

**SUBMISSION FROM HON MIA DAVIES MLA
MEMBER FOR CENTRAL WHEATBELT, WESTERN AUSTRALIA**

INTRODUCTION

I make my submission as Member for Central Wheatbelt in the Parliament of Western Australia, representing 27 Local Government Areas in regional WA.

I am angered and concerned to see the number of closures or reduced banking services offered in regional communities. Whilst this has been a trend for 20 years or more, there has been an escalation of closures over the past two years, with many banks using the cover of COVID-impact to justify their decisions.

It would appear that no consideration is given to the impact on the broader community in the short- or long-term. Reducing or removing services in regional communities means a loss of jobs, a loss of expertise and understanding of local economic drivers and circumstances and has the effect of driving people to leave their community to bank, shop and access other services.

There is a real cost to regional communities – many who have loyally supported these banks for generations – because the boards and senior management of these organisations have become disconnected from their customers.

Community Impact

A decline in foot-traffic through branches has been offered as a rationale for branch closures (see reference 'A') across the regions. While it is acknowledged that many people have changed the way they bank – moving to online services fails to acknowledge those in the community that cannot engage online (elderly, small businesses, those without connectivity, those with a disability that require assistance in person).

There are still many people that either don't have access to reliable internet or technology, or are unable to use it. Proof of how challenging this remains (even over 20 years after their introduction) is that they still provide internet and computer access for those that don't have it, can't access it or need assistance in accessing online services.

Mobile connectivity is far from perfect throughout the electorate – and I still received regular representation from constituents on the lack of coverage or regular breaks in connectivity. Governments of both persuasions have invested heavily in improving this service, but there will always be black-spots, particularly in rural and remote areas of the State.

By failing to distinguish the needs of 'in-person' clientele, the banks are failing to consider the value of a branch to in-person customers. It perpetuates the disadvantage already experienced by some of our community's most vulnerable cohorts.

Local Government's have maintained an economic and social approach for the services they provide – while you can conduct your business as a ratepayer online, in-person services are also offered – despite being far less resourced to do so.

Branch closures also fail to consider the broader impact on community development by removing skilled job opportunities and pathways to employment.

It is estimated that more than 550 people across the Wheatbelt region alone are employed in financial services – 550 families who benefit directly from the existing jobs whose skills, investment and community input may be lost from the region if this trend of closures continues.

By Australian Government figures, 70 percent of 'Bank Workers' nation-wide are women. Removing or reducing the opportunity for employment and financial security for women is a retrograde step – particularly as the replacement roles in these skilled jobs are unlikely to be available in the community they reside in.

Business Impact

While alternative banking services for communities may be offered by the local Post Office, this system cannot replace the full suite of functions available in a bank branch. The Australia Post website details the limited provision of services across more than 1,800 regional and remote locations – an individual may; deposit a cheque, withdraw cash and check an account balance. The ongoing financial support for businesses relies upon a relationship between the individual and the bank and this cannot happen via a disconnected third-party.

The ongoing and persistent weakening of financial services in our regions is also pushing regional businesses to take their banking needs to regional centres and cities which has a considerable knock-on effect of drawing spending away from the local economy.

While the Australian Banking Association protocol aims to prevent branch closure if there is not a branch of the same bank within 20 kilometres by road, this protocol is not enforced by relevant State or Federal legislation and is instead left to the decision making of individual financial institutions. The degree of corporate responsibility varies and leaves the fate of a community's banking needs in the hands of officials in far flung cities with no connection to community impact.

In the Banking Code Review, it is noted that banking services should be "*inclusive, affordable, and accessible for all customers*". There is an evident gap in the provision for banks to be accessible during extraordinary circumstances, which is worsened by the reduction in local bank branches.

A recent example is the ongoing management of financial impacts of Tropical Cyclone Seroja in WA's Mid-West region. There was a short-term effort by the Australian Banking Association to support customers through the immediate hardships, however, just two months later in June there was an announcement from NAB that the Three Springs Branch which was closed due to the weather event, would not reopen. The impact of this closure has been a loss of on the ground relationships for a community which continues to rectify the damages of the cyclone. The corporate knowledge of the local business and community interests of Three Springs has been lost. The importance of long-term accessibility to local financial advice and support in this community has been deemed negligible in NAB's centralist business model.

And while the example of the Three Springs Branch is a unique combination of challenges (natural disaster amid a global pandemic, impacting communities of varying remoteness) it speaks to the broader corporate mindset of the banking sector.

There is already a very high bar for those seeking to invest in regional communities to hurdle for finance – not having a bank, with staff and a presence in a community means the local corporate knowledge, risk assessment and internal advice for lending and customer management is diminished.

In short, the banks need to look beyond the black and white of the bottom line and think about their role as an essential service in our communities. Their retraction of services sends a signal to the community, investors, visitors and those that have been loyal to them for many years (in some cases generations) that they are not important and have no role to play in growing or contributing to our nation.

As a member of a Party that has great faith and optimism in the role and importance of our regional communities – whether it's Karratha in the Pilbara, or Wyalkatchem in the Wheatbelt – I have observed that our banking sector, much like some of our major mining and corporate players in the nation, fail to meet the criteria of a good corporate citizen, particularly when it comes to regional Western Australia.

My criticism is not levelled at the hardworking staff who are on the ground in these communities – many of whom have expressed their distress at no longer being able to serve their local town or district due to decisions made by the remote leadership of these organisations.

RECOMMENDATIONS

The below recommendations aim to ensure regions have sustainable jobs and services, support and accelerate growth and further define the corporate responsibilities of banks to our regional communities.

1. Legislative reform to protect regional and remote communities from the increasing reduction of in financial service provision, including clarification of the ability to enforce the Code through legislation.
2. Robust corporate governance enforced via the Australian Banking Association protocol to ensure a whole of region assessment is made prior to the closure of any branch, including evaluation of distance between branches.
3. Alternative service delivery solutions, such as mobile services (banking bus) or a co-location model which can be seen in the delivery of Government services in some parts of regional NSW must be considered.
4. A National Plan developed to ensure the sustainable delivery of financial services across regional and remote Australia, encompassing corporate and community needs including development of local jobs in the sector.

5. In the era of flexible working the sector needs to look at innovative solutions like mobile banking consultants and remote based staff who will better understand the issues of regional WA even if they report to a capital city head office.

CONCLUSION

While State and Federal Governments continue to invest in regional areas, the banking sector is literally taking a step backward. There has been a trend of centralisation and a distinct lack of social corporate responsibility.

While the banking sector made \$26.8 billion in profits during 2021 they failed to pay the social dividend to regional communities, many of which have been loyal foundation customers for generations and have limited choice or opportunity to access services elsewhere. COVID has been used as a convenient cover to escalate the reduction centralisation of services.

I have no doubt it is more expensive to offer these services in regional and remote areas of the nation and appreciate that shareholders demand efficiency and returns for their investment – but the concept of triple bottom line accounting is well understood and embedded in modern corporate thinking, as is corporate social responsibility.

In my view, as entities with enormous power and influence in the Australian business, government and community sectors banks of all persuasions are failing to meet their obligations as model corporate citizens.

SOURCES

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