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### **Regional Development Australia Wheatbelt submission - Bank closures in regional Australia inquiry**

Regional Development Australia (RDA) Wheatbelt is part of the Regional Development Australia (RDA) national network of 53 Committees. In its role in the WA Wheatbelt Region, RDA Wheatbelt works with and supports 42 Local Governments (LGs) comprising 75,000 people dispersed in over 200 communities across 156,000 square kilometres. In preparing this submission RDA Wheatbelt conducted a survey via Survey Monkey with LGs, businesses and residents, in addition to follow up interviews by phone with regional stakeholders.

RDA Wheatbelt makes this submission to the Bank closures in regional Australia Inquiry on behalf of the 42 LGs and the businesses and residents of the Western Australia Wheatbelt Region.

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

There has been 11 closures of banks or bank agencies in the Wheatbelt Region over the past 10 years. This represents 22% of the overall banking services in the region over that period. Additionally, RDA Wheatbelt has become aware that Bankwest branches in the region are being or going to be brought under the CBA brand. This will potentially see 10 Bankwest branches cease operation which in turn may reduce the number of banking services in the region from 38 to 28 if CBA does not replace the Bankwest branches.

Primarily, the amalgamation of Bankwest into CBA will see two LGs being Kondinin and Dalwallinu affected as Bankwest is the only bank operating in these LGs. It remains to be seen if CBA will commit to a replacement service or maintain the Bankwest brand.

As bank branches have been withdrawn from the region's towns and LGs, the gap in the services have fallen to Australia Post Offices as agencies for specific banks or in one instance to a Community Resource Centre. In addition, one LG has no on ground services with residents in the shire relying solely on online access.

In speaking with some stakeholders in the region, it appears that the reasons for banks withdrawing their face to face services are mainly due to increased online activity, card payments, less cash transactions and fewer clients accessing face to face services. However, although these are the reasons given by bank representatives, there is no consultation with local stakeholders entered into. As a Deputy CEO of a Wheatbelt LG that had banking services withdrawn two years ago observed, the

bank representatives simply informed the local council and other stakeholders that the bank was closing on a specific date and exhibited no interest in engaging with the shire or community.

While it is possible to see the rationale from the banks point of view behind their branch closures the reality is somewhat different. Digital connectivity and mobile phone coverage along with reliable supply of power in various areas in the Wheatbelt can be or is consistently problematic. Any issues with these sources impact on the digital banking medium. Power blackouts or brownouts are not an infrequent occurrence in many towns across the Wheatbelt which means that purchase transactions must be made in cash and cash may only be accessed across the counter in a bank as the power outage will shut down the ATM. Therefore, no power, no bank, no cash.

Conjointly, there is the issue of older residents being less able to use computers and mobile phones for online banking. This is particularly relevant in the Wheatbelt Region where according to the 2021 Census, 23% of the population were 65 and over with four LGs recorded as having one third of their population in that age category and 18 LGs with a quarter or more of their residents aged 65 and over.

- b. the economic and welfare impacts of bank closures on customers and regional communities.**
- and**
- c. the effect of bank closures or the removal of face-to-face cash services on access to cash.**

The high proportion of the 65 and over population in the region presents a case in point. Anecdotal evidence suggests that many people within the 65 and over age category struggle with using digital applications. It could be posited that this age category would be more likely to use face to face banking services and are disadvantaged if those services are not available.

Based on this premise RDA Wheatbelt reviewed the population demographics across the 42 LGs in the region and those with access to a bank and found that 13% of the 65 years and over population had no access to face to face bank services in their LG area or town. A further scan involving the 74 years and over population showed that 12% of this age group had no access to face to face banking services in their town or LG area.

Responses to a survey conducted by RDA Wheatbelt in regard to this submission showed that 57% of respondents provided assistance in accessing online banking for people who requested it while 30% of respondents acknowledged that such requests were due to poor telecommunications.

People can use Australia Post services in those LGs or towns without banks that enable them to make deposits, pay bills or withdraw cash. However, there are limitations across these services that can only be addressed in a bank branch.

In the RDA Wheatbelt survey, respondents were asked how far they would need to travel if their bank in town closed. Responses to this question illustrate the level of inconvenience and additional costs that residents in the region face if they simply wish to access face to face banking services. Of those who responded to the question, 26% indicated that they would have to travel less than 50 kms, 48% would have to travel between 51 and 100 kms, while 23% would have to travel between 101 and 200 kms with 3% having to travel more than 200 kms.

Having to leave their local town to access face to face banking services would also have a direct adverse effect on the town's economy as 94% of respondents in the survey indicated that in travelling to a (bigger) town with a bank they would take the opportunity to do shopping. Although, the money they spend remains in the region it is shifted away from the local businesses in the respondents town.

The impact of this redirection of revenue out of towns without a bank is demonstrated in the responses to the question '*...while in another town for banking, on average how much would you spend?*' Over a third (36%) of respondents indicated that they would spend between \$101 and \$200 per week with 33% nominating between \$201 and \$300 per week along with 12% who thought they would spend over \$500 per week. These levels of spending out of town would or does seriously challenge the economic sustainability of some small and medium businesses in these towns without a bank.

The potential for this to impact on local businesses was shown in responses to the question '*Has the lack of bank services impacted your business cash flow?*' Of the businesses owners or managers that responded to the survey, 29% agreed that a lack of banking services in their town had a negative effect on their businesses cash flow. This 29% represented most of the respondents from towns without a bank.

At the same time, the lack of a bank in a town has resulted in more costs to customers or business transactions as demonstrated by the 59% of respondents in the survey who indicated that local businesses were charging a fee on card transactions. Then there is the added inconvenience of accessing a cash float for a business or event which 65% of survey respondents cited as an issue. In a supporting interview to the RDA Wheatbelt survey, a resident who is the treasurer of the local football club and whose bank had withdrawn from the town, said that for a home game the club needed a cash float of \$5,000. They said that there was no way the local post office or the ATM could provide such a sum. As a result, they had to take time off from work on a Friday to undertake a round trip of almost 140 kms to pick up the float.

Similarly, employees of businesses and shires without access to a bank in their local town are having to make trips to other towns with a bank to deposit large sums cash which their local post office is unable to accept due lower security levels. It was suggested by some interviewees that this represented a safety issue for those driving between towns to undertake banking business.

**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.**

Although the capturing of banking statistics and regional service levels provides an assessment of physical points of reference, it appears to fail to capture the finite detail of the service or its limitations as well as well as the social effects the limitations of these services have.

For instance, the Australian Prudential Regulation Authority's authorised deposit-taking institutions points of presence data lists services but levels of service provision are not detailed. For example, 35% of the respondents in the RDA Wheatbelt survey that had a bank in town cited limited opening hours either in terms of hours the bank was open during the day or the number of days it was open during the week. Additionally, some respondents that do not have bank services noted that; a) their post office was an agency for only one specific bank which precluded transactions for other banks and b) post offices and ATM's (if there is one in the town) have limitations of the size of deposits and offer very limited cash withdrawal amounts. So even though an authorised deposit institution is listed for a location it does not list the levels of service.

As Mr Shane Love, MLA BCom, Leader of The Nationals WA, Shadow Minister For Regional Development observed in an article for the Countryman on the 22<sup>nd</sup> of March;

*“Whatever metrics banks use to capture the level of foot traffic in their local branches, they fail to capture the specific requirements and the case complexity of people who remain regular in-person clients.*

*While banks make ruthless cuts to services to increase their profit margins, they have failed to pay the social dividend to regional communities, which is far more important than any bottom line.”*

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

The Regional Banking Taskforce Final Report (Commonwealth of Australia 2022) found that:

- banks can do more to communicate and consult with individuals and communities when closing a regional branch
- when branches do close, alternatives like Bank@Post can assist to maintain banking services
- it is important to maintain access to cash, which is crucial for many in regional Australia
- people experiencing vulnerability face particular challenges and need support in accessing banking services
- continuing to support digital connectivity and literacy will help regional customers to access banking services
- it is important to have data to monitor and understand the transition to alternative ways of providing banking services.

On these findings the Task Force made six recommendations which based on the information derived from the RDA Wheatbelt survey and follow-up interviews are contingent to the issues of withdrawal of banks from regional and remote regions. The recommendations were as follows.

- Recommendation 1 – Review and strengthen the ABA’s Branch Closure Protocol The ABA should review and strengthen its Branch Closure Protocol and introduce an ABA Customer Care Standard by mid-2023, to improve communication and support when regional branches close or their hours are being permanently and materially reduced.
- 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.
- Recommendation 3 – Promote and support Bank@Post services Australia Post and participating banks should collaborate to promote Bank@Post services more widely and help their customers utilise the banking services available to them. This should include working together to formalise and expand programs to support transition to Bank@Post when branches close.
- Recommendation 4 – Maintain access to cash Australia Post should consider how the cash float and deposit needs of small businesses and community group customers can be met. Australia Post and Bank@Post partners should work towards standardising deposit and withdrawal limits to enable easier promotion to customers and communities. The major banks should commit to continue to provide (and expand where possible given competition restrictions) access to fee-free ATMs in remote Indigenous areas.
- Recommendation 5 – Improve support for regional consumers experiencing vulnerability Banks should provide additional support for those experiencing vulnerability, including

targeting transitional support when a branch closes and helping customers onto fee-free banking accounts. This includes engaging with First Nation communities on their banking needs in regional Australia, promoting services and reviewing the effectiveness of dedicated resources.

- Recommendation 6 – Continue to support and improve digital connectivity and literacy in regional areas The Australian Government to invest in telecommunication services through its Better Connectivity for Rural and Regional Australia Plan, which will provide significant improvement in regional connectivity. The Government to encourage co-investment by industry and States and Territories to maximise outcomes. Banks should continue to provide digital literacy support for people experiencing vulnerability and coordinate with the Government on digital education programs, such as the Government’s ‘Be Connected’ program for improving digital literacy for older Australians.

RDA Wheatbelt view the implementation of these recommendations as a first step towards addressing the issues associated with bank closures in the Wheatbelt Region. We strongly encourage the Australian Government to place a greater degree of accountability on the banking sector to invest in reliable internet connectivity when considering the closure of banks across regional and remote Australia so that online banking facilities can be readily accessed by their customers.

