12.

Available at: <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>.

¹⁵ Webster, D. (2022). Regional banking taskforce's botch job is no laughing matter. [online] The Regional. Available at: <https://www.theregional.com.au/post/regional-banking-taskforce-s-botch-job-is-no-laughing-matter> [Accessed 14 Mar. 2023].

“Recommendation 7 should trigger alarm bells for regional Australians. Phrases such as “to better understand and plan the transition away from branches” reveal the major banks’ true agenda and have been published as fait accompli by this taskforce.

This recommendation will actually help the Government and the Australian Prudential Regulation Authority (APRA) out with a little problem they now have in relation to errors in the “Authorised deposit-taking points of presence” data, some going back years.

APRA chairman Wayne Byres was backed into a corner at the last Senate Estimates over the misclassification of bank “branches” in the database and the Treasurer, Jim Chalmers, has also since confirmed that bank sites that do not provide face-to-face cash services do not have a place in the government branch lists.

With another 148 “branches” that do not meet those criteria now identified across both metropolitan and regional APRA branch lists, and even more in the planning stages as banks move away from teller service, the corrections are going to play havoc with banking service level statistics – unless the Government follows recommendation seven and shakes the whole classification system up by introducing new service channels to the database. (One of the reasons the Albanese Government has just released an Opposition report in such a shady way may have suddenly become clear.)

It is no surprise that this report has missed the mark by a long shot.”

Accordingly, it is very appropriate that one of the terms of the Committee’s reference should directly reference APRA. It is hoped that APRA will be called to address the Committee and shed some light on its position about bank branch closures and how it addresses authorised deposit-taking institutions points of presence data.

e) consideration of solutions; and any other related matters.

The Westpac branch in Carnamah was servicing the local town and wider Mid-West communities. Council believes that the Carnamah Westpac branch perfectly reflected how financial institutions should manage banking in rural and regional communities as it resulted in at least one financial institution providing an essential financial service within a 40-60km radius.

However, before any bank branch closes or bank operations being reduced (i.e. closure by ‘a thousand cuts’ or by stealth), the financial institution in a rural or regional community must be required by regulation or licence condition to undertake an independent and transparent ‘social impact assessment’ on how the closure will impact the local and broader community.

Importantly, sole reliance on banking through a local post office as the financial alternative should not be the first resort for the banks.

An Australia Post Agency is not a bank. Yet the banks, especially Westpac and the ABA gleefully wash their collective hands of their 'social licence' to a community by removing themselves from a town and then directing their customers to the post office or online.

Australia Post Agencies do not have the level of security, personal financial service, or capacity of a bank. They will often require significant provision to increase their capacity to undertake a banking service such as cash handling.

Essentially, as part of any banking licence, the banks must be coupled with an obligation to undertake a 'Social Impact Assessment' before closing any branch and for that assessment to be publicly available for review and comment to an independent statutory Federal organisation.

Should the conclusion of the 'Social Impact Assessment' be that there are insurmountable issues that cannot be resolved (such as unreasonable distance to the nearest bank or no universal access to the nearest post office), then the bank should be prevented from closing the branch.

Only when the banks are made accountable to their communities and customers will the banks be less keen to close branches at a whim.