

CHAPTER 6 – CONCLUSION

6.1 The changes in the delivery of financial services are part of the wider structural readjustment that regional and remote Australia is undergoing. Change is an inevitable outcome of the developments that are affecting all aspects of business and lifestyle around the globe.

6.2 In the context of regional banking services, the challenge presented by the developments in technology and by the creation of a more competitive business environment is to ensure that they result in improved services and access to services. Technological and regulatory developments should be enhancing access rather than resulting in a reduction.

6.3 Change will continue and it is likely that the move towards electronic banking methods will accelerate. The proliferation of self-service methods of banking including EFTPOS and telephone banking and, to a lesser extent, internet banking, is allowing many individuals and businesses to enjoy greater access to banking. However, many in the community have a strong preference and, indeed, need for maintaining access to over-the-counter services. Country towns which lose these services experience a range of problems as a result.

6.4 The Committee has taken a pragmatic approach in its consideration of the issues that have been raised during the course of this inquiry. It has concentrated on finding solutions to the immediate problems created for communities by changes in the delivery of financial services. It has also looked at ways of accelerating the development of technological solutions that in the medium term may play a significant role in meeting the needs for financial services for communities in regional and remote Australia.

6.5 In the course of this inquiry, there were pronounced changes in the attitude of the banks to the problems created by the closure of branches. The Committee welcomes the apparent change of heart. Many of the banks have acknowledged that they do have social responsibilities. Although many have now made undertakings to maintain a face-to-face presence in all communities in which they are currently represented, there are many communities for whom such commitments are being made too late. The Committee urges all financial institutions to be mindful of the significant role they play in the social and economic fabric of the communities in which they have a presence. Banks should endeavour to maintain their presence wherever possible. Proper consultation with the community may increase the viability of some of the branches.

6.6 One of the main problems created by changes in the delivery of financial services, and in particular by the closure of bank branches, is reduced access to cash withdrawal and deposit facilities. The Committee has made a number of recommendations aimed at maintaining these services in communities. These include recommendations to support the establishment of alternative over-the-counter services including credit unions, community banks and agencies. The Committee is also convinced that the needs of some communities will be met by less costly solutions such as the electronic agencies devised by Bank SA. The Committee feels that Australia Post has an important role to play in developing lower cost alternatives. It

also expects the banking industry to give priority to overcoming any further delays in the development of multibank terminals that will allow for cash deposits as well as withdrawals.

6.7 The other main problem experienced by communities that have lost their bank branches relates to access to business banking. Although many of the country towns affected by the closure of bank branches have access to personal banking services through the Commonwealth Bank's arrangements with Australia Post, these arrangements do not provide for business banking. The introduction of business banking services by giroPost would immediately solve the problem for those communities that have access to giroPost. The Committee has accordingly recommended that giroPost be extended to include business banking.

6.8 In considering issues that have been central to this inquiry, the Committee identified a number of principles that it considers should underpin any policies or strategies aimed at ensuring communities have continued access to the financial services they need.

- 1) Community involvement is critical to the success of any strategies designed to solve the problems relating to regional banking services. Communities have clearly demonstrated their capacity to support institutions that have shown a willingness to establish services following the withdrawal of banks. The importance of communities taking some responsibility and adopting an organised and proactive response to securing access to financial services cannot be underestimated.
- 2) Methods used to deliver financial services will continue to evolve as technological advances are made. Strategies, therefore, need to be flexible and responsive to change. Communities have shown themselves ready to adapt to changes in the delivery of services provided they are accompanied by proper consultation and do not result in a diminution of access to services. Financial institutions need to consult with communities in an honest and ongoing manner about changes and factors determining them. They also need to sustain efforts to help customers comfortably utilise new banking methods as they develop.
- 3) Solutions based on an aggregated service delivery approach and on cooperation between a range of partners including financial institutions, governments, businesses and organisations not traditionally associated with the financial services industry appear to have most potential to be sustainable in the long term. This applies particularly to small centres where it will often be commercially unviable to maintain stand-alone facilities. Governments at all levels do and should continue to support initiatives from financial institutions and other organisations willing to take a role in delivering financial services in regional and remote areas. This support could include the development of partnerships that may make it more viable for outlets to offer services.
- 4) Problems relating to access to financial services are not occurring in isolation. Rural Australia is in a process of structural adjustment. There is an obvious relationship between the delivery of financial services and other developments affecting rural Australia.

- 5) Finally, no one solution will fit all communities. Communities vary in their composition, needs, resources and distance from other centres. Therefore, there needs to be a diverse range of options available to ensure different communities have reasonable access to the services they require. However, it is important given the range of community needs, the number of players involved in delivering financial services and the diversity in the strategies being developed that efforts are coordinated and monitored. The Committee considers that this should be the responsibility of the Federal government in consultation with State and Local Governments.

6.9 In the course of this inquiry, the Government announced the Rural Transaction Centres Policy. From the details provided to date, the Rural Transaction Centres Program appears to incorporate the principles outlined above. In the Committee's view, it provides a workable framework for supporting strategies designed to assist communities maintain and regain access to basic financial services. It also considers that Australia Post has a key role to play within and alongside the Rural Transaction Centres Program in helping communities gain better access to basic financial transaction services. The Committee urges the government to broadly promote the program and to implement it without further delay.

6.10 During this inquiry much was made of the role self-service methods of banking are playing in providing access to services. The uptake of these methods has been substantial but they are not yet in themselves an adequate replacement for financial services in regional and remote areas. While EFTPOS has significantly increased the number of points at which customers are able to obtain cash, it does not yet perform deposit functions. As mentioned at 6.6, the Committee has urged the banking industry to move quickly on resolving any difficulties that are delaying a development that will significantly ameliorate problems associated with cash in regional and remote Australia.

6.11 Telephone banking and internet banking are also poised to play an increasing role in delivering banking services. However, their potential is limited by their inability to deal with cash and it will remain limited until reloadable smartcards are able to be used in conjunction with these methods. The combination of smart cards with telephone or internet banking developments will be particularly useful, provided the telecommunications infrastructure is adequate, in enhancing the access remote communities have to financial services. The Wallis inquiry saw a role for governments in accelerating the development of alternative payment instruments. The Committee considers that Centrelink should as a matter of priority develop a smart card trial.

6.12 In the event of closures, banks have made a number of undertakings to improve the processes involved. The Committee has welcomed these commitments but has sought to extend some of them such as the period of notice given. It has also recommended that many of the commitments be incorporated into the Code of Banking Practice.

6.13 In the process of this inquiry, the Committee has endeavoured to draw attention to the difficulties faced by communities in regional and remote Australia and to prompt the development of constructive responses to these problems from service providers, governments and communities themselves. Many of these solutions are

already in place or in the process of being developed. It is important that this momentum is not lost once the inquiry is closed. The Committee considers therefore that it is imperative that the access regional and remote communities have to financial services is closely monitored. For this to happen, comprehensive data need to be systematically collected on an ongoing basis.

6.14 Following this comprehensive examination of the provision of alternative means of providing banking services to regional and remote Australia, the Committee is of the strong view that the implementation of its key recommendations should be a priority of the government.

David Hawker
Chairman

5 March 1999