

# Digital Finance Analytics

## Submission to the Australia Post inquiry - Environment and Communications References Committee for report by 30 April 2021.

### 1. Summary

We welcome the opportunity to make a submission to this inquiry, which has exposed much about the inner workings of the political machine, but which must focus on the community benefits of a strong, community based postal service across Australia.

In our submission, we will argue that based on our primary research, communities which benefit from a local post office reveal higher levels of community engagement and confidence, and better economic outcomes.

In addition, the original Parliamentary discussion centring on the watches failed to note the date of the gifts (with board approval) and the direction connection to the \$225 million investment in the business resulting from the negotiation of contracts with most commercial banking entities in Australia.

The deflection towards “poor conduct” and “community expectations” was designed to shift focus away from the true agenda of the run-down and privatisation of Australia Post, and the prosecuting of a pro-bank agenda.

The truth is, Australia Post is a viable business, a community asset and an entity which should remain in public hands. Moreover, Christine Holgate should be reinstated as CEO (she never resigned) and the board stacking of pro-Government individuals should stop.

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## 2. Essential Service

Digital Finance Analytics is a boutique research and consulting firm, specialising in financial services and consumer behaviour. We run continuous consumer and SME surveys relating to a broad range of behavioural and financial matters. This includes analysis of channel and brand preferences.

Our research reveals that the Australia Post brand stands well above commercial banks in terms of community awareness and brand trust. This despite the recent COVID related restricted service patterns currently in force.

In addition, the community highly values the local services offered through the Local Post Office outlets (LPO), which are an essential element within the service structure. This is especially the case in areas where commercial banks have withdrawn their branch services, and in some cases the LPO's are the only source of service in the local community. If that goes, communities wither. Where they exist, community and business confidence are higher. These are therefore essential services for the local community which help to preserve the heart and soul of the locality. Arguably this is especially the case in remote and regional locations.

According to recent APRA statistics relating to points of presence, commercial banks are urgently closing branches (some like ANZ, faster than others) and removing ATM's. Whilst this is partly explained by the digital migration in hand, it is, in our view fundamentally a cost saving measure, despite the local service they provide. Indeed, there is a "last person standing" mentality – the last remaining commercial bank with have the greatest difficulty in closing, and highest risk of adverse publicity. This rush to the exits will continue in the current profit stressed environment.

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## 3. Build A National Bank

The reality is the LPO's have a critical and long-standing role to play in the preservation of the local community identity and the delivery of critical services. But they can go further, by using the opportunity to create a national bank, which could ensure all Australians have access to appropriate financial services. Indeed, **the extension of Australia Post into financial services makes perfect business and community sense.**

Given the narrow focus of existing commercial banks, and their recent behaviour as exemplified by the findings from the Royal Commission:

*...entities and individuals acted in the ways they did because they could. Entities set the terms on which they would deal, consumers often had little detailed knowledge or understanding of the transaction and consumers had next to no power to negotiate the terms. At most, a consumer could choose from an array of products offered by an entity, or by that entity and others, and the consumer was often not able to make a well-informed choice between them. There was a marked imbalance of power and knowledge between those providing the product or service and those acquiring it.*

opportunity exists to develop a strategy by which Australia Post becomes a new force in financial services, via its existing LPO network. Not only would this generate additional income streams to fund the community operations, but it would bring real competition to the banking sector. There are examples overseas which demonstrates the potential, including KiwiBank in New Zealand.

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## 4. A Stark Choice

The Government appears to have initiated recent advisory reports from entities such as BCG to provide justification for a skinning down and privatisation of elements of Australia Post, on the basis this is an old world, letter-based capability, which is not profitable, and fading to black. This is ideology.

The truth, in our view, is that Australia Post today already provides essential community services, and has the potential, under the right leadership and mandate to do so much more to safeguard the future of ordinary Australians. It should be given the chance to succeed.

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16<sup>th</sup> March 2021