



Rural and Regional Affairs and Transport References Committee inquiry into bank closures in regional Australia

Submission by Westpac Banking Corporation

1. SUMMARY OF SUBMISSION

- The demand for bank branches and the use of cash has been in decline for decades as customers move towards alternate payment methods, such as internet banking, apps and virtual banking. The COVID-19 pandemic accelerated this trend. This rapid shift in customer preference has required banks to respond accordingly.
- The channel preferences of customers are the same across metropolitan and regional areas, with the uptake of digital banking broadly the same regardless of where customers are located. The majority of customers in both metropolitan and regional Australia are using branches less, for fewer transaction types, and are favouring more convenient digital and virtual banking channels.
- Banking is not alone in the consumer shift to digital. Companies and government departments alike are increasing the level of digital services on offer and consolidating the services offered in-person. This is not done to make it harder for people to access services – it happens in response to what customers want.
- Westpac is investing in how our customers want to bank, by expanding access to the services they want, making it easier to perform their banking anywhere, anytime. We are also maintaining access to core face-to-face transaction services through new service models and our strategic partnership with Bank@Post.
- The Regional Banking Taskforce Report (September 2022) made seven recommendations to help improve banking services in regional Australia. Westpac have accepted all of the report's recommendations and we are well progressed with implementing them.

2. INTRODUCTION

Westpac appreciates the opportunity to provide a submission to the Rural and Regional Affairs and Transport References Committee (the Committee) as part of its inquiry into bank closures in regional Australia (the inquiry).

The Westpac Group supports 12.7 million customers¹ across its network of financial services brands and businesses, including Westpac, St.George, Bank of Melbourne, BankSA, BT Financial Group and RAMS.

¹ Westpac Group 2022 Full Year Results Presentation & Investor Discussion Pack, page 38
https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/WBC_FY22_IDP_and_Presentation.pdf



As Australia's first bank and oldest company, Westpac – which started life as the Bank of New South Wales in 1817 – has been guided by the same principles: to provide stability, to support customers and communities, and to help grow the economy. That history is important to Westpac employees and customers, and it remains part of who we are today.

From the outset Westpac has had a close relationship with regional Australia. In July 1817², we launched the first ever disaster relief fund to help victims of natural disaster, specifically farmers impacted by the Hawkesbury River floods of that year.

Sadly, extreme weather events are still a feature of the Australian landscape. But throughout these times, Westpac's tradition of helping our customers, communities and employees is consistent. This was evident during the horrific 2022 floods in Lismore and surrounding areas, with Westpac providing a \$2 million³ support fund to help impacted customers and small businesses with urgent expenses and repairs, as well as tailored support including loan deferrals, emergency credit card relief, and \$300 cash gifts for emergency needs. The Westpac Lifesaver Rescue Helicopter Service also played a critical role, undertaking over 55 missions over the peak of the disaster.

Today we continue to support regions across Australia in a number of different ways. This includes our partnerships with the Foundation for Regional and Rural Renewal⁴, Beef Australia⁵ and AgriFutures' Rural Women's Award⁶, as well as the work we do every day with farmers on improving the sustainability of their land.

Underpinning our support throughout Australian communities is the broad range of consumer, business and institutional banking services we provide. Customers once expected this support and service to be delivered almost exclusively through our branch network, whether they lived in a metropolitan or regional location. However, this has materially changed over time and continues to do so. Customers now want and expect to bank at a time and place of their choosing, which today increasingly means banking from home using an app or over the phone.

Attendance at our branches and the types of activities undertaken at them has declined over a number of years, while the use of our digital channels has expanded at a rapid rate. These are the key drivers for reductions across Westpac's branch network.

The factors behind these changes are explained in more detail in the following sections.

3. FACTORS BEHIND BRANCH CLOSURES

The number of bank branches in Australia has been reducing over the last two decades primarily because of the simple fact that customers have increasingly chosen not to use them. The decline is not a trend that is unique to any one bank and reflects broader customer behaviour across the economy.

² <https://www.westpac.com.au/about-westpac/westpac-group/company-overview/our-history/>

³ <https://www.westpac.com.au/about-westpac/media/media-releases/2022/3-march/>

⁴ <https://www.westpac.com.au/about-westpac/sustainability/initiatives-for-you/social-enterprises-natural-disaster/>

⁵ <https://www.westpac.com.au/news/in-depth/2021/04/beefing-up-not-running-out/#:~:text=Westpac%20Agribusiness%20is%20a%20major,2%E2%80%93938%2C%202021>

⁶ <https://agrifutures.com.au/opportunities/rural-womens-award/>



Customers overwhelmingly want, expect and demand to be able to bank digitally. Digital banking offers customers more convenience, more products, better insights into their finances, greater and faster purchasing power and in many cases increased security. This fact is not unique to Australia, with other jurisdictions such as the United Kingdom and Canada also seeing a decline in bank branch numbers⁷ and a move to digital banking.

While the declining use of cash in Australia has been a trend that has been ongoing since the mid-2000s⁸, the onset of the COVID-19 pandemic in 2020 acted as an unprecedented accelerant of digital adoption. Government restrictions in many cases forced business and retail customers to adopt digital banking instead of using cash and visiting branches. Post-COVID we are seeing those behavioural changes remain.

Our success, both financially and reputationally, is directly and primarily related to our customers being able to access our services and grow their financial positions. There is no incentive for us to make our products harder to access. Our continued success is contingent on investing in our customers by providing services in ways they prefer, which today means investing increasingly in safe and secure digital banking.

While these are customer preferences reflected in the vast majority of Australians, we also understand that banking is often considered to be an essential service. Some see it as more akin to a public utility than a commercial product. At Westpac we understand the importance of what we do for our customers more than anyone.

The decision to close a branch is not taken lightly. We know that for some members of the community, access to physical banking services is still preferred – and for a small cohort with unique needs it can be a necessity. That is why, as part of our digital-first strategy we have implemented a range of new options to support our customers with transaction banking, including co-locating our branches, using technology to implement multi-brand banking across our network, and partnering with Bank@Post for a 10-year period.

3.1 Evidence of changing customer preference

Consistently our data, research and customer feedback tell us that digital banking is the strong preference of customers. It is not something being forced on consumers; it is something they choose and indeed demand.

Over the last five years, the number of over-the-counter transactions at Westpac branches has decreased by 45 per cent. For regional areas specifically that reduction is 39 per cent. This decline corresponds with an increase in customers using newer digital engagement methods, with 96 per cent⁹ of Westpac banking transactions now being carried out digitally.

In FY22 alone we saw a 7 per cent uplift in digital customer self-service¹⁰, reducing demand on call centres and physical branches. We are also seeing increased demand for virtual banking channels, which connects our customers with experts over the phone and by video.

⁷ <https://www.piac.ca/research-reports/rural-bank-branch-closures/>; <https://www.theguardian.com/money/2023/jan/20/bank-closures-uk-town>

⁸ Reserve Bank of Australia, *Bulletin*, March 2023, page 39, <https://www.rba.gov.au/publications/bulletin/2023/mar/pdf/bulletin-2023-03.pdf>

⁹ In FY22: 1 October 2021 – 30 September 2022

¹⁰ Consumer self-service events which include Activate Card, Activate Digital Card, Advise Overseas Travel, ATM Limit Update, Card on Hold, Cardless Cash, Change Pin, Change SMS Protect, Customer Change Security Number, Data Feeds, eStatements for Closed Accounts, Interest and Tax, Mobile Cheque Deposit, Password Management, Proof of Balance, Push Notifications, Reissue Card, Report Lost/ Stolen Card, Retrieve Customer Number, Statement of Recent transactions, Switch to eStatements, Update Contact Details, Update DPL, Update TFN, Update Third Party Access, View Voucher



We're actively recruiting to support this demand, and many of our virtual bankers have been sourced from those impacted by the changes to our branch network and are located across metropolitan and regional Australia.

Although we are closing some branches, there has not been a material change in population coverage by our branch network across metropolitan and regional areas. However, we recognise the impact of closing a branch can often be felt more acutely if it occurs in the regions. This is why we pay particular attention to the decision to close a regional branch. This is evidenced by the fact that while 28 per cent of Australians live in regional Australia, 36 per cent¹¹ of our branch network is located there.

In other words, the ratio of bank branches to population is higher in regional areas than metropolitan ones, reflecting our commitment to maintain strong network coverage in regional Australia. This data also doesn't account for the additional Bank@Post outlets that offer banking services, including withdrawals, deposits and bill payments.

4. CHANGES IN BANKING ARE PART OF A BROADER TREND TOWARD DIGITAL SERVICE

Over the past two decades the internet and digital innovation have fundamentally changed the way consumers interact with both public and private services.

The "Money Matters in the Bush" inquiry, held in 2004 by the Parliamentary Joint Committee on Corporations and Financial Services considered similar issues to this inquiry. The final report of the inquiry stated, amongst a number of conclusions, that *"Deregulation, technological progress, shifts in consumer demands and demographic trends have contributed to the pressure on banks to prune their branch networks"*¹². It also noted that Australian banks *"...operate in a highly competitive environment shaped in large measure by the global market"*.

Nearly 20 years on these factors have played an even bigger role in shaping banking in Australia than could have been imagined at the time. The changes since this report was handed down, both in banking and technology more broadly, show the incredible difference in consumer choice and preference.

In 2004, dial-up internet was still the dominant form, accounting for 84 per cent of 5.2 million total internet subscribers in Australia¹³. Smart phones didn't exist, and it was three years until the first iPhone was released in 2007. Being able to buy a coffee by tapping your watch would have been unfathomable during the 2004 Committee's deliberations.

Today, there are 22.31 million internet users in Australia¹⁴, representing 88 per cent internet penetration.

¹¹ FY22

¹² Parliamentary Joint Committee on Corporations and Financial Services, *Money Matters in the Bush*, January 2004, page xxiii
https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Completed_inquiries/2002-04/banking/report/index

¹³ Australian Bureau of Statistics, *8153.0 - Internet Activity, Australia*, Mar 2004.

¹⁴ <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8153.0Main+Features1Mar%202004?OpenDocument>

¹⁴ <https://prosperitymedia.com.au/australian-internet-statistics/>



This trend is reflected in the significant uptake of digital over the years. In 2004, there were 1.5 million¹⁵ digital interactions with our bank. In FY22, that number was 690 million¹⁶. At a customer level, we have over 5.5 million digitally active customers¹⁷ at Westpac alone, and there was an average of 6.55 million daily logins to our digital channels in February 2023 (of which 5.3 million were via our apps).

4.1 Customer preference for digital service is broader than banking

The impact of innovation and the internet is not unique to banking, but it can be felt in more severe and different ways given the importance of banking services. Other industries have experienced the same disruption and change – for example, entertainment is now largely consumed online rather than visiting a movie or record store, and when we consider more essential services, there are many examples where Governments have also grappled with the evolving service delivery needs of Australians.

To provide some examples, health emergency departments have shrunk in numbers and now use larger central hub and spoke-type models to service regional Australia, state roads offices have changed their service models over time ('road gangs' based in regional towns are becoming less and less common), and GP services have been centralising for many years as tele and virtual-health has become more proficient. Services of all types are continuing to evolve, and banking is no different.

However, access to banking services is obviously more critical than being able to watch a movie or listen to an album. Whilst provided by the private sector in a globalised competitive system, basic banking services are considered a utility-like service. There is an expectation of being able to readily access banking products in the same way government services are available to the public. But it's clear that despite this, people overwhelmingly want to access utility-like services and public goods in the same way they now access Netflix or Amazon – quickly, digitally and from the location of their preference.

In recent years governments at all levels in Australia have moved to make it easier for people to use public services online. No service or sector is immune to this changing customer demand. For example, in 2005 there was an estimated 402 Centrelink offices¹⁸. In 2022, it was reported that there were 320 Centrelink offices¹⁹.

Centrelink and other Commonwealth and state government services offer a myriad number of digital and phone-based services today that weren't available in 2004. This is not because governments are seeking to make it harder for constituents to access their services; it's because they continue to respond to the way customers want to interact with them. Face-to-face banking is just one of many services that is changing as a result of customer preference.

It is also worth noting, that in many cases governments have made decisions to co-locate multiple government services in a single shopfront, such as Medicare, Centrelink and the ATO. The same applies in state government services, such as ServiceNSW centres and Queensland Government Agent Program (QGAP) offices.

¹⁵ Westpac 2004 Annual Report, page 23. Definition at that point in time was "on-line banking customers", available at:

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/ic/WAR2004CONCISE.pdf>

¹⁶ Digital transactions include all payment transactions (Transfer Funds, Pay Anyone and BPAY) within Westpac Live and Compass, excl. Corporate Online and Business Banking online

¹⁷ Represents the number of customers with at least one session on digital in a 90-day period

¹⁸ Senate Finance and Public Administration Legislative Committee, *Answers to Questions on Notice*, February 2005

https://www.aph.gov.au/~media/Estimates/Live/fapa_ctte/estimates/add_0405/human_services/hs19.ashx

¹⁹ <https://www.news.com.au/finance/money/concerns-secret-centrelink-plan-could-close-more-than-30-branches-across-australia/news-story/673ed164114133c93d3542a5575206fa>



Westpac is following a similar rationale to government and co-locating branches into one location in cases where two branches are located within close proximity. This maintains a physical presence for customers and signals a long-term investment in these communities, while reducing service duplication in the same location. Due to the multiple brands across the Westpac network, nearly two thirds of our locations have more than one brand of bank branch, meaning at the start of FY22 there were only 354 unique points of presence where our branches were not competing in the same catchment.

Westpac recognises that the financial services industry provides a critical service for the community, but it's also not a government department or agency. Private enterprise must respond to commercial and customer pressures when making decisions, which includes making choices about the number and location of physical branches as the quantum of customers using them declines.

Westpac and other major Australian banks continue to face increased international and domestic competition. There are now multiple banks operating in Australia, both domestic and foreign, that have few or no regional branches. This increases competition for digital services, which are overwhelmingly preferred by metropolitan and regional customers alike, but excludes those banks from any expectation on the number and location of their branches.

While our digital first strategy is responding to customer behaviour, we do acknowledge that digital connectivity remains an issue for areas in regional and remote areas. We recognise this is an ongoing issue which is being considered by government through the Regional Telecommunications Independent Review Committee. The most recent review²⁰ highlighted the need for a “...*step change in the policies and programs which support the delivery of telecommunications services in the bush...*” to be able to respond to the “...*significant, but in the main predictable, increase in the ongoing demand for data by both individuals and businesses.*”

We also note this issue was the subject of a recommendation in the Regional Banking Taskforce (Taskforce) Report. Westpac would support and welcome additional investment into improving digital connectivity in regional Australia.

5. WESTPAC'S PRESENCE IN REGIONAL AUSTRALIA

Westpac appreciates and acknowledges the special and privileged position it and the other major banks have in Australia and our connection to Australian communities, particularly in the regions. It's because of this we always try to find the balance between commercial pressures, shareholder duties and ensuring our services are accessible in a country with a population density of 3.3 people per square kilometre²¹.

²⁰ Australia Government, 2021 Regional Telecommunications Review, page 4

<https://www.infrastructure.gov.au/sites/default/files/documents/2021-rtirc-report-a-step-change-in-demand.pdf>

²¹ Australian Bureau of Statistics, *Regional Population 2021*, [https://www.abs.gov.au/statistics/people/population/regional-population/latest-release#:~:text=Australia's%20population%20density%20at%20June,East%20\(20%2C600\)%20in%20inner%20Melbourne](https://www.abs.gov.au/statistics/people/population/regional-population/latest-release#:~:text=Australia's%20population%20density%20at%20June,East%20(20%2C600)%20in%20inner%20Melbourne)



To increase the availability of our branch services to customers, Westpac made the decision in 2022 to digitally connect our brands. This means, for the first time in Westpac's history, from mid-2023 any St. George, Bank of Melbourne and BankSA customer will be able to do their cash transactions at a Westpac branch, and vice versa. For example, that will mean a St. George customer will have access to ~400 more branches.

In addition to our regional branch network, Westpac has a team of ~200 business banking specialists and analysts located in regional and remote towns throughout Australia helping regional and rural customers, farmers, producers, suppliers and small businesses. The team comes from the areas they serve – 85 per cent live and work within 300km²² of where they grew up. For this reason, they understand the local challenges and problems faced by regional Australia.

In regional areas the vast majority of business and agribusiness customer lending is done face-to-face around the kitchen table, at the farm gate, or in the business. These services are not delivered by a teller in a bank branch. Our bankers are fully mobile and travel to the areas where they are needed.

5.1 Bank@Post

We acknowledge there are hundreds of communities throughout Australia that currently do not have a bank branch or have never had a bank branch. That is why our Bank@Post partnership is critical and at the core of our regional and rural service strategy. With 96 per cent of Westpac customers living within 20kms of a Bank@Post, this partnership provides our customers with over-the-counter transaction services in more than 3,500 locations²³. This includes 1,800 communities in rural and regional areas, of which 1,150²⁴ don't have any bank branch of any bank.

While we are proud of our Bank@Post partnership, we recognise it is not perfect for all customers and we're working with Australia Post to see what more can be done to build on the service. Gaps that need to be addressed include cash pick-up services as well as deposit drop off limits.

With respect to the latter, under Westpac's current agreement customers can deposit up to \$35,000 a week via Bank@Post. Given the decreased use of cash in Australia, as previously noted, the number of business customers needing to deposit this amount of cash every week is very low.

5.2 Indigenous and remote communities

Major banks also have an important role to play in ensuring the sustainable success and prosperity of First Nations peoples and Australia's remotest communities. Our 2022-25 Reconciliation Action Plan²⁵ (RAP) outlines our vision for equitable economic participation and financial wellbeing for Aboriginal and Torres Strait Islander peoples. We seek to achieve this by listening to, learning from, partnering with, and elevating Aboriginal and Torres Strait Islander voices.

Central to our RAP is our commitment to better banking experiences. Westpac has a market leading Indigenous and remote banking capability, with specialists who understand that helping First Nations Australians, businesses and remote communities to thrive requires respect for culture and community.

²² <https://www.westpac.com.au/business-banking/business-help/run-business/prosperity-in-australian-agriculture/>

²³ <https://auspost.com.au/money-insurance/banking-and-paying-bills/bank-at-post>

²⁴ Environment and Communications Legislative Committee, *Estimates Hansard*, 14 February 2023, page 68

²⁵ https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/26523/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2023_02_14.pdf;fileType=application%2Fpdf#search=%22committees/estimate/26523/0000%22

²⁶ Westpac Group, *Reconciliation Action Plan 2022-25*,

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/ReconciliationActionPlan.pdf>



Westpac's Indigenous Banking Service is a dedicated national team that forms part of our bank's frontline customer engagement strategy. Westpac Remote Service in conjunction with our *Yuri Ingkarninhi* (means 'deep listening' in the Kurna language) Indigenous Connections call centre, provides a holistic approach to the delivery of non-cash banking services and support in remote Australia. There are currently 21 different Aboriginal and Torres Strait Islander languages available through the service.

6. POLICY CONSIDERATIONS

During Westpac's appearance before the Committee there was discussion about the need for a formalised consultation process with local communities as part of branch closure decisions.

Westpac's view is that introducing a layer of mandatory public consultation into a commercial business's decision-making process would not be viable and would also expose commercially sensitive decisions to competitors.

We are not aware of any commercial entity in Australia where the general public plays a role in commercial decision-making – nor are we aware of specific requirements on governments to consult on changes to the services they offer in specific locations. For example, there is no requirement for a government to consult on the closure or relocation of service centres or Centrelink offices.

Our democratic process allows the general public to reflect their views on decisions of government through the ballot box; and in the private sector customers vote with their feet by choosing where to bank. There doesn't appear to be a clear rationale in government inserting itself into that process by way of further regulation.

As an employer, our responsibility is to always consult and engage with our people. When we close a branch, we first enter into a consultation period with our employees. When that has commenced, we are then able to notify customers, the Financial Services Union, Members of Parliament, and local governments. Through the closure period we engage closely with customers to support them to transition their banking to the nearby branch, to Bank@Post or to digital channels.

6.1 Changes underway to better support customers

We recognise that Westpac needs to provide more information for customers and the community about why we decide to close a branch, and what banking service alternatives will be provided to customers when a branch is closed. This was a recommendation of the Taskforce Report. We are in the process of developing a Branch Closure Impact Assessment template, which will be used to provide greater transparency on regional branch closure decisions, as well as providing details of alternative banking options.

In addition to preparing the Branch Closure Impact Assessment fact sheets, Westpac had already made changes to significantly uplift our branch closure communications and the customer support transition support offered to customers. This included more extensive marketing and increased individual support for customers to transition their transactional banking to Bank@Post.



In April 2023, Westpac also expanded access to fee free cash for customers with the announcement of a new agreement with Armaguard. It provides personal and business transaction account customers with fee free ATM withdrawals and balance enquiries at more than 500 “atmx by Armaguard” ATMs in regional areas, and more than 1,700 nationally. Westpac customers now have access to around 7,000 ATMs nationwide.

7. CONCLUSION

For over 200 years, Westpac has strived to help people fulfil their potential, while providing stability and driving economic growth. This is still our goal, but as consumer preferences change, the way we do business needs to follow suit.

Today there are more customers online than before the pandemic. As a result of the change in behaviours during COVID-19 they increasingly want assistance quickly and digitally. One in 10²⁶ people now leave their home with only their phone as it's the primary way they interact with companies and pay for goods and services.

We are constantly aiming to find the appropriate balance between the number of physical bank branches available to our customers and the investment they expect in providing safe, secure and quick online banking services. While not every decision we take is an easy one, and we don't always get it right, we will continue to try and provide the best, most accessible services possible throughout Australia.

²⁶ Australian Banking Association, *Banking customers continue to shift to digital*, 19 October 2021 <https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>