



Every Queensland
community deserves
to be a liveable one

Bank closures in regional Australia

Submission to Senate Standing Committee on
Rural and Regional Affairs and Transport
(References Committee)

31 March 2023

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About the Local Government Association of Queensland (LGAQ)

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association established solely to serve councils and their needs. The LGAQ has been advising, supporting, and representing local councils since 1896, enabling them to improve their operations and strengthen relationships with their communities.

The LGAQ does this by connecting councils to people and places; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and providing them with the means to achieve community, professional and political excellence.

The Rural and Remote Councils Compact, pledges to amplify the voice of and improve outcomes for the state's 45 rural and remote councils and their local communities by enhancing engagement between both levels of government.

Bank closures in regional Australia

Executive Summary

The LGAQ welcomes the opportunity to provide feedback to the Senate Standing Committee on Rural and Regional Affairs and Transport References Committee (the Committee) on the Inquiry relating to bank closures in regional Australia (the Inquiry).

The Association sincerely thanks the Committee for undertaking this Inquiry, which the LGAQ views as an opportunity to draw a line in the sand on the decline of banking services.

The Committee has the opportunity to establish a new model of service delivery that supports people who want to live or operate a business in rural, remote and regional communities.

Ensuring essential services, like face-to-face banking, are not only available but are provided in manner that matches customer need is critical for Queensland councils and the communities they represent.

Our members are a diverse group of councils – from those representing discrete First Nations communities to the largest councils in Australia in the south-east to regional coastal councils and councils in rural and remote Queensland that are large in geography, but small in their ratepayer base.

The way in which a major bank branch closure was announced in Cloncurry earlier this year typifies why this Inquiry is critical and that urgent action is needed to change the approach of banking services provided in rural, regional and remote communities in Queensland.

One such local government – Isaac Regional Council – is the size of Tasmania but only has two face-to-face banking services available. They are both in the same community. One is a bank branch and the other is a credit union that is only opened for four hours a day, three days a week.

That is entirely unacceptable for a region that is home to over 22,000 residents and more than 12,000 non-resident workers who are drive in drive out or fly in fly out workers in the 28 coal mines that produce around 80 per cent of the nation's metallurgical coal exports.

Another of our members – Douglas Shire Council – is home to 12,000 residents some of Queensland's iconic tourism destinations. The Shire plays a key role in attracting tourists to Tropical North Queensland and on average welcomes 443,000 overnight visitors and 264,000 day visitors each year, generating \$611 million while supporting over 2,500 jobs. In the largest town in that local government area – world renowned Port Douglas - there are three bank branches. But two of the three branches are only open for four and three and a half hours a day, respectively. One of the branches only takes appointments for one hour, every Monday.

There is not an unreasonable expectation that these services are comparable to the same services provided in our capital cities. However, the constant rationalisation of essential

services, like banking, will lead to no services being provided at all – a proposition that is entirely unacceptable.

In formulating this submission, the LGAQ hosted a webinar for members to share their concerns about the constant threat of a reduction in face-to-face banking services in their local communities.

Recommendations

The LGAQ has prepared detailed comments in relation to the impact of banking closures in regional communities, outlined in the Terms of Reference for the Inquiry and has made five recommendations, summarised below:

- Recommendation 1: The LGAQ recommends that the Federal Government immediately adopt the seven recommendations from last year's Regional Banking Taskforce final report.
- Recommendation 2: The LGAQ recommends the ABA extends branch closure protocols to also include branches that are reducing/downsizing their operations or a reduction of lending or other services provided.
- Recommendation 3: The LGAQ recommends a moratorium on further bank closures until this Inquiry is expanded to examine and remove any barriers to the success of viable, alternate face-to-face services.
- Recommendation 4: Given the importance of face-to-face banking services particularly the access to cash, to the liveability of every Queensland community, the LGAQ recommends that the Federal Government require Commonwealth Treasury approval for any further closure of a branch, following the end of the moratorium referenced in recommendation 3.
- Recommendation 5: The LGAQ recommends that as part of the review of Australia Post, the Federal Government immediately rules out the closure of any Australia Post outlets and adopts measures that will enhance the existing banking services provided through Australia Post.

Introduction

As the Regional Banking Taskforce noted in its 2022 report, Australia's financial and insurance services industry (which includes banks) plays a critical role in the Australian economy. It provides financial intermediation for the economy and accounted for around \$154 billion of total economic activities (Real Gross Value Added) and employed around 480,000 people in 2020-21.¹

Access to cash is still critically important. The Reserve Bank of Australia's Consumer Payments Survey (CPS) showed that cash still accounted for 27 per cent of all payments in 2019. This is because cash is a default fee free payment option for people to use in local businesses, as card transactions are sometimes surcharged. In addition, some businesses and consumers rely heavily on cash to make or receive payments. For example, 15 per cent of respondents in the 2019 CPS used cash for 80 per cent or more of their payments. These high cash users were more likely to be older Australians living in regional areas and less likely to have access to the internet. Around a quarter of respondents to the CPS also indicated that they would suffer major inconvenience or genuine hardship if cash could no longer be used as a method of payment. Another reason why cash remains an important payment method is that it is a backup option during outages in electronic payment systems.²

This is often experienced in Queensland, Australia's most disaster prone and decentralised state. Only just as recently as this last month – devastating floods in Queensland's northwest, around Burketown and Doomadgee, caused power outages and a loss of landline phone connection due to equipment failures. When technology fails, as it invariably does at the worst possible time, access to cash is the only way that people can pay and businesses function.

Access to cash is a fundamental service that is important to the liveability of Queensland communities.

The LGAQ notes the terms of reference for this Inquiry:

The current extent of bank closures in regional Australia, with reference to:

- a. the branch closure process, including the reasons given for closures;
- b. the economic and welfare impacts of bank closures on customers and regional communities;
- c. the effect of bank closures or the removal of face-to-face cash services on access to cash;
- 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;
- e. consideration of solutions; and any other related matters.

This Inquiry follows previous reviews, most recently last year. On 22 October 2021, the Regional Banking Taskforce was established by Commonwealth Treasury to:

- analyse the trends in bank branch closures in regional and remote Australia

¹ <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>

² <https://www.rba.gov.au/publications/bulletin/2021/jun/pdf/how-far-do-australians-need-to-travel-to-access-cash.pdf>

- assess the impacts of these branch closures on individuals, businesses, community organisations and regional industries (including business and land values) and determine accessibility issues and wider impacts on communities from these branch closures for banking facilities, services and products
- assess how banks transition their services and delivery models to communities where they have closed (or will close) branches
- identify alternatives to bank branch models that would maintain or improve banking services and accessibility in areas where branches have been closed and potential solutions to overcome accessibility issues.

The Regional Banking Taskforce reported in September 2022.

Submission

Before responding to the specific terms of reference, it is worth noting the current state of play, with respect to the provision of banking services in Australia.

As outlined previously in this submission, the Regional Banking Taskforce final report³ provided the following statistics, currently:

- The number of bank branches in regional and remote Australia has fallen from around 2500 to 1900 in the four years to June 2021, a 23 per cent decline.
- At a national level, the total number of branches declined from around 5800 to 4500 over the same period.
- Data indicates that other face-to-face services in regional and remote Australia has declined from around 2500 to 2400 over the same period.
- Reserve Bank of Australia statistics show that the number of Automatic Teller Machines (ATMs) also declined, with the total number of active ATMs nationally having fallen by around 20 per cent since late 2016.
- Australia Post banking facilities have remained steady, at around 1900.

It is also important to note the impact of COVID on spending habits and more general restrictions on the free movement of people throughout 2020, 2021 and 2022, that when considering this data. People used less cash for health reasons.

As the Financial Sector Union has said, the industry employs around four per cent of the total national workforce, with more than half of those positions being filled by women. They estimate that over 2,000 jobs have been lost in the banking sector since 2016, due to closures and downsizing.⁴ These are good paying jobs in regional communities. As some of our members have said, the contribution many of these people make in regional communities goes far behind their work at the bank, with many of them volunteering their time to support local community groups and executive committees.

The Taskforce made seven recommendations to Government which should be addressed.

³ <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>

⁴

https://parlinfo.aph.gov.au/parlInfo/download/committees/commsen/26608/toc_pdf/Rural%20and%20Regional%20Affairs%20and%20Transport%20References%20Committee_2023_03_02.pdf;fileType=application%2Fpdf#search=%22committees/commsen/26608/0000%22

- Recommendation 1: The LGAQ recommends that the Federal Government immediately adopt the seven recommendations from last year's Regional Banking Taskforce final report.

Inquiry Terms of Reference:

- a. the branch closure process, including the reasons given for closures:

Banking standards and ABA closure protocols

The Australian Banking Association (ABA) provides a code of practice (the code of practice) on service standards, which means that industry effectively determines how they provide services to their customers.

In addition to the code of practice, the ABA Transaction Services and Branch Closure Protocol (the Protocol) provides the minimum standards of service delivery in the event of closing branches, in the applicable classes (five of the six classes). Therefore, this Protocol applies to the closure of branches in the inner regional, outer regional, remote, very remote and migratory classes only if there is not another branch of the same brand within 20 kilometres by road.⁵

Recommendation 1 and 2 of the Regional Banking Taskforce provided for reviewing and strengthening the Protocol and implementing new branch closure impact assessments.

These recommendations should be implemented as a bare minimum. Of concern should be the reduction in operating hours and/or services, including lending services, of branches that remain open. This also provides a reduction in services provided to a local community and is the slippery slope on the path towards eventual branch closure.

- Recommendation 2: The LGAQ recommends the ABA extends branch closure protocols to also include branches that are reducing/downsizing their operations or a reduction of lending or other services provided.
- b. the economic and welfare impacts of bank closures on customers and regional communities:

What councils are doing to ensure services are delivered

Some councils have had to resort to underwriting the cost of providing banking services in their local community. This includes paying for staff and premises, to underwriting the cost of security services for local businesses with large turnover of cash transactions.

This is obviously not ideal, given the sustainability challenge many Queensland councils already face and these additional costs are paid for by the community.

The Queensland Auditor-General reported in their report to the Parliament, *Local government 2021 (Report 15: 2021–22)* that:

⁵ <https://www.ausbanking.org.au/resource/branch-closure-protocols/>

"... 45 councils (approximately 60 per cent of the sector) are still at either a moderate or a high risk of not being financially sustainable."⁶

The LGAQ is currently undertaking a critical analysis of the cost-shift onto local governments from market failure, or a reduction in State or Federal government services.

Cost-shifting is occurring in every community across Queensland, where councils are now the 'provider of last resort', funding services that are critical to the liveability of their communities.

While not ideal, it shows the commitment that local governments have to the liveability of their communities. As the closest level of government to the community, local leaders play a critical role in not only governing their community, but also advocating for their needs.

Cloncurry

Earlier this year, Westpac announced the closure of their branch in Cloncurry. The announcement was met with widespread community condemnation.

Cloncurry Shire Council Mayor Greg Campbell responded to the announced closure and spoke of the impact to that region.

"There's a number of factors that'll impact our community – our elderly, our indigenous, our community groups who all rely on that face-to-face contact, they're not up to internet banking," Mayor Campbell spoke on national breakfast television.

"But there's also the message it sends. When our area is thriving, what should be a pillar of our community is walking away. It's not a good look."

Following the announcement, the Cloncurry Shire Council launched a petition, receiving support from hundreds of petitioners.

The petition stated:

"For a dynamic region that's growing in strength with massive expansion and investment from international mining companies and others, it is a slap in the face when a major finance company turns its back – yet expects us to stay on as customers!"

"Westpac employees who have recently relocated to Cloncurry are now left wanting answers, and jobs, following the shock announcement from Westpac, which reported a bottom-line net profit of \$5.7 billion in November 2022."

The petition noted that the community was growing in population, reporting that 2016 the population growth had been estimated at almost over 18%.⁷

⁶ <https://www.qao.qld.gov.au/sites/default/files/2022-05/Local%20government%202021%20%28Report%2015%E2%80%93932021%E2%80%939322%29.pdf>

⁷ https://www.change.org/p/oppose-the-closure-of-westpac-bank-cloncurry?recruiter=1294555006&recruited_by_id=fc514240-a766-11ed-a053-61fcafd436de&utm_source=share_petition&utm_campaign=share_for_starters_page&utm_medium=copylink

Cloncurry was a viable local branch. In addition to the increasing population, it is home to large-scale mining and agricultural projects – with three long established local grazing families worth in excess of \$3.5 billion.

While we welcome a reversal of Westpac's decision to close the branch – in light of this Inquiry being undertaken – we hope that it is not just a stay of execution until January 2024.

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

Cyber security

The impact of forcing customers to utilise online or app-based banking services is a major concern.

On one hand, the banks say that more people are using digital services, requiring less face-to-face engagement. The Financial Sector Union says that the banks are the ones enforcing this change –

"... it has long been part of their business model and bank staff have had targets imposed on them to convert customers to digital banking. They have had limits placed on the number of over-the-counter transactions and how many new online banking accounts they had to open..."⁸

In that respect, the claim that branches are closing because there is less foot traffic is a self-fulfilling prophecy.

Security of cash is of critical importance. While security threats in the 1980s and 1990s were personified by armed robberies, a physical act that was able to be foiled by police services – the threats these days come through online hackers, many of whom are hard to detect and are based on the other side of the world. And rather than targeting institutions, online threats target individual customers, preying on the most vulnerable in our community.

Austcyber reports that phishing scams remain one of the most common cyber security threats in Australia. These scams typically involve criminals sending out emails that appear to be from legitimate organisations, such as banks or government agencies, in an attempt to trick people into giving away personal information or money.⁹

In February 2023, Australian Bureau of Statistics data confirmed that in 2021-22: 8.1% of persons (1.7 million) experienced card fraud. 2.7% of persons (552,000) experienced a scam. 0.8% of persons (159,600) experienced identity theft. 2.5% of persons (509,500) experienced online impersonation.¹⁰

⁸ <https://treasury.gov.au/sites/default/files/2022-03/c2021-222961-financial-sector-union.pdf>

⁹ <https://www.austcyber.com/news-events/top-cyber-security-threats-facing-australia-2023-and-how-protect-yourself#:~:text=Phishing%20scams%20remain%20one%20of,away%20personal%20information%20or%20money.>

¹⁰ [https://www.abs.gov.au/statistics/people/crime-and-justice/personal-fraud/latest-release#:~:text=In%202021%2D22%3A,persons%20\(159%2C600\)%20experienced%20identity%20theft](https://www.abs.gov.au/statistics/people/crime-and-justice/personal-fraud/latest-release#:~:text=In%202021%2D22%3A,persons%20(159%2C600)%20experienced%20identity%20theft)

The ABS added that people were most commonly exposed to a scam over the phone (48% or 9.8 million) or via text message (47% or 9.5 million). All modes of scam exposure increased from 2020-21 to 2021-22, the largest increases were for text messages (23% to 47%) and over the phone (38% to 48%).

We don't live in a cashless society. Access to cash is critical for the liveability of Australians. It is a real concern that the impact of regional branch closures will force more vulnerable Australians onto digital services that they may not understand how to use. Those people are sitting ducks for online scammers and hackers who prey on the vulnerable.

The Regional Banking Taskforce recommended continued support in telecommunications infrastructure and continued digital literacy support for customers. Of course, that should be implemented, as a priority, but that is only one part of the equation. Confidence in using digital services in the face of sophisticated online hackers is an equal consideration.

Impact on community and those most disadvantaged

The Regional Banking Taskforce noted the impact of branch closures on vulnerable community members:

"Local bank branches are an important part of regional communities with elderly residents and community groups and businesses all relying on their local bank branch for their banking needs. Closures of branches can impact the accessibility of banking services for these and other customers, limiting their ability to use and benefit from important banking services. There can be challenges rearranging or transferring bank accounts and learning new ways of banking when a branch closes, with some submissions raising concerns about scams."¹¹

It's not only the impact of branch closures, but also the reduction of operations at other branches, the shifting of lending services to larger centres which means that when existing branches stay open – they may provide a reduced range of services to local customers.

There are also impacts on small business and community groups needing access to cash floats for fundraising events and changing signatories on their account if there is a change in executive.

As the Regional Banking Taskforce also noted - the impact of branch closures in small communities is not only limited to the provision of local banking services. If a local customer is forced to travel to the next town to do their banking, they are likely to buy other goods and services in that town as well, thus impacting commerce in the town with the branch closure.

So in that sense, there is a direct and indirect impact on the local economy of the community that has lost the local branch.

- **Recommendation 3: The LGAQ recommends a moratorium on further bank closures until this Inquiry is expanded to examine and remove any barriers to the success of viable, alternate face-to-face services.**

¹¹ <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>

- Recommendation 4: Given the importance of face-to-face banking services particularly the access to cash, to the liveability of every Queensland community, the LGAQ recommends that the Federal Government require Commonwealth Treasury approval for any further closure of a branch, following the end of the moratorium referenced in recommendation 3.
- 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;

The LGAQ supports implementation of recommendation 7 of the Regional Banking Taskforce final report, that is for the Australian Prudential Regulation Authority (APRA) to commence in 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.

To support this recommendation, the report noted that the APRA points of presence publication does not include data on banking services provided online or via mobile banking applications, a key issue in an increasingly digital world.

Notwithstanding the challenges with digital connectivity in many rural and remote communities, digital banking services should only be considered as a like-for-like service if they offer the same level of service – full service – as a face-to-face service, and without additional fees or surcharges involved.

As outlined in recommendation 1, all recommendations from the Regional Banking Taskforce final report should be implemented as quickly as possible.

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

Australia Post services and review

Banking services at Australia Post are a viable, but limited alternative. As the Regional Banking Taskforce noted in their final report, Australia Post provides a range of essential banking services via its Post Office Network including withdrawal, deposit, credit card deposits and balances enquiry via Bank@Post as well as payment of bills via Post Billpay. The provision of these services varies depending on the commercial arrangements for each institution.

When the report was released last year, it noted that there are more than 1,800 Bank@Post offices in rural and remote locations. Importantly, more than 1,150 of these offices are in communities with no bank branch at all.

Also, ANZ Bank – one of the four major banks in Australia, does not have a commercial agreement in place with Australia Post.

However, the service isn't a like for like. There are deposit limits and withdrawal limits.

Current arrangements between major banks and Australia Post are:

- Commonwealth Bank - \$6,000 deposit limit and \$2,000 daily withdrawal limit.
- Westpac - \$7,000 24-hour deposit limit.
- NAB - \$9,999 per customer day deposit limit and \$2,000 daily withdrawal limit.

On 2 March 2023, the Federal Government announced a review to support the long-term sustainability of Australia Post. The Ministerial media release announcing the review noted that “the growing digitisation of the way Australians live, communicate, shop and engage in commerce means it is critical the national postal service keeps pace with shifting demands.”¹²

The LGAQ acknowledges the broader context of the review on the full range of services that Australia Post provides, but we would urge the Federal Government to rule out Australia Post branch closures, in the first instance and look at how this review can enhance the existing banking services provided through Australia Post.

It is noted that the Australia Post review discussion paper refers to enhancing existing Post@Bank services.

“Almost 60 per cent of Australia Post’s retail presence is in regional and remote Australia, triple that of other Australian industries, like transport, finance and health. As banks and other service providers go online and close their shop fronts, Post Offices are becoming increasingly important in many communities by providing access to postal, financial, business and community services. Post Offices also provide vital face-to-face services for vulnerable Australians who are not digital citizens, or for those that live in remote, rural, and regional areas. For local businesses in these areas, the Post Office is often essential to their operations.”¹³

Alternate models

One of the best ways to put pressure on banks to provide better services in regional communities is through competition and choice.

It has long been challenging to break the market monopoly of the four big banks.

The LGAQ acknowledges the recent comments from Hon. Kristy McBain MP, Minister for Regional Development, Local Government and Territories in a radio interview with 2GB Ben Fordham on 17 March 2023.

The Minister said that:

“What we’re seeing is customer-owned banking actually open up branches across the regions instead of closing them. It’s important that regional people have access to financial services, both from a banking and business point of view, but also from a well-being point of view, because our demographic means that some of those customers aren’t able to get to the online banking services like the rest of us.

“We’ve seen 720 branches available through regional Australia. The employment sector for customer-owned banking grew by 4.4 per cent in the last financial year alone. We’ve got over 11,000 people working in those customer-owned banks.

¹² <https://minister.infrastructure.gov.au/rowland/media-release/consultation-begins-delivering-modernised-postal-service>

¹³ <https://www.infrastructure.gov.au/sites/default/files/documents/postal-services-modernisation-discussion-paper.pdf>

"My message loud and clear is service us or we will shift our money. At the moment, customer-owned banking seems relatively small, at about \$158 billion worth of assets compared to a lot more in the major banks. But regional Australians want service as well."¹⁴

The Regional Banking Taskforce noted the different options available for consumers. These included:

- co-location (where banking services are co-located with other businesses at the same location)
 - co-branding (where different bank brands are co-located)
 - community banks (where there is a franchise or joint venture relationship between a bank and local company)
 - reduced opening hours (where branches continued to operate by reducing their opening hours)
 - banking hubs (where several banks use a common space to provide in-person banking services)
 - advisory hubs (where banks provide information)
 - mobile branches (where bankers travel to their customers)
 - smart ATMs (which provide a broader variety of services than standard ATMs including the ability to deposit cash).¹⁵
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- **Recommendation 5:** The LGAQ recommends that as part of the review of Australia Post, the Federal Government immediately rules out the closure of any Australia Post outlets and adopts measures that will enhance the existing banking services provided through Australia Post.

¹⁴ <https://minister.infrastructure.gov.au/mcbain/interview/transcript-radio-interview-2gb-ben-fordham-breakfast-show>

¹⁵ <https://treasury.gov.au/sites/default/files/2022-09/p2022-260600-final-report.pdf>

Conclusion

Overall, the LGAQ provides five recommendations to increase protection for customers and recognise the importance of face-to-face banking services to the liveability of all communities.

We also acknowledge that while banking is a private business, the provision of these services are essential services.

Individual Queensland councils or regional organisations of councils may also lodge their own submissions to this Inquiry. We support them doing so, as this is a critical issue for Queensland councils.

The LGAQ would be happy to appear at a public hearing of this Inquiry, however we would also strongly encourage the Committee to hear from individual council representatives about the impact of banking services in their respective communities. Those include Cloncurry Shire Council, Isaac Regional Council, Douglas Shire Council, Longreach Regional Council, Cassowary Coast Regional Council, to name a few.

We would also encourage the Committee to conduct regional hearings across Queensland.