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8 March 2024

Ref: GR28

Committee Secretary

Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

In person: Tom Price Public Hearing – 13th March 2024

Via email: rrat.sen@aph.gov.au

Dear Senators,

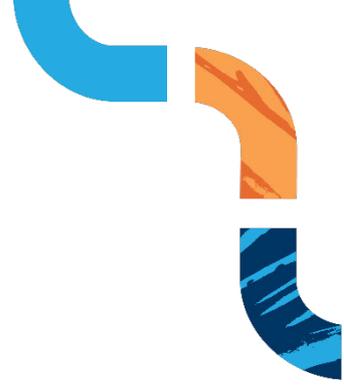
RE: BANK CLOSURES IN REGIONAL AUSTRALIA

On behalf of the Shire of Ashburton and the community that we serve, we are privileged to make the following submission to the Senate Inquiry regarding bank closures in regional Australia and consideration of an alternative model of banking across regional and remote Australia.

Yours sincerely,

Audra Smith
Shire President

Kenn Donohoe
Chief Executive Officer



Introduction: A fair go for regional and remote Australia

Presented by: Shire of Ashburton, Shire President Audra Smith

13 March 2024

The case for change

Good morning senators, committee staff, distinguished guests and members of the public.

I would like to respectfully acknowledge the Traditional Custodians of the land on which we meet today, the Muntulgura Guruma people, and pay our respects to Elders past and present.

As Australians, our reputation is built on courage, resilience, and passion. Above all, we value the idea of a fair go – not just receiving one, but also extending the same opportunity to others.

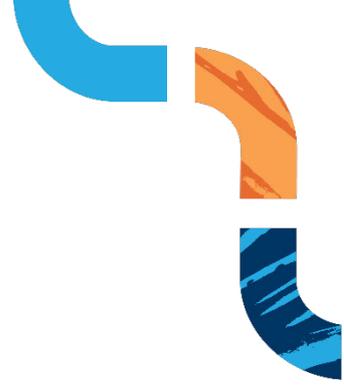
Here in the Pilbara, our people embody the very meaning of a fair go and giving it a go. Often battling some of the harshest environmental and extreme weather conditions, our community has been driving the nation forward with each worker within the Shire of Ashburton (the Shire) producing almost 11 times the Australian average in industry value add.

Our submission today takes its strategic direction from the community. The Shire's Strategic Community Plan 2022-2032 is the overarching plan that captures the views of the Shire's diverse community and sets our vision for the future and our planning direction for the next decade. Prosperity is one of the four pillars included in our plan, which states that we will advocate and drive opportunities for the community to be economically desirable, resilient, and prosperous.

At almost half the size of Victoria, the Shire has four major centres including Tom Price, Onslow, Paraburdoo and Pannawonica. The resident population in the Shire is approximately 7,800 people with an estimated Fly in Fly out workforce of 13,000 people. The Shire is a driving force of the Pilbara region with the West Australian economy delivering 12% or an estimated \$39 billion of WAs Gross Regional Product in 2022¹ The Shire is a nationally significant producer of Australia's export wealth, exporting \$20.26 billion of Goods and Services in 2021/22 with \$18.25 billion exported internationally².

Despite this immense economic contribution, the Shire's towns, like many Australian regional towns, have been losing essential services. Access to essential services is a vital component of the liveability of regional and remote communities and banking is an essential service.

However Senators, regional and remote Australia and the hard working people who live there are no longer receiving a fair go from our banks. In fact, they're being left behind.



On the 6th March 2024, Bankwest announced closure of all 60 of its branches across Western Australia by the end of the year, leaving many regional communities without face to face services. Unfortunately 17 regional communities will lose their bank. The impacts are being felt across Australia, late last year the remote town of Coober Pedy in South Australia lost its last bank which has had a devastating impact upon its community and business customers.

The Shire has been working with the West Australian Local Government Association (WALGA), Australia Local Government Association (ALGA), and subject matter experts to research the concept of a Local Government Bank of Australia (the bank).

The bank would have a primary purpose of providing essential community banking services and facilitating investment in regional Australia. The bank would be driven by a social licence benefit and operate on a not-for-profit bases with surplus funds reinvested back into local communities, businesses and the regions. Having such a service ensures that Australia's regions that contribute significantly to our national prosperity, remain attractive and viable to workers, their families, residents and visitors.

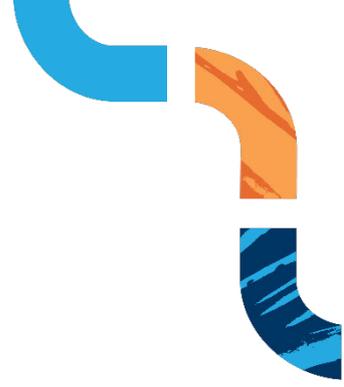
Under the cloak of 'digital uptake and changing customer attitudes' Australia's banks are focusing on the bottom line rather than their customers that deliver them record-breaking revenues. The Banking Royal Commission's final report in February 2019 stated that many Australians did not have adequate access to basic financial services³.

The big four banks (Westpac Banking Corporation, National Australia Bank, Commonwealth Bank of Australia and Australia and New Zealand Banking Corporation) are collectively a dominate force in the Australian banking sector and as a result, competition is lacking, risk aversion is evident and human inequality is fostered.

The facts are compelling – the 'big four' collectively own 76.4% of all bank deposits and with a profit margin of 36.4%, they are the more profitable banks than comparable banks globally⁴.

Today we are talking about the Shire of Ashburton but the message we bring is from regional and remote communities Australia-wide. Today we want to start a new conversation with the near 7 million people (approximately 28% of the population) who live in regional and remote Australia.

During Covid-19 it was rightfully recognised by the Australian Banking Association that 'bank branches remain open as an essential service during the lockdowns' to assist customers through the crisis⁵. However, through a sustained period of cuts and bank branch closures, a focus on profit to the exclusion of any other consideration has meant that this essential service only applies to those Australians who live in cities and large regional hubs. In regional and remote Australia, our branches have closed...permanently. This is the definition of a false economy and one that is not equitable or fair!



With the closure of the Westpac branch in Tom Price in late 2022, there is now no physical banking presence across the entire Shire. Our communities rely on the hard working Australia Post proprietors who deliver transactional services through the Bank@Post system.

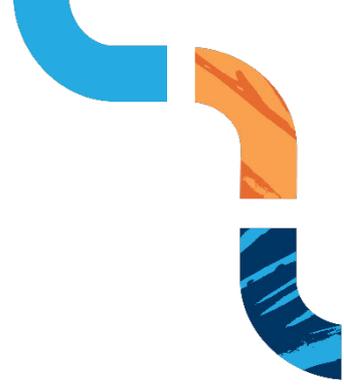
Branch closures mean that our residents are forced to make a return trip to Karratha to physically access banking services. At a minimum this is a 4.5 hour (400km – for Pannawonica residents) and up to 9 hours (850km – for Paraburdoo residents). This is the equivalent of asking someone in Sydney who has a vehicle and is able-bodied to drive further than Canberra to do their banking. If they have a disability, or don't have a vehicle or access to public transport, what would they do then to access essential services? The social and economic impact of this inequality effects:

- Vulnerable members of our community
- Aboriginal peoples and their communities
- Sustainability and productivity of businesses
- Community safety, participation and wellbeing
- Survival of community groups and clubs
- Access to credit and other basic financial services
- Reliance on technology already compromised due to the regional digital inclusion gap

In October 2022, Tom Price community joined the Shire for an open discussion on the closure of the Westpac Bank branch in December 2022. Community frustration included lack of options for cash handling from a small business perspective, inadequate business banking requirements, community groups and organisations unable to access club accounts and services effectively.

In addition to the obvious impact of branch closures, there is also the hidden and more insidious impact that goes to the heart of how we live, our sense of place, safety and identity. Following are summaries drawn from our local community meetings outlining current lived experiences as an immediate consequence of the recent branch closure:

- Denied access to credit based on essential services closing. Residential lending capacity previously indicated as favourable now resulting in a credit limit of \$300,000 reduced from \$800,000 for a property purchase in Tom Price
- Targeted burglary and theft at a private residence due to known levels of cash now being held in the community. Will this be a risk for long distance travel with cash?
- Aboriginal people denied access to privately owned ATM
- Older person's abuse (Elder abuse) as a result of electronic banking access only and financial exploitation
- Impact to job seekers and people requiring identification and confirmation of personal information
- Poor financial literacy and education particularly for children and youth
- Language and cultural barriers resulting in financial exploitation



- Workers and students required to take a day(s) off and travel up to 9 hours return trip to open an account, identification etc. Significant road safety fatigue, loss of pay, school absenteeism, consequential expenses ie overnight stays and high fuel costs (\$400 return trips) etc.
- Inequity in fees and charges paid in relation to banking ie Tap and Go, EFTPOS, ATM

None of these would be considered acceptable if they occurred in metropolitan centres and large regional cities so why is this inequality condoned and tolerated in small regional and remote communities? Why does our government look away?

In simple terms, no access to banking services and face to face banking staff results in no financial relationships or financial education, impaired financial literacy, less access to financial information relevant for credit assessment and decisions, making it less likely that credit will be approved, resulting in less mortgages, less business lending and an unfavourable and untenable community experience. The domino effect can and is, catastrophic to regional communities.

Council believes there is no reversing the current trend of branch closures nationally. Despite the efforts of various inquiries and taskforces, Australia's banks are continuing to focus solely on profit and retreat from our regional communities.

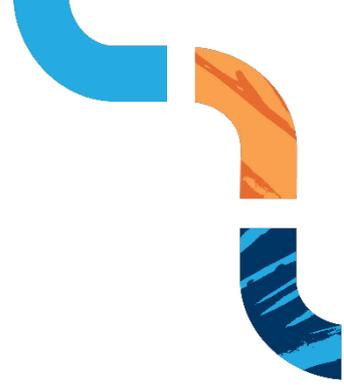
Rather than dwell on what was, we look forward to what is possible. We believe that the current market failure in banking services in regional and remote Australia can be resolved through equitable, innovative intervention and support of experienced regional partners including local government.

A national conversation is needed for a national solution

We aim to ignite the conversation nationally to ensure we put our collective minds together, look forward with optimism and find sustainable, workable and robust solutions to not only ensure community liveability, participation and equality; but to drive the prosperity of our communities across the nation.

Council proposes that ALGA investigates the creation of a Local Government Bank of Australia (LGBoA) or similar which is operated in partnership with local government and other community-orientated entity(s) that places community at the heart of its operations. With social license to deliver essential banking services and a mandate to distribute profits back into the communities that it serves, the LGBoA would play a pivotal role fostering economic growth, improving financial inclusion and enabling community development.

If we consider the scale and scope of the LG sector nationally, we can begin to see the potential of a LGBoA. ALGA reported in 2022, that Australia has 537 councils. Around 55% of councils are located in regional, rural, or remote councils, about 25% urban/urban fringe and 20% urban region.



Councils are responsible for an estimated \$467 billion in infrastructure and \$248 billion in land, which includes approximately 77% of Australia's road networks, community assets such as sporting, arts/cultural facilities, parks and gardens, and public libraries.

Importantly, most local governments operate customer service centres that have attributes such as secure facilities adept at handling cash payments; digital technologies and meeting rooms; and accessible and inclusive facilities. Utilising LG assets for the co-location of other services is a realistic, practical and scalable option.

Behind these physical facilities, local government employs 190,800 people, across more than 400 occupations, which is nearly 10% of the total public sector (30 June 2021₆). These staff are trained, experienced and serve the community through a wide variety of roles and responsibilities.

Local governments are also considerable financial entities with revenue from rates alone in 2020-21 being approximately \$20 billion and total annual expenditure of approximately \$43.1 billion. Cash holdings of local government nationally in 2020-21 was approximately \$13.9 billion, with a total of non-financial assets totally over \$500 billion₆.

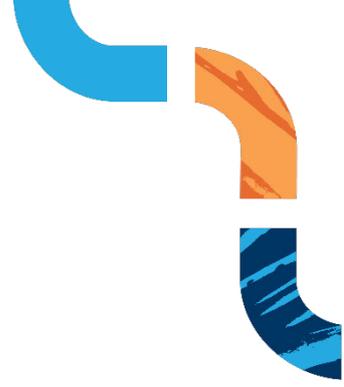
Local governments are also in receipt of grant funds with approximately \$9.1 billion received in grants and subsidies in 2021-21₇. With the ever-increasing role local government plays in leading community recovery following major events, emergency recovery grant funding (totaling millions annually) continues to be directed to Councils for expending over the coming year(s). This can be efficiently administered by the bank.

Finally, there is a strong element of trust in local governments in Australia with research conducted by SGS Economics and Planning for the submission into the Local Government Productivity Inquiry (2022), suggesting that local government enjoys the highest level of community trust across Australia's three tiers of government.

Securing local government as a banking/business partner is a tried and tested model globally with hundreds of successful (and unsuccessful) examples to draw from. Successful models include Bendigo and Adelaide Bank community banking model; United States Municipal/European country model; KiwiBank (partnership with NZ Post and guaranteed by government) to name a few₈.

There are numerous opportunities and options to explore regarding sharing of regional assets, back-office functions and shop fronts including co-location of service providers and local governments, partnership agreements to deliver banking services such as cash transportation and outsourcing management of ATMs, streamlining of back-office responsibilities and data centre functions.

Key benefits to having local government as part of the solution to accessible and relevant banking services include:



- Funding reinvestment: profits can be invested back into local community assets or projects
- Liveability: addressing the impact long term of the battle against distance, centralisation and a disregard for regional and remote Australian's quality of life
- Regional equality and accessibility: closing the financial inclusion gap and increasing financial literacy and access to information, products and services
- Business and economic growth: access to credit and relationship banking
- Insurance: fundamentally changing the unattainable goal of asset protection and wealth creation both financially and practically – a scalable and more equitable platform
- Workforce stability: attracting skilled migrants and people from metro and peri-urban areas to relocate to regional Australia

Regional and remote communities must not be marginalised and discriminated against due to their postcode and locality. There are innovative banking models used throughout the world. In regional Australia, we already have the 'Fair Go Attitude', infrastructure, expertise, capability and capacity to resolve this escalating issue and in doing so, we will enable unprecedented social and economic reform across the nation.

Our community request:

In closing, the Shire of Ashburton are asking for the Senate Inquiry to support:

- A national conversation to address a national solution
- Further investigation into the concept of an alternative model of banking being the Local Government Bank of Australia; and
- A presentation of a discussion paper from Australian Local Government Association to the Local Government National Congress in July 2024 outlining the case for change, the concept of a Local Government Bank of Australia, models and options for further analysis and discussion.

References:

- ¹ Shire of Ashburton Strategic Community Plan 2022-2023
- ² [Exports by industry | Ashburton | economy.id](#)
- ³ <https://www.royalcommission.gov.au/sites/default/files/2019-02/fsrc-volume-1-final-report.pdf> Hayne, 2019.
- ⁴ [financialservices.royalcommission.gov.au](#) - page 12
- ⁵ Banks to assist customers in COVID-19 lockdowns - Australian Banking Association (ausbanking.org.au)
- ⁶ ALGA.com.au
- ⁷ ABS Government Finance Stats, Australia - 2020-21
- ⁸ PostBank: Filling a void, securing essential services (Dawson, Lewis, Smith) August 2022