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JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL
SERVICES

**Reference: Banking and financial services in rural, regional and remote areas of
Australia**

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JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Wednesday, 12 March 2003

Members: Senator Chapman (*Chair*), Senator Wong (*Deputy Chair*), Senators Brandis, Conroy and Murray and Mr Byrne, Mr Ciobo, Mr Griffin, Mr Hunt and Mr McArthur

Senators and members in attendance: Senators Chapman and Wong and Mr Griffin

Terms of reference for the inquiry:

To inquire into the level of banking and financial services available to Australians living in rural, regional and remote areas of Australia with particular focus on the following:

- (a) options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities;
- (b) options for expansion of banking facilities through non-traditional channels including new technologies;
- (c) the level of service currently available to rural and regional residents; and
- (d) international experiences and policies designed to enhance and improve the quality of rural banking services.

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Committee met at 10.11 a.m.**GOODFELLOW, Mr Brian Jeffrey, General Manager Operations, Elders Rural Bank**

CHAIRMAN—The committee will commence its public hearing on its inquiry into the level of banking and financial services available to Australians living in rural, remote and regional parts of Australia. To date it has taken evidence in Canberra, Sydney and Melbourne. The committee will also be holding public hearings tomorrow in Tanunda and Jamestown and visiting Yacka and the Port Broughton rural transaction centre. The committee expresses its gratitude to all of those who have assisted it so far in its inquiry and although the date for the receipt of submissions has closed, the committee welcomes and is still accepting late submissions.

Before we commence taking evidence may I reinforce for the record that all witnesses appearing before this committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to the special rights and immunities attached to the parliament or its members and others necessary for the discharge of parliamentary functions without obstruction or fear of persecution. Any act by any person which operates to the disadvantage of a witness or on account of evidence given by him or her before parliament or any of its committees is treated as a breach of privilege. I also state that unless the committee should decide otherwise, this is a public hearing and as such all members of the public are welcome to attend.

I now welcome Mr Brian Goodfellow from Elders Rural Bank to this hearing. As I mentioned earlier this is a public hearing and so the committee prefers that all evidence be given in public, but if at any stage you wish to give evidence in private, you may request that of the committee and we will consider a move into camera. We have before us the written submission from Elders Rural Bank which we have numbered 131. Are there any alternations or additions that you want to make to the written submission?

Mr Goodfellow—Not at this point, thank you.

CHAIRMAN—I invite you to make an opening statement at the conclusion of which I am sure we will have some questions.

Mr Goodfellow—Thank you very much. Good morning, members of the committee. It is a pleasure to be present here today to actually represent Elders Rural Bank Ltd. Whilst I have only recently joined Elders Rural Bank, I have had 32 years of experience in the banking industry with the last 10 years in executive roles directly involved in delivering banking services to regional and remote agricultural and agribusiness communities.

Elders Rural Bank was granted a banking licence in June 2000. It is a fifty-fifty joint venture between Bendigo Bank and Futuris Corporation, which is the parent company of the rural services company Elders Ltd, which has worked alongside rural Australia since 1839. The arrangement established a non-traditional finance channel committed to face-to-face services, on-farm and electronic banking with a local branch wherever possible, providing a national infrastructure to service the local needs of communities impacted by the decline of traditional banking services throughout rural and regional Australia.

The alliance marries Bendigo's banking experience, including their community bank initiatives, with Elders Ltd's rural expertise, extensive representation and community acceptance, to provide unique and innovative banking and financial services to local communities across Australia.

With a customer base in the agricultural sector and a specialist knowledge of the demands of those involved in agribusiness, it is pleasing to report that the bank is growing favourably, with continuing unparalleled support for retail deposits, and returns which compare with other industry participants.

In the short time that Elders Rural Bank has held a banking authority, it has expanded its specialised farm and rural banking products range which is now distributed via approximately 400 points of presence and almost 200 Bendigo Bank branches. Elders Rural Bank has approximately 31,000 account holders a growth of approximately 61 per cent over the last 12 months. Face-to-face banking is made available by approximately 700 locally based staff which includes 90 specialist rural district finance managers and district financial support personnel, which underpins the Elders Rural Bank's commitment to providing local services in rural areas.

Elders Rural Bank is committed to offering and developing products that meet the exact and changing needs of its clients, including a specially designed Money for Living account with fee-free options, easy access and highly competitive interest rates. In addition farm management deposits—known as FMDs—have been developed and expanded to fixed and variable terms and rates following requests from the rural networks.

In the last three years over \$4 million has been spent on the development of a rural producer business banking computer application for use by its finance specialists, together with another \$1.5 million on the development and rollout of a new online banking support system, especially designed for low transaction volume agencies. The branch banking support system, known as BBS, provides low-cost banking support where it would not otherwise be feasible to install a fully operational bank teller service.

Almost all of the \$5.5 million spent by Elders Rural Bank on IT systems development has been expended in local economies, outside the big two business centres of Sydney and Melbourne, with over \$1 million injected into the local Bendigo economy through IT development contracted out to Bendigo Bank's IT staff and \$2 million through IT development companies in Adelaide, South Australia. The IT system developed is innovative, leading-edge technology designed specifically to support rural banking services, on-farm or from temporary locations in the event of a local catastrophe, such as a flood. Elders Rural Bank has undertaken extensive and ongoing training programs for its branch customer service officers to ensure the highest levels of face-to-face service and expertise are maintained throughout its extensive geographical points of presence. A commitment to providing local branches and support exists and with the possibility of Bendigo Bank's expansion of their community bank initiative, the national infrastructure continues to broaden the provision of services into regional and remote communities.

Elders Rural Bank remains a key player in the agribusiness sector and with the close associations with Bendigo Bank and the Elders Australia Ltd group, the bank does not just work in regional and rural Australia; it is part of it and therefore experiences first-hand many of the

issues, problems and successes of rural and remote communities and is proud of its achievements and contributions so far.

Elders Rural Bank stands by its customers through the good and not-so-good times. This is a real commitment to its clients and, unlike many of its competitors, Elders Rural Bank is retaining a sense of pride in delivering expanding banking facilities across Australia with a decision made to reinvest every cent deposited back into rural Australia. Our customers are benefiting from the importance being placed on building strong, long-term relationships, a commitment to expanded local services, new information technology and much needed specialist banking services to the rural sector of Australia.

Elders Rural Bank believes in the future of Australian agribusiness and with new technology and the growing support of our client base the remoteness of rural and regional Australia is no longer a disadvantage relative to having access to financial services and banking. Thank you.

CHAIRMAN—Thank you, Mr Goodfellow. What was the particular motive or process that led to the establishment of Elders Rural Bank, given that Elders already had a relationship with Bendigo Bank? Why was there felt to be a need to establish a separate Elders Bank?

Mr Goodfellow—To really deliver the banking services and expand those back into remote Australia, with the decline of the major banks from that particular region. It opened up an opportunity for adding value to the client base that had supported Elders and the growing Bendigo Bank. There was certainly an opportunity there to add value and return an investment back into the rural communities.

CHAIRMAN—My recollection of Elders is that when it was under the ownership of someone who will remain nameless, there was a lot of angst in the rural community because in fact Elders was closing a lot of its offices. I am not talking about the banking, but the general stock and station offices and so on that it ran in rural areas. Is Elders now going back the other way and, in fact, establishing offices where they had previously been closed under that earlier regime?

Mr Goodfellow—To maintain a commercial presence there has been a need to rationalise a lot of services in many Australian towns and centres, but certainly Elders Ltd and Bendigo Bank are on a growth strategy, returning a commitment. Yes, they are quite interested in looking at new commercial opportunities, expanding the banking area of their operations. Yes, they are very much involved in growth and commitment back into the business with local branches, local services face to face. It has been an opportunity for them and they have grasped it and are running with it.

CHAIRMAN—Does the Elders Bank operate through all of the existing Elders offices, or is there only a limited number of them?

Mr Goodfellow—No, I can answer that in a general way by saying it is available through all of its 400 branches. In addition to that, the Bendigo Bank expansion gives a growing opportunity for Elders Rural Bank to distribute through their number of branches as well. It is expanding and it has a growth focus.

CHAIRMAN—An issue that is probably obliquely relevant to this inquiry—but which we have dealt with more fully in earlier inquiries conducted into the Financial Services Reform Act—is the issue of the level of training required to be given to front counter staff who are basically dealing in deposit products, not financial advice. This committee has previously recommended that basic deposit products should not be caught within the net of financial product. We have not won that argument yet. Is this an issue, given this sort of expansion of Elders banking and the fact that you are operating through your rural services offices and therefore you would not necessarily have people, certainly at this stage, trained up to the level that was required by the ASIC policy statements—

Mr Goodfellow—Correct.

CHAIRMAN—Is that an issue for Elders and, if so, how are you addressing that? Does the recent modification of the policy statement in terms of training requirements issued by ASIC in January alleviate that problem sufficiently or is there still more that needs to be done?

Mr Goodfellow—Firstly, the bank recognises the need for ongoing compliance and has certainly been prepared to make changes about the introduction of FSRA which will further improve the credibility of industry participants. It certainly creates some challenges, to train all of your staff when they are located in remote locations and spread across all the states of Australia. But we have approached FSRA very diligently and maintained quite a focus on the training and delivery of training through entities such as the Securities Institute and the like. The recent relief provided is of assistance but we are probably focused on training our people to the highest possible levels to give the best service face to face.

The real challenge for us is how to deliver that training—be it online, be it face to face—because there are some behavioural tests within that licensing that really will be difficult to achieve online and across Australia. But we certainly have a very strong commitment to the training and development of our individuals and embrace the terms and intent of the act.

Senator WONG—The recent relief you are referring to, the changes to PS146. Does that deal with a lot of the concerns that you have? Is it a liveable regime for you?

Mr Goodfellow—I would say it is quite acceptable and liveable now, but it will still deliver some challenges to us to get the training done. To get our people into a central workshop area to do some face to face and some soft training skills will be difficult and costly. It does generate an enormous cost to the organisation but one which you have to bear.

CHAIRMAN—In your opening statement you referred to the establishment of Elders Rural Bank as establishing a non-traditional finance channel. Then you say it was committed to face to face services, on-farm and electronic banking with a local branch wherever possible. That seems to me to be, in a sense, the traditional banking services. Can you perhaps enlarge on what you mean by ‘non-traditional’?

Mr Goodfellow—By ‘non-traditional’ I am really referring to the fact that it is a joint venture between a rural services company and a growing community type bank. It is an area where joint venture arrangements do tend to come into play and it demonstrates that there are opportunities to share infrastructure, but it is of its shareholders. It is perhaps non-traditional in that avenue because we do exchange common expertise and skills where other parties may not be able to

deliver on that. The non-traditional aspect of it was focused more so on the fact that it is delivered out of merchandising type representation and other branch structures, rather than a bricks and mortar branch network.

CHAIRMAN—You also referred to the importance Elders places on delivering much needed specialist banking services for the rural sector. From that I assume that you perceive that there is a gap in the marketplace in terms of the delivery of specialist rural banking services that the big four have either never provided or have withdrawn. How do you perceive this need for specialist banking services for the rural sector?

Mr Goodfellow—The majors have certainly had very good intentions to have specialist people accessible to the client, but most of them are often located in the major centres, and they commute or travel to the client. In our case, the district finance managers and district finance support people are usually located throughout our geographical areas. They are easily accessible, and they work on the farm with the clients to meet their needs and timings, so it is really an opportunity. Whilst we have approximately 700 locally based staff in the network, a growing number of these specialists are doing the applications, the credit and are giving advice at the farmer's kitchen table.

CHAIRMAN—Some of the witnesses from the approved deposit institutions, such as credit unions and community banks, have referred to some of the impediments to starting up a new operation, including capital requirements, the cost of establishment and so on. Are they significant with regard to Elders? How did you overcome them?

Mr Goodfellow—Yes, it is a significant challenge to meet those areas, but the joint venture with Bendigo Bank enabled Elders Rural Bank to have an existing platform to assist, relative to IT. It enabled the extensive representation of the Elders group to be utilised, so it did not require as much capital relative to premises, points of representation and so on. The way we overcame that issue was the joint venture, leveraging off the services that are already in existence. Elders Rural Bank tries very hard not to reinvent anything that is already in existence within the Elders network or Bendigo Bank. Whilst it spent extensive amounts of money on the IT side of its business, it is difficult to raise that, to get the expertise to get up and running as a bank.

CHAIRMAN—You have indicated the importance of face-to-face banking as part of the service that you are offering. Arguments have been put to the committee that the rural branch is a thing of the past. What is your view of that? Is your capacity to deliver face-to-face banking dependent on, in essence, the co-location of your banking service with your other merchandising and other services? Is that the way of the future for other service providers to provide a banking service?

Mr Goodfellow—Certainly, from an Elders Rural Bank perspective, the existing infrastructure of the two shareholders has given us a point to deliver face to face. It is a request of the surveying that we have undertaken with our customers—that they like to speak to a specialist, and they like to do so in their area of comfort, which is probably on farm or in an office. The call from the network has been not so much for the over-the-counter cash and transactional type transaction; it has been for the expertise and the ability to obtain advice, apply for credit and obtain specialist advice on the spot, at your location, whenever it suits you, rather than communicating with another regional centre. It keeps the business local and it is really what most of the communities are asking for.

In our surveying of customers—and we have done quite a bit, particularly at the early inception stages of the creation of the bank—the main issue for the customers was very much the ability to obtain enhanced access to banking services, either on farm or via IT Internet banking connections. However, I emphasise that we had an existing agricultural client base which had supported Elders Ltd over its long history of providing financial services, which did not necessarily have the usual transactional banking attached. Because of our strong bias towards agricultural clients, our clients' needs seem to be in improved Internet banking and on-farm type discussions.

CHAIRMAN—In a sense, your people are a substitute for the role that the traditional bank manager used to fulfil in the country town as the source of financial wisdom and the ability to make a decision about loans and financial arrangements.

Mr Goodfellow—That is a very accurate summary in that, yes, it has been a substitution; it is a local person who knows the local environment and who has usually had long links with the agricultural side of the business. The expertise that Elders Rural Bank has enabled facilities to be granted to the agricultural sector that maybe the major banks do not necessarily provide. Elders Rural Bank lends against crop liens, future crops, stock mortgages and so on, which is an area that maybe the major banks have moved away from. In my personal experience, it appears that the major banks are a little more focused on secured landed securities, whereas our bank is focused very much on what the farmer really does, and that is associated with crops, herds and production. It is probably more of an unsecured type focus than the others have. By all means, the district finance managers are very much a substitute for the bank manager of old and now they have not only the financial expertise but also a very intimate knowledge of farming, production, cash flows and real issues that face farmers, especially in times of drought, such as now.

CHAIRMAN—What level of authority do they have in terms of, say, approving a loan? Is it referred to a more senior person for final approval? How many levels are there in the chain of communication before the answer comes back?

Mr Goodfellow—The answer to that reflects probably the amount of liability the client has to the bank and the request for current lending. Each of the levels has a credit authority discretion, or a level to which it can make decisions. Yes, applications are elevated to the next level within the state and within the head office structure, depending on the liability. To maintain compliance there are applications that would be quite clearly referred to the credit committee of the bank before decisions are made. The district finance managers have joint authority on the ground, that is at their own level, and authority rests at state and head office levels.

Mr GRIFFIN—Mr Goodfellow, you said that you have had 32 years experience in the banking industry, the last 10 being in this regional and rural agribusiness area. Who with?

Mr Goodfellow—ANZ Bank. Previously, I was the regional manager for ANZ for South Australia, the Northern Territory and Western Australia.

Mr GRIFFIN—I am working on the premise that, therefore, your experience working with one of the big four fits in with some of your earlier comments. In your opening statement, you mentioned that Elders Bank has approximately 31,000 account holders and that that has increased by approximately 61 per cent over the last 12 months.

Mr Goodfellow—Yes.

Mr GRIFFIN—Other than your previous general comments, were there particular reasons that have led to that sort of burst? Have they come from particular banks? Is it across the big four, or has there been a particular area from which they have come?

Mr Goodfellow—The answer probably rests in different states, different locations. Certainly, the growth of Elders Rural Bank has come about because of the links with Elders and with Bendigo Bank. We find that the Bendigo Bank community network is referring business back into Elders Rural, enabling the account holders to expand. Yes, the business is coming from a cross-section, but I cannot necessarily name any one major or any one area; it varies according to state, geographical areas, what is happening in those areas relative to the drought at the moment, the level of understanding and the level of activity they undertake in servicing those areas. Our growth is coming from all sectors, and it is very pleasing to note that there is considerable support for deposit gathering coming from the metropolitan areas. People living in the major centres who have either had or have links with the agricultural sector are supporting Elders Rural Bank. We find that Elders' clients are happy to place their money there because the parent companies are receiving benefits, as is Bendigo Bank with any referrals it makes through its network. It is a cross-section. It is very pleasing to say that Elders Rural Bank is being supported by all sectors of both the regional and remote parts of Australia as well as the CBD relative to deposit gathering.

Mr GRIFFIN—Are you saying that it is across all states as well?

Mr Goodfellow—Relative to size, yes, it is. South Australia is a major contributor to our activities, but the success of the bank is coming from all states and from all areas of those states.

Mr GRIFFIN—Are you projecting growth to continue at that sort of level?

Mr Goodfellow—I do not think that the board is projecting growth at that level relative to account numbers. However, certainly, it has to control and organise growth over the next couple of years to maintain a self-funding bank and to maintain the safety that is required—reporting to APRA each month and so on. It very much has a growth focus control to meet regulatory requirements in reporting. There will be some very pleasing results coming from Elders Rural Bank over the next three to five years.

Mr GRIFFIN—On the question of face-to-face provision of service and the kitchen table example you used, my recollection of the National Australia Bank discussions, if not before this committee then elsewhere, is that it talked about the fact that that is the way it is focusing its service delivery when it has withdrawn services. You seem to be suggesting that that is not close enough, or it is not quite working the way it was intending, or it is too early to say.

Mr Goodfellow—I am not familiar with its approach. Certainly, from Elders Rural Bank's perspective, the clients want to have access to an appropriate level of expertise at a time that suits them and at a convenient location; for us, that is normally on farm. With the withdrawal of branches from certain geographical areas, if you wish to maintain a relationship and a service with your clients, you will have mobile facilities provided to the farm. Certainly, that is the way that Elders Rural Bank is proving to be successful, and it is the way it will maintain that success.

Mr GRIFFIN—In your submission, there is also mention of points of presence. I want it clear in my head how you define a point of presence versus a branch in terms of staffing, service delivery and available services.

Mr Goodfellow—There are various definitions of points of presence. If one refers to any of the ABA's submissions, some extensive surveying has been done on points of presence. From the Elders Rural Bank perspective and information that I have shared with you today, it is very much a situation where it is either a branch of Elders Rural Bank which is out of any of the Elders Ltd locations, Bendigo Bank offices and any of the franchises. So it may not necessarily fit the definition that the ABA is using for points of presence. However, in our case, it is representation in a location where we can deliver those services.

Mr GRIFFIN—Taking that up, if I am a customer and I walk into an Elders office, what banking facilities are available for me at that location?

Mr Goodfellow—Locations do vary in size. Generally speaking, you would be able to get advice, expertise, and be able to facilitate the transaction or services relative to the accounts that you would hold with Elders Rural Banks.

Mr GRIFFIN—That would be deposits and withdrawals et cetera?

Mr Goodfellow—Yes, organised through either electronic facilities or through Bendigo Bank-type locations. Generally, we are able to deliver the requirements of our customers.

Mr GRIFFIN—Regarding your points of presence network, is there a future plan for expansion?

Mr Goodfellow—We certainly have a commitment to growth and a commitment to local branches, but really that is dependent upon making sure that we have a commercial focus as well and, where there is a demand and the bank can get appropriate returns, we would be interested in reviewing our representation. It is an ongoing element to look at any opportunity to expand the business, increase and improve the services to the clients that we need to look after.

Mr GRIFFIN—You don't have a strategic plan for moving into areas that you do not cover at the moment? For example, if you are looking at moving into an area of replacement of face-to-face servicing that other banks have withdrawn from, do you have any criteria for that? How do you define demand in that situation?

Mr Goodfellow—At this point in time, the bank and its board continually review its representation. It does have an approach where, if there is a need and an opportunity, we will take advantage of it. Bendigo Bank are continually expanding and they certainly have a strategy. I am not in a position to comment in detail on that but the Bendigo Bank expansion has certainly been reported as being very favourable. That gives us an opportunity to leverage off their activities. Our board is very keen to deliver against the expansion program and continually reviews its representation and future opportunities more so than anything. There is a strong focus on that.

Senator WONG—I am not sure if telecommunications infrastructure has been raised with you. Presumably you deliver services online or via the Internet.

Mr Goodfellow—Yes.

Senator WONG—Given that your client base is essentially rural and regional, from your perspective are there issues associated with the reliability of the network, access to the network, which impinge upon that aspect of your business, from the customers' end obviously?

Mr Goodfellow—It is an area that we do need to continually focus on and improve. The delivery of information via the electronic lines is critical to us. We constantly review any business resumption programs in the event that telecommunication links are lost. In recent times we have reviewed the linkages between our branch network, the head office and Bendigo, where the IT system rests, to re-route and take advantage of improved technology from the suppliers.

Senator WONG—What about the customer end? Do your customers find that they have sufficient access at a reasonable price to online banking? Is that an issue in certain regions?

Mr Goodfellow—I would say that in some locations it is quite acceptable but there are areas across Australia where improvements would be welcome. It is more a matter of access and that does vary by location around Australia.

Senator WONG—Are you able to give us some examples of that?

Mr Goodfellow—Line speed would be another issue. It is driven by the sheer geographical locations. If you look at Western Australia, in the south west, that is not necessarily an issue, but if you look into the far-reaching areas of the Northern Territory and Western Australia, reception availability does vary considerably. It is an area we all need to continue to focus on to maintain improved services and meet the demands of our customers.

Senator WONG—What about South Australia?

Mr Goodfellow—In South Australia there are certainly pockets and areas where the telecommunications could be improved. You do not necessarily need to venture very far to find that there are areas where you cannot get reception. The mobile phone will perhaps indicate that: it might cover the majority of the population in Australia but it does not cover the majority of areas. As you travel this week to places like Jamestown and the mid-north, you will find there are various levels of reception in close proximity. That may be an indicator for you personally.

Senator WONG—Sure. You service the mid-north; it is a fairly strong agricultural district.

Mr Goodfellow—Yes.

Senator WONG—What is the Internet access like for those customers? They are reasonably well populated areas.

Mr Goodfellow—Yes, they are. As with most areas in South Australia, many of the towns are more like hamlets with small populations. There are limitations, even between locations like Clare and Burra, or as you travel closer to Jamestown. It may be that within small geographical areas you will get various levels of reception. I do think you would need to have experts advise

you specifically on that. It certainly has an impact on our customers and they expect us to be able to deliver regular online facilities. They are looking for enhancements and sometimes the supply lines limit what we can do.

Senator WONG—Is that something that you experience often—that you are able to deliver more services than the infrastructure is capable of delivering?

Mr Goodfellow—Generally, yes, but depending on location.

Senator WONG—Is that both access and line speed?

Mr Goodfellow—Correct.

CHAIRMAN—Following on from Senator Wong's question on Internet banking, Mr Goodfellow, to what extent are you actively encouraging customers to take up the option of Internet banking? I know that the traditional banks send out brochures and letters saying, 'Use our Internet banking services.' Most customers are apathetic and they put the brochures aside and think, 'One of these days I might get around to it.' The banks do not seem to go beyond that by actively promoting it and going to the customer and saying, 'Look, come into the branch, sit down, and we'll show you exactly how you do it, how you work it.'

Mr Goodfellow—If I understand your question correctly, I will try and answer it in two ways. Firstly, from my experience with the major banks, they often have a particular program to market and encourage Internet usage and sign-up. Elders Rural Bank certainly encourages the use but normally in consultation and often by requests from its clients, not so much as a drive towards moving people onto electronic banking. In line with Senator Wong's previous question, it does depend on the level of service that we can give through Internet banking. We are constantly reviewing and enhancing the Internet banking sites to meet the demands of our customers and surveying them to see what they want.

With regard to education and training, Elders Rural Bank is an active participant in field days. Last week the CEO was represented in Victoria and at that location there were promotions—not only live, but mock Internet banking facilities—to coach, train and encourage people to use it. We do have training and educational facilities in place that our people in the field can show and encourage people to use, rather than just drive them towards it use and leave them to their own resources. The take up of Internet banking is quite high and there are constant requests for us to improve what we are presenting. That is limited by what we can do from the technology side.

Senator WONG—The take up presumably is reasonably high because of the nature of the business you are running. If people want to have access to the sorts of services and products that you offer, it is easier if they are in a regional location—as most of them are—for them to utilise the online services. Is that not right?

Mr Goodfellow—Yes. It is a product and a delivery system of banking services which is aligned to location; alternative avenues. It enables the farmer or his or her family to do their banking 24 hours a day, seven days a week. It suits their lifestyle and needs, without having to commute to a centre which may be some kilometres away. Certainly one fits the other, yes.

Senator WONG—In your example of the farmer and family, what do they do to access your services if they do not have Internet access, or it is extremely slow, or the expense is significant because their provider charges a lot to dial in? What do they have to go back to?

Mr Goodfellow—We also provide, in addition to Internet banking and representation, a call centre which is run out of South Australia, where individuals service and satisfy the request of the client. The farming community of Australia is very resilient and flexible and they are accustomed to having to deal with situations that are not always the ideal model. Yes, there are times when maybe they cannot get access to their services through the electronic medium and, yes, they do revert back to telephone calls and the system of mail and transferring funds. It does not appear to be a major disadvantage and they seem to cope.

CHAIRMAN—KPMG have done a research report, ‘Small business banking in Australia’, which found that over recent times the agribusiness sector in Australia has emerged as one of ‘strong importance to the Australian economy’. According to the report, it has seen some significant developments in the provision of banking and associated services. Mr Burke from the NFF expressed the view that there has been a great improvement in the quality and quantity of agriculture specific products:

More people have been employed. There are now agribusiness centres, and all that sort of stuff. My impression is that there’s some good work being done out there for farmers specifically.

In your view, how do those statements jell with the general perception among rural people that banks have neglected them?

Mr Goodfellow—I would like to believe that the comment there—that there have been some innovations and creative opportunities delivered—would include Elders Rural Bank. We have endeavoured to bridge the gap from decisions made by others in our industry. The take up and the success of Elders Rural Bank in the short time it has had a banking authority is a clear demonstration of its acceptance. People are getting the services that they are looking for and are satisfied with the manner in which we are delivering them.

CHAIRMAN—What is your perception of the tendency for farmers to use regional centres for their banking services, rather than local towns, and the consequent effect of that on other businesses and services in the local town? When they move away from the local town to do their banking, the evidence that has been put to us is that they then tend to move their other commercial activities away from the local town—shopping et cetera. That escalates the decline of the smaller towns.

Mr Goodfellow—Whilst I have not been privy to the exact comments in other submissions and I have only been able to generalise from my own personal point of view, it would certainly be that as there is a decline in services and various infrastructure in towns, all deliverers of services tend to have a look at their commercial viability—remaining in a town or moving elsewhere. As services are in decline in the smaller areas, the larger regional centres become the area where people do their business and, as various government and non-government bodies move out of smaller towns to the regional areas, it is only perhaps natural that people will be driven towards using those services and the supply and demand factor comes into play. You certainly would have evidence from submissions that declining services of all industries in

locations has meant that the regional centres are growing and the smaller towns are getting smaller.

CHAIRMAN—With the traditional banks' tendency to close branches and move the on-the-ground manager out of an area, does that mitigate against the potential for investment in that area—the absence of a person with local knowledge to make investment assessments—in terms of general investment? Also one of the issues that has been raised with us is the relatively limited access to venture capital in rural areas and the impact of compulsory superannuation in, effectively, taking money out of the rural areas, because the money goes into the major super funds that are metropolitan based. They tend to invest in metropolitan areas or offshore rather than back into those rural areas from where some of the money has come.

Mr Goodfellow—All those points would be valid in any particular argument and particular focus. With the removal of a branch of a bank and the branch manager, the previous supplier of that service has to replace it with mobile teams or expertise, and that level of expertise drives what future business you will gain and generate in a specific location. In the other major banks' presentations, they may well have focused on what their replacement strategies are to overcome the issues that you have raised, and each one of them would have some credibility and argument.

I am sure that, in the absence of expertise available face to face at a location which is convenient to the client, there are opportunities lost. It means that rural communities have to look elsewhere for those particular services, and that might mean a central or CBD location if it is not available in a regional centre. There are also factors in that the client has to be supportive of those people and businesses who are represented in their local areas. If they choose to move their business to CBDs or regional type centres when there are choices for people in our industry, the level of support does drive the services that are remaining. When those services are withdrawn, for all sorts of valid reasons, it means that clients would be dealing in the CBD and major centres and, yes, those issues of capital, access to expertise and investment certainly then become centralised in the capital cities and lost from what was once a regional facility.

CHAIRMAN—What is your view on the potential for shared physical facilities as a means of retaining a branch presence? This has been raised as a possibility with us. It is probably fair to say, on the evidence we have taken so far, that one or two of the banks have indicated some sympathy for that possibility. Others have expressed concern or a negative view about it, on the basis that they fear the poaching of customers by the other bank and not quite being able to work out how they would share the staff and so on. I raise that as an issue quite apart from what appears to be an issue raised with us by ABA's legal advice that there are currently ACCC impediments. Assuming those impediments could be removed by legislation, what do you see as the feasibility of shared facilities?

Mr Goodfellow—I understand that the ABA and the wider industry have been trying to work towards identifying solutions to that particular issue, and some of the issues that are raised are certainly ACCC focused. How do you provide similar services and maintain competitive spirit? Therein lies the real challenge. I understand that some of the banks have ventured into trying to find shared infrastructure solutions, but it would be a particular challenge to overcome the situation of being able to deliver competitive doctrines.

A lot of work is to be done by the ABA and other industry participants to overcome any concerns there may be about shared infrastructure. From an Elders Rural Bank perspective, with the joint venture of a bank and a rural services provider, there has been an example of shared infrastructure in a different manner. Whilst it is shared shareholder facilities, it is not necessarily a competitor doctrine that needs to be delivered. I am sure that alternative third-party suppliers would appear very much to be delivering the solutions to that particular industry and no doubt the other presenters at this joint inquiry will deliver options and solutions to that very issue.

CHAIRMAN—Does your current customer base extend beyond the farming and agribusiness community into small business people in rural areas—the local pharmacist or baker or whatever—or is very much focused on farmers?

Mr Goodfellow—I will endeavour to answer that question in this way—in that our base is very much agriculturally focused—the product range is aligned to the needs and demands of those particular producers. Whilst we no doubt have a large number of small business entities that are linked to rural entities and operate in rural centres, and we have facilities and product available to them, our particular bias is towards the producer and the agriculturalist. They are not excluded from any of the products and neither is anyone that may be located outside the rural sector. If our product suits, we are only too pleased to deliver a service.

CHAIRMAN—We had evidence in Melbourne from Professor Harper of the Melbourne Business School, who outlined to us his view that the whole nature of banking was changing as a result of technology and globalisation. Whereas over history the role of the bank was to provide the capital required to stand in the market between the mismatch of lenders and borrowers—in that most lenders wanted to lend for a short period of time and borrowers wanted to borrow for a longer period of time.

To deliver that service, they needed a network of branches and so on. He said that now, with the changing nature of finance—particularly on the international scene—and the greater speed of information being able to be transmitted, banking was more a role of dealing in securities, in a sense, rather than having to match borrowers and lenders. They could match the borrowers and lenders much more easily by dealing in securities, so the market was playing a much more significant role. That, in turn, did not require this network of branch structures and could rely more on the electronic means of delivering services. What is your view of that analysis?

Mr Goodfellow—Certainly his expertise and knowledge would far exceed mine, but I believe that the delivery of services is changing in the world and every day appears to be different in whatever industry you work. The linkages to economies outside of Australia give opportunities for funding to be gathered, and the pace of the world is certainly causing considerable change. I tend to agree with the summary that you have given me, but I am sure within that you would need to look specifically at individual cases to get a clear direction for the committee.

CHAIRMAN—What is your experience with regional transaction centres, in terms of their establishment, their efficacy in providing services and so on?

Mr Goodfellow—Referring back to my introduction, I mentioned that I had 32 years of experience in the banking industry. That was with one of the major banks—ANZ—and, within that particular role, which was regional manager for South Australia, Northern Territory and

Western Australia, there were various times and opportunities where I was personally involved in the establishment of rural transaction centres.

I understand that the members of this committee may well be travelling throughout the mid-north this week and, if there is an opportunity, I would certainly encourage you to visit Port Broughton. Port Broughton is a model of one of the very early established rural transaction centres and, with the enthusiasm and commitment of councillors and council centres up there, it is an excellent model for you to have a look at.

I have always had the personal belief that one of the better options for delivering financial services in small towns was the shire or local council. The rural transaction centre concept—with a lot of negotiation and discussion amongst local government associations and members and, more recently, at a higher level of government—has provided opportunities and cash flow for rural transaction centres to prosper. Port Broughton would be an excellent one for you to view and make comparisons of to see what it does as far as returning services—not only banking, but also government and medical access facilities; for example Medicare and the like—through a rural transaction centre.

CHAIRMAN—Firstly, are there any impediments that this committee should be aware of—and that we could make recommendations about—that should be removed in terms of the establishment of RTCs and getting them established on a more widespread basis and, secondly, are there inadequacies in the RTCs and their operation that make them not quite up to scratch in terms of delivering the level of service that people might require?

Mr Goodfellow—I would prefer to leave that particular question to those who are currently involved in delivering those particular centres and building them. Whilst I have a knowledge of what has happened in the past, I would prefer to leave that question to those that are better placed to give you an accurate and informative answer.

CHAIRMAN—Thank you very much, Mr Goodfellow, for your submission, for appearing before the committee and for the very extensive way in which you have responded to our questions. It has been very informative and I am sure will be of great use when we come to finalise our report and recommendations.

Mr Goodfellow—As I said earlier, it was a pleasure for me to be able to represent Elders Rural Bank today. Thank you for having us.

[11.13 a.m.]

WHITE, Mr Timothy George, Retail Policy and Remote Access, CPS Credit Union (South Australia) Ltd

CHAIRMAN—The committee prefers that all evidence be given in public, as this is a public hearing, but if at any stage of your evidence you wish to give part of it in private, then you can request that of the committee and we will consider a request to move into camera. We have before us your written submission which we have numbered 59. Are there any alterations or additions you want to make to the written submission at this stage?

Mr White—No.

CHAIRMAN—I invite you to make an opening statement at the conclusion of which we will proceed to questions.

Mr White—Thank you. Members of the committee, thank you for taking the time to read our submission and for the opportunity to appear before you today. I would like to use the examples of our experience to further explain the thrust of our submission. We have recently assisted the community of Quorn, a regional town in the north of South Australia. Quorn is a typical example of a town which was once a flourishing community, with the majority of community services. These have gradually been withdrawn and residents need to go to Port Augusta for services. This adds to the demise of the town, as people need to make a decision to either move to Port Augusta, or remain in a town with limited services and a declining population. Pragmatic economics, or let the heart rule and accept a lower standard of living? That is the question.

For the young it is easier, but for the elderly it is difficult. This is something we have first-hand knowledge of because our organisation visited each house and business in Quorn and felt the sadness of people making those decisions and the feeling of isolation. Many live in the nursing home and rely on people to assist with banking services, which is a risk particularly with family or friends moving on. The community needs appropriate advice, transaction services and the ability to pay accounts.

It is sometimes difficult for the elderly to remember PIN numbers necessary to transact with Australia Post or electronically. It is also difficult to get to Port Augusta with no transport. For business operators there are security issues, lost time in getting to the regional hub to bank and get change and the value of their business is being eroded as the town contracts. At CPS there is no business case for continuing the service, which is currently operated from the newsagent's premises. We do it as a community service but we do not have the financial capability to do much more as we need to satisfy regulators who treat us as a bank which must meet certain performance criteria.

The cost to set up services is prohibitive, including cash delivery, IT connection and security. We have staff who are willing to be flexible and who understand the community but ultimately we understand why banks leave towns: it is not possible to justify staying from a profit perspective. We are suggesting that the various tiers of government need to work together with private enterprise to develop a solution. People do not need a full service every day of the week.

For example, banking could be available on a restricted hours basis, or all day Monday, Thursday or Friday.

Local government may provide the premises at their offices, with the security; state and Commonwealth governments may subsidise cash delivery and IT capabilities. Financial institutions need to accept a lower rate of return and staff agree to flexible working conditions. Once facilities are established they can be used for other services, such as communication, education, medical advice et cetera. The location can have multiple uses, such as Medicare, employment agencies and tourism. Staff may need multiskilling and enterprises need to be willing to share costs. We need people to be innovative and imaginative, but not selfish.

This happened when we opened a facility in Gawler some years ago, where we located our services within a chemist shop. The chemist shop staff provided a transaction service for our members and a host of customers with other institutions. We have staff to handle specific inquiries and a senior person offering a mobile service. This is very popular within the community.

Whilst we do not have direct experience on the following issue, we would like to make a comment on another benefit of increased broadband bandwidth investment in rural areas to assist in enabling telecommuting jobs for residents of those communities. These jobs would retain people within the communities without them having to go to the city. Naturally this could also have the effect of reducing unemployment.

In summary: some of the efficiency and productivity gains made need to be put back into the community; rural communities have suffered and we believe are deserving of support. The three tiers of government have a role to play in bringing services back to these communities. Whilst there is a yearning for the past it is more appropriate to provide a banking service in an innovative way that may vary from location to location.

The Commonwealth government needs to deliver capabilities to regional areas so that technology can improve banking services but also could provide education and medical advice. Financial institutions have a role to play by accepting lower profit margins. Credit unions have traditionally been prepared to do this. Regulators and supervisory organisations also need to recognise social obligations when determining acceptable financial outcomes.

If governments and the private sector work together they can ensure every community has adequate services. A template needs to be agreed upon and because there will be limited competition, pricing and service levels should form part of the agreement. Employees need to be multiskilled and well trained to cater for the service and advice community's needs. Locations will provide a multitude of purposes but will be models for the future. Multi-use locations could be enabled as telecommuting offices, reducing the effects of non-social contact that sometimes telecommuting creates. Thank you.

CHAIRMAN—Thank you, Mr White. We had some evidence earlier in relation to credit unions in that the capital adequacy and general prudential requirements for a financial service provider, in particular an approved deposit taking institution, are excessively onerous in relation to the establishment of new local banking facilities, particularly through credit unions. I am wondering whether that is your experience and, if so, what can be done to ease that impediment without reducing proper levels of consumer protection.

Mr White—Certainly the regulators have been more onerous in respect of the capital requirement particularly. Because of the restriction on credit unions, the only ability for us to in fact increase the capital is through profit. We are not in the position currently to raise funds to add to that capital. That is partly why I made the point that it is important there is some trade-off between allowing us to provide some facilities in those areas and the fact that it may well be that we cannot add to our profit and therefore to our reserves and therefore increase capital through the arrangement.

In relation to the risk, which is obviously the primary concern ensuring the viability of the various enterprises, this is where the corporation comes in. We see some of the infrastructure being provided by the financial institutions, but supported by the community as well. In fact, it is not all, in our case, for CPS to then be funding the infrastructure; it is a cooperative approach from the community, so some of the costs are being borne by that community.

CHAIRMAN—In terms of a model do you see the rural transaction centres or the Bendigo Bank community bank model as appropriate for what you are suggesting? Or do you have a third way?

Mr White—Each of those two conforms. The point I make is that sometimes the traditional form of transaction needs to be treated as a traditional form—as the old way—as opposed to looking forward and potentially the new way. The Bendigo Bank has a lot of merit for the larger regional centres or communities. The smaller rural ones are where we need to perhaps have more innovative models. In my submission I talked about the use of technology providing some ability to get screens with video and also are able to transact with a touch screen capacity, with the ability to dispense cash as well.

CHAIRMAN—All right.

Mr White—There is that third one. Again, it comes back to location. It depends on the size of the town and the volume of services that potentially could be put through those centres.

CHAIRMAN—You referred to potential telecommuting. As I heard what you said, you were really suggesting it as a means of technology not simply providing banking services but providing a whole range of jobs people could do through telecommuting, without having to be present in a particular location.

Mr White—Yes.

CHAIRMAN—In fact, they could retain their rural residency but be doing a job that is happening somewhere else.

Mr White—Correct. That is really part of the whole premise of the submission in that it becomes self-fulfilling with the removal to the regional centres. In fact, the communities do need to be able to retain size to help support the facilities the community wants, but also provides for the cash back into the towns and, again, for the businesses as well. There are more and more jobs being created that provide this capacity but, again, there is a limitation on technology to provide that in a complete sense, particularly from a rural area. It just provides that opportunity to provide those jobs and retain people.

CHAIRMAN—When you say there is a limitation on technology, do you mean that the technology still has not been refined sufficiently, or the infrastructure has not been installed to allow it to occur?

Mr White—A bit of both, from our experience; both the line speed and the infrastructure from that side of things but also from some of the technology and the cost of technology. Certainly from CPS's point of view we do not have that sort of capability to put in with that technology. We have some through our branches—like touch screen technology in each of our personal financial centres—but we certainly have limited resources to be able to run it out to a much wider sphere and build the software technology to be able to drive it.

CHAIRMAN—There you are referring to your provision of banking services.

Mr White—Sure.

CHAIRMAN—But what people could be retained in rural areas doing what sorts of jobs related to another location through the telecommuting facility?

Mr White—The aspect of a call centre: being able to operate as part of the call centre network could be very easily catered there. In a central lending team environment they could also be part of that with online consulting, which we currently have and they could also operate in that way. General data input could also be provided. They are four examples of jobs that could well be done in a telecommuting way.

CHAIRMAN—Do you think people would be keen to do that, to stay in their local areas and have those jobs?

Mr White—The way I see it is that it is trying to find the balance of these particular jobs and which groups of the community would probably be attracted to those particular positions. It is trying to find a balance where there is support or additional income being provided for those who may be on the land and on farms et cetera, who are having difficulty. This allows a prop-up of income and to stay within the community without having to sell and move out to a regional centre where, a lot of times, there is difficulty in finding work.

CHAIRMAN—I note in your submission you say, 'To date financial institutions have existed by having the borrower fund a disproportionate level of income relative to other services.' You are talking about loans cross-subsidising transaction services and so on.

Mr White—Yes.

CHAIRMAN—You are saying that is now occurring less; competition has caused the removal of cross-subsidisation. Are you inferring that is a good thing or a bad thing? One of the complaints about banks now is the range and extent of fees that are being charged. As you point out, that really is a consequence of the fact that those fees were there before but they were hidden.

Mr White—That is right.

CHAIRMAN—They were incorporated into the interest rate and now the interest rate margin is lower but people are having to pay fees for transactions and so on, so you are removing this cross-subsidisation. What is your view on that and how it impacts on rural people?

Mr White—I was trying to demonstrate that—again, as you quite rightly point out—they were hidden, and I was trying to identify that, whilst the fees have built up a huge following, the reality is that, to be able to provide the services in rural areas, there will be a cost. Essentially, that is what I was trying to imply within the report—that, going forward, these services cannot be provided at absolutely no cost. There is a cost and, yes, some subsidies are needed. The way we see it, the subsidies really revolve around the issue of infrastructure more than the cost of the transaction itself, because the transaction cost, if the infrastructure is provided, should be no different in either the city or the rural area.

CHAIRMAN—I note that you refer to the use of mobile consultants and also the use of government offices, councils, post offices and other commercial facilities as venues for banking services. You see that sort of shared facility, between a bank and some other service provider—to which Mr Goodfellow has also referred, particularly limited to the Elders network—as a competent way of re-establishing some of the lost services.

Mr White—Yes, it is. In our experience, many of the smaller towns have those buildings vacant anyway and, again in our experience, we have had no problems with, for example, the chemist's shop, the newsagent or some of the other varieties of shop and businesses that we have operated within, and that includes cooperating with the credit unions in terms of offering the transaction services. So there is no limitation just to CPS.

CHAIRMAN—Have you had the chance to examine the revised PS146 statement from ASIC in relation to the standard of competency and training required for counter staff conducting transactions?

Mr White—Yes.

CHAIRMAN—Does that sufficiently ameliorate the problem that this committee has dealt with on previous occasions?

Mr White—There is no question that the sorts of services provided beyond pure cash—straight over-the-counter type services—need to be provided differently, and that is where the mobile consultant comes in. The simple transaction itself, which is obtaining cash or making a deposit, we say can be done in an electronic form, because it is just one way. In relation to the provision of other services and the use of mobile consultants, it is very difficult to provide a multitude of loan products from one source. One mobile consultant, in a non-broking way, cannot provide those other services. However, each of those institutions can still provide those mobile services, if that is what the community wants. In a lot of instances, there is not a business case for five banks to be represented by mobile consultants in a particular area. In many cases, a single provider can adequately cover those facilities. As I outline in my submission, the larger scale loans can be financed and funded through a secondary arrangement, using consultants from another institution—again, because of our restriction and limitation on providing very large loans.

CHAIRMAN—Apart from your suggested solution of telecommuting, how have you found the current state of infrastructure and technology in terms of your organisation being able to deliver online banking, telephone banking, Internet banking and so on to your customers in terms of line speeds, occasional drop-outs and so on?

Mr White—Our primary rural location is Port Augusta and through the West Coast area. We have not noticed a significant issue in terms of delivering those services. We have a very high take-up: almost 20 per cent of our total membership base use Internet home banking.

CHAIRMAN—In Melbourne, we heard evidence from an academic who had done some research on banking services in four rural towns in Victoria. He found that the average was 14 per cent using the Internet.

Senator WONG—Does the 20 per cent include your metropolitan customers?

Mr White—Yes, it does. That is the key point. There is a difference between regional, rural and small town. There are a couple of different types of area, and each has different forms of infrastructure that are being delivered to those areas, which creates some of the limitations. Apart from the take-up of individuals in mind-set, we have to recognise that not everyone will take up the Internet home banking facility.

CHAIRMAN—You also say that, according to your research, the level of service currently available to rural and regional residents is found wanting in other than principal towns. Can you enlarge on that? Given that in a number of towns physical branches have been removed, are you saying that what has been put in place thus far to replace those physical branches in terms of the online services, mobile advisers or whatever, is not meeting the need, or is it simply that the expectations that people had of their previous traditional banking is no longer there and, therefore, they are upset?

Mr White—In some senses, it is an amalgam of those. There is a high degree of education needed for many rural people to understand that the old way of banking cannot always be provided. The use of mobile consultants has filled some of that void, because it provides the face-to-face component. This is why we have included the ability for technology to provide greater video capabilities, so that people, in referencing their institutional, medical or educational services, can see somebody on a screen. Effectively, it turns technology from pure technology into almost a face-to-face way of doing business. That is one of the shifts, and that is part of the educational process that is needed. In some senses, you need to have representation to take people through that process, and you need to have people on the ground in the area to do that. It is moving from the old to the new, plus accepting that new technology to deliver services.

CHAIRMAN—There are transition problems that need to be solved.

Mr White—Yes.

Senator WONG—I may not have understood your answer, Mr White, so perhaps I can clarify it. First, in your submission you appear to be suggesting a number of options about how we encourage these services to be provided in rural and regional areas with the use of government offices or small business and so on. Did I understand you to say that that is either in

addition to the government continuing to press for or encourage rural transaction centres, or as a replacement policy for those sorts of centres, or do you not have a view on that?

Mr White—It is a combination. The critical issue is that some of the towns may not support having a rural transaction centre of that size; therefore, each location needs to be looked at individually and, therefore, we have a model that provides for all locations.

Senator WONG—I also was not clear about your submission about some APRA requirements. You made the comment that credit unions are treated like banks by regulators et cetera. The tenor of your written submission seems to be that this is a disincentive, or an impediment, to starting up in some of these areas. I presume that you are not suggesting that this committee should be looking at ameliorating those sorts of prudential requirements, or am I wrong?

Mr White—We are suggesting that the regulators are mindful that if we undertake to provide services in a number of areas, that will have an impact on profitability and, therefore, will have an impact on our ability to meet their current requirements. There is a lot of debate in terms of what is adequate. Whilst there is a minimum, APRA is asking for two per cent or three per cent higher than the minimum in terms of what it expects. In many cases, we are able to demonstrate that we feel that we have sufficient capital to meet the risk. However, if we are expected to go to this upper limit, which is well above the minimum, that has a direct impact for us on our ability to provide a number of these rural areas with facilities because, effectively, they will not generate profit.

Senator WONG—I understand that. What does APRA say to that? I assume you have raised this with them.

Mr White—Not absolutely directly, no.

CHAIRMAN—On behalf of the committee, thank you very much for appearing before us and for your answers to our questions.

[11.40 a.m.]

McCLOSKEY, Mr Michael, Corporate Secretary, Australia Post

STEPHENS, Mr Terry, Group Manager, Financial Services, Australia Post

CHAIRMAN—Welcome. The committee has before it your written submission, which we have numbered 106. Are there any alterations or additions you want to make to the written submission at this stage?

Mr McCloskey—No changes.

CHAIRMAN—The committee prefers that all evidence be given in public, but if at any stage of your evidence or answers to questions you would prefer to provide evidence in private you may request that of the committee and we will consider a request to move into camera. I invite you to make an opening statement, at the conclusion of which we will proceed to questions.

Mr McCloskey—Thank you for the opportunity given to Australia Post to appear this morning. Australia Post has had a long and proud tradition of involvement with the banking sector in Australia, offering personal banking services on behalf of the Commonwealth Bank for close to 90 years. Up until 1995, service was provided on a manual passbook basis only and exclusively for the Commonwealth Bank. However, with the introduction of electronic point of sale or EPOS technology into the corporation's retail network, Post was able in July 1995 to launch a new nondiscriminatory online banking service, giroPost.

Basically giroPost offers financial institutions the opportunity to provide their customers with access to card based PIN-authorised basic banking services in every online Australia Post outlet in the country. The giroPost network was established as a national neutral delivery channel, with no single partner financial institution being offered prominence over another. The giroPost platform is a generic system which provides each participating financial institution with a uniform system that delivers identical banking transactions right across Post's online network.

From relatively modest beginnings, with just two financial institutions participating at the time of its launch, giroPost now provides services for the customers of 10 banks, one building society, one mortgage originator and 60 credit unions—some 72 financial institutions in all. Annual giroPost transactions have grown from 17.5 million in 1995-96 to some 33.7 million in 2001-02. In the same period, the number of online retail outlets in the Australia Post network has also grown from around 2,400 in 1995 to 2,972 currently. Of these, over 40 per cent are located in rural and regional areas.

For our part, Australia Post is committed to the continued expansion of its online network by connecting individual manual outlets to the service as they reach commercially sustainable transaction levels. The current threshold is 12,000 transactions of a financial nature annually, and this takes into account both current and anticipated volumes. Connecting outlets with transaction levels below this figure is not commercially viable.

The bulk of growth in the number of online outlets in the network over the past 18 months or so has been facilitated by funding under the government's rural transaction centre program. Under phase 1 of a special RTC program initiative, licensed post office operators with more than 5,000 financial transactions annually in eligible towns where there is no other financial institution presence have been able to apply for funding to be connected to Post's online EPOS network. Some 104 additional rural outlets have been brought online as a result. Phase 2 of the RTC program, which is currently under way, is focusing on outlets with more than 5,000 financial transactions annually in eligible towns where there is an existing financial institution presence. A further 60 or so outlets have been invited by the RTC program to apply for EPOS funding under this phase.

One particular area where the giroPost service has been expanding over the past couple of years has been the provision of business banking services. GiroPost was originally designed for personal banking only. However, in April 2000, responding to the recommendations of the Hawker committee inquiry, Australia Post embarked on a pilot with the Commonwealth Bank of a service designed to allow small businesses in rural areas to conduct deposits, withdrawals and account balances at selected Post outlets.

Following the success of the pilot, the service was subsequently rolled out more widely and extended to a number of other banks also. Currently, access to business banking is available at 512 outlets nationally, some two-thirds of which are in rural areas. In the course of the current year, Post is planning to offer the business banking service to the remaining giroPost financial institutions throughout our rural and remote online network.

Australia Post is extremely proud of what it has been able to achieve in a commercially sustainable way with its giroPost service, in particular the increased reach provided to a significant number of financial institutions and the associated and quite dramatic increase in access and choice available to banking customers in rural Australia. Thank you again for the opportunity to appear before the committee this morning. We will be happy to answer any questions the committee might have.

CHAIRMAN—How exactly does giroPost work? Although it is by card and by PIN, is it an over-the-counter transaction or do clients using it go direct to an ATM type machine?

Mr McCloskey—It is a PIN based over-the-counter transaction done in a licensed post office.

CHAIRMAN—The week before last in Melbourne, one of the issues raised with us by the Postal Agents Association was their wish to make available automatic teller machines as part of the giroPost facility, and they said that Australia Post would not agree to this. Can you tell me why?

Mr McCloskey—Under the terms of the licensee agreement, licensees are not allowed to undertake any business which may be in direct competition with services which Australia Post already provides. Listed among those exclusions would be both electronic and manual banking services.

Mr Stephens—If I may add to that, there is a fundamental commercial reason why we could not agree to that request, and that is that the moment we open access to our network from other

providers who are not in any way tied to giroPost we effectively lose control of our network. We would have other players coming in that are not associated with giroPost, offering a competitive service through our network, so we lose control of our network.

CHAIRMAN—Is there not some way you can provide an ATM as part of your network?

Mr Stephens—We are looking at providing ATMs on our own basis. It would be as part of giroPost solution. The issue is, though, that there are more cost-effective ways of providing the service than ATMs—particularly when you start talking about low-volume sites—for example, cash out through EFTPOS. An ATM typically will cost anywhere between \$20,000 and \$40,000. You can pay \$80,000 to \$90,000 for the top of the range models. It depends largely on the kinds of functions that you want to have in those systems.

CHAIRMAN—You refer in your submission to a pilot embarked on with the Commonwealth Bank in relation to providing small business banking; deposits, withdrawals and account balances. One of the issues raised with us—and I cannot recall the amount now—was that there was a limit placed on the amount of money that small businesses could deposit through giroPost.

Mr Stephens—That is correct. \$3,000, yes.

CHAIRMAN—As part of this pilot, are you looking at removing that restriction?

Mr Stephens—We are looking at those restrictions, in terms of our rural and remote locations. Those kinds of restrictions may need to stay in place for some time in the metropolitan areas, because we face quite a different security risk profile in rural and remote as compared to metropolitan. That is essentially the reason why we have imposed that limit.

CHAIRMAN—We would draw a distinction, as a committee, between rural and remote and metropolitan. In fact, we are not looking at metropolitan services. In the metropolitan area generally, there are probably alternative facilities available for people. It is in the rural and remote areas where there might not be an alternative facility. They want to use giroPost as their facility, but they cannot deposit cash.

Mr Stephens—It is interesting, when we look at the data that we are accumulating as part of the pilot system, that there are very rare occasions where we are getting more than \$1,200 to \$1,500 in cash as part of a deposit. I suggest that the need for more than the \$3,000 limit is an extreme one and, in those situations, we are more likely to go with a local arrangement with the particular customer and the post office operator to work out some way of accommodating that requirement, given that it is a very infrequent one.

CHAIRMAN—One of the issues raised—I think it was almost our first submission—was from an individual who I think lived at Wallaroo or in that general area. The replacement of his credit card was due and he was having trouble convincing the bank of the difficulty of him coming down to Adelaide to collect his new credit card. I think he was talking to someone interstate, and the person on the other end of the line did not appreciate where Wallaroo was in relation to Adelaide and the difficulty of being required to pick that up at a bank branch, and wanted to post it out, which they would do. I note you are trying to develop the capacity to

provide a service where customers can pick up their credit cards or transaction cards from Australia Post.

Mr Stephens—We have been talking to a number of our existing giroPost banks with a view to providing exactly that service, where the customer can nominate where they would like to be able to collect their new cards. The bank would forward them to that location, and we would then establish identification and hand the card over. Because we have an online real time capability at all of our electronically equipped offices, we are looking to provide the banks with an electronic notification that that card has been collected, so they are immediately aware that the card is now in circulation and is now live.

CHAIRMAN—Does an individual giroPost facility just provide service in relation to one bank or all banks that are part of your agreement?

Mr Stephens—All banks. It is universal access. Like 30 per cent of Australians, you may have more than one bank account with more than one bank.

CHAIRMAN—You can access them all through giroPost?

Mr Stephens—You can access them all at the post office.

CHAIRMAN—Therefore, you could pick up a credit card issued by any bank if this comes into operation.

Mr Stephens—The decision on how cards are distributed is obviously up to the banks, but we have the capability of being able to provide that service.

CHAIRMAN—What stage are the negotiations at?

Mr Stephens—We have finalised the operational aspects. It is getting down to the commercial aspects now of, ‘Okay, how much are they prepared to pay for the facility?’ There is a demonstrated customer need for it. All of the financial institutions we have discussed it with have acknowledged that. It is a question of cost.

CHAIRMAN—One of the issues that the inquiry is examining is the potential for shared physical facilities between banks. You were here when I raised that issue earlier. There are ACCC impediments to that, but there are also some reservations on the part of banks in sharing facilities, in terms of competition, poaching customers and so on. In a sense, you are offering exactly that, aren’t you, in that all banks have access through giroPost?

Mr Stephens—We are, in terms of providing transactional services but, in terms of that extended customer relationship opportunity for banks, we do not currently provide that. We are interested in doing that. In some locations, the post office operator has suitable accommodation available that could be used for that purpose. In others, there is no such space available, so that is a bit of a challenge for us. We have been discussing with several of the banks the opportunity that we could provide for a booking service, where a customer could come in and book with their particular bank and make an appointment to meet one of their travelling advisers at that location.

CHAIRMAN—You would in effect provide the physical facility.

Mr Stephens—We would provide the venue.

CHAIRMAN—For the mobile adviser.

Mr Stephens—Yes, including the electronic linkages. If they brought their laptop computer with them, they could plug that in and get onto their own back-end processor so they could do loans and all of those types of things. They would just use our building, or the post office operator's building.

CHAIRMAN—That would avoid the problems of an ongoing relationship between banks sharing facilities.

Mr Stephens—That is right.

CHAIRMAN—It is intermittent use by an individual from a bank.

Mr Stephens—That is a challenge where, because we have such a breadth of representation across all the financial institutions, we think we could get sufficient level of use to make that worth our while.

Senator WONG—The \$3,000 limit was raised with us as being an issue for some small businesses. You said you were looking at that. What does that mean?

Mr Stephens—It means exactly that. We are looking at it right now with a view to seeing whether or not it is justified. We get detailed individual transaction data. It does not identify the customer but we can see how many transactions we handle at each individual site and the profile of those transactions. For example, the average transaction involves two or three cheques and cash of anywhere between \$700 and \$1,200. That is the transaction mix, as we call it. That is the typical transaction mix.

The number of occurrences where that is exceeded is very low. Rather than putting an across the board higher limit, we would much prefer to approach that on an individual site basis, which we can do. We have the flexibility of being able to do that and I am signalling that we have the willingness to do that. We have made special arrangements at those locations for customers with particular needs.

Senator WONG—That is an option that could be looked at. If you have the limit, presumably people are going to stay within it. I am not sure that data tells us everything we want to know. I am more interested in your second point, which is that you would look at particular areas where that might cause a problem for customers. You could look at having greater amounts of cash.

Mr Stephens—Yes. Similarly, in some locations we have had customers of our banks approach us to provide a cheque encashment facility. That is not part of our standard product mix but in those locations we have looked at it and said it is a fair and reasonable request. We

have been able to come to a commercial arrangement with the bank to facilitate providing that service. That is not something we are keen to provide on a general basis.

Senator WONG—When you say you are reviewing, do you have a time frame for that?

Mr Stephens—By the end of this calendar year we will have firmed our strategies in terms of exactly where we are going to extend the business banking network. That is largely driven by the banks, not by Post. We have made the open offer that we can facilitate at our electronically equipped offices but it is up to the individual financial institutions to determine at which locations they wish to be represented. There are not all that many locations where we have more than one financial institution represented for business banking. It gets back to a question that was asked earlier by the committee, ‘How does the void get filled? How many financial institutions do you need in one particular location?’

Senator WONG—Is the fact that a particular institution is in a particular location more historical?

Mr Stephens—Yes. It is largely historical.

Senator WONG—Is it the last bank to leave town or something like that?

Mr Stephens—Pretty much.

Senator WONG—Can I go back to extending the range of services, including your cash-handling limit in your business banking outlets. Would you be looking at actively promoting those locally tailored options, or is it more a passive thing? For instance, if the customers come to the licensee and say, ‘Look, I have a need for this particular facility,’ would you then look at tailoring services for that? Or would it be that you would say to people, ‘Look, if there’s sufficient demand, we could offer these services’? How does the marketing work?

Mr Stephens—We have made that degree of flexibility known to our giroPost partners but we have not actively promoted it to customers and we would not. Our preference would be to provide that on an as required basis, rather than as a generally promoted facility. It does complicate the way we provide the services and there is a certain element of risk associated with some of those transactions; for example, the encashment of cheques. There is always a risk associated with that.

Senator WONG—Is this third party cheques?

Mr Stephens—Yes, fraud.

Senator WONG—Wasn’t that issue raised by the postal agents group or whatever they are called?

Mr Stephens—Post Office Agents Association.

Senator WONG—Is that what they are called?

Mr Stephens—Yes, Post Office Agents Association Ltd.

Senator WONG—Yes, the licensee group.

Mr Stephens—Yes, the licensees—POAAL.

Senator WONG—That issue I think was raised in their submission about the cashing of third-party cheques.

Mr Stephens—Third party-cheques are quite a different issue.

Senator WONG—Do you have a particular policy in relation to that?

Mr Stephens—It is more the case that the banks have a policy in relation to third-party cheques. As a consequence of that we have to process those in a certain way. At the moment we do not generally accept third-party cheques.

CHAIRMAN—That is different from cashing cheques of the individuals themselves.

Mr Stephens—Certainly. The service I was talking about earlier was where someone comes in with their own business cheque. They may need the cash, for example, for a petty cash float or to pay wages.

Senator WONG—I think you have said 12,000 transactions is what you consider the viable level but I recall some evidence that you may permit a lower level than that. I think it was 10,000 provided the licensee takes a certain risk, as in an arrangement in terms of your contract with them about the risk they would then share. Has there been much take-up in that band between 10,000 and 12,000 transactions?

Mr Stephens—I am unable to give you precise numbers but it would be rather small. Generally speaking, offices that take up that option are very confident that they can reach the 12,000 threshold fairly quickly. It has been our experience that they have been quite successful at doing that but they are people who are already right on the threshold. A lot of the other offices that do not have technology are right at the other end of the scale.

Senator WONG—Going back to ATMs—something which you are looking at and considering for the delivery of the services of those banks who use the giroPost platform—what is the time frame for you to make a decision on those things?

Mr Stephens—By the end of this calendar year.

Senator WONG—How is it envisaged that would be funded? Would that be funded solely by Australia Post or jointly between you and the licensee with a contribution from the financial institutions? Or are those things still to be discussed?

Mr Stephens—We look at that as part of our infrastructure and we would be funding the provision of that. It is important to also point out that for any transaction made through the ATM, if it were located at a post office, our ability to earn a commission is a lot lower than for

over the counter. There is that risk of cannibalisation of the over-the-counter service. That has been one of the primary commercial reasons why we have not yet embarked on deploying ATMs. There are cheaper alternatives.

CHAIRMAN—If you were able to charge a surcharge as the owner of the ATM, would that ameliorate that?

Mr Stephens—It would certainly offset the costs.

CHAIRMAN—In a sense it is not going to cost the customer any more, is it?

Senator WONG—It would cost them more than to use a bank ATM if there is one in the town down the road.

CHAIRMAN—Sure, but it may not necessarily cost them more than the over-the-counter transaction. You are getting paid for that so presumably the customer is getting charged for that.

Mr Stephens—Post does not impose a fee on the individual customer. Post charges the financial institution a transaction fee. It is then a decision by the financial institution as to how much, if at all, they attempt to recover the costs associated with our service. It does vary widely.

CHAIRMAN—Which would be different from a surcharge on an ATM.

Mr Stephens—Yes.

CHAIRMAN—Does giroPost offer cheque deposit facilities in the sense that businesses can put cheques they receive from customers into their bank accounts?

Mr Stephens—Yes.

CHAIRMAN—One of the issues raised with us in evidence was concern about privacy, particularly in small towns. People doing their transactions at the post office seem to have a perception, even if it is not the reality, that there is less privacy in dealing with that environment than there is in dealing with a dedicated physical bank facility. Have you come across that concern? Can you say what can be done to ameliorate that?

Mr Stephens—No, I have not. From time to time we have had a customer complaint about information being included on their transaction receipt. Every transaction we process through our post office terminals is time stamped, has the name of the office and all the other relevant information the customer needs. Customers have complained that on some statements—because this again is driven by their particular bank or financial institution—they show the balance of the account. A number of customers have complained that they felt their privacy was being invaded because the operator could see how much money they had in their account.

The reality is that our person generally rips the receipt off and hands it to the customer; I do not think they are about to rip it off, look at it and then hand it to the customer. We did not really see that as a major issue but we can understand people's sensitivity about that. We have represented it to the various financial institutions and at the end of the day that is really a

decision for the bank to make in terms of how much detail is included on the receipt. The majority of them are saying, 'This is a real service to our customer because they don't then have to go and make a separate balance inquiry. They've got their receipt and they can see how much money was in the account at that time.'

Senator WONG—My recollection is the concerns which were raised were not so much about the information that was being printed off but privacy concerns arising from the physical environment. Post offices are often busy places and people tend to know people in them, particularly in small towns. There is not some sort of slightly separate area for people to discuss their financial transaction with the person dealing with it.

Mr Stephens—I am not aware that this is an issue. Bear in mind that the transaction itself is a pretty brief one and largely involves the manipulation of keys on a PIN pad. I do not know what information would be verbalised that would perhaps give rise to concern about privacy. I am not saying there are not any but nothing jumps up at me at the moment to suggest that is a problem. We certainly have not had complaints on that basis.

Senator WONG—You have not had complaints about employees or licensees breaching confidence?

Mr Stephens—I am not aware of any. Are you, Michael?

Mr McCloskey—No, I am not. All of our employees would be subject to the Privacy Act. We have specific training programs in place, rolled out right across our network, to ensure they are aware of their obligations. Generally they are much wider than just banking in terms of the Privacy Act and the need to preserve privacy and so on.

Senator WONG—You have a lot of confidentiality issues in your industry.

Mr McCloskey—We do.

Mr Stephens—It is the cornerstone of our business really.

Mr McCloskey—And we like to think that privacy is part of our culture.

Senator WONG—Presumably it is part of your licensee agreements too.

Mr McCloskey—Absolutely.

CHAIRMAN—The Commonwealth Bank argued that there were about 1,000 post offices throughout Australia not currently wired for electronic services. Do you know what the cost would be of updating all the post offices in remote areas to provide electronic services?

Mr Stephens—It would be a capital cost of around \$20,000 per office; then you have ongoing costs associated with the telecommunications linkages. That can add anywhere between another \$2,500 and \$6,000 or \$7,000 a year, depending on whether you are online or can dial up.

Mr McCloskey—Chairman, it might be worth putting into context the level of business that those particular offices do. The figure is 899, to be precise, out of our last year's annual report.

CHAIRMAN—That was in your submission.

Mr McCloskey—I asked for some information to see what level of business those 899 do in this area of what we call financial type transactions, or agency type transactions, which can include bill payment, manual banking, money orders and things like that. Of the 899 manual LPOs that we have, almost 40 per cent conduct less than 10 agency or banking type transactions a day. That is less than 2,500 a year. Almost 40 per cent conduct between 10 and 20 of those types of transactions a day. That is somewhere between 2,500 and 5,000 a year. The remaining 193, or just over 21 per cent, conduct between 20 and 40 agency or banking type transactions a day—in other words, between 5,000 and 10,000 a year—so that 80 per cent of the non-electronic outlets conduct very small levels of business. A number of these—around 100 of the 899—are in metropolitan areas, so that it is really somewhere around 800 that are in the areas of particular interest to the committee.

Senator WONG—Is it all done by paperwork?

Mr McCloskey—Yes. All of the bill payment, which is a significant element of our financial services industry, can be done either electronically or manually. In banking, all of our outlets can conduct manual banking on behalf of the Commonwealth Bank.

Senator WONG—Passbooks?

Mr McCloskey—Passbook banking, yes, which we have been doing since 1916, I think.

Senator WONG—If I go to one of these 899 outlets and I want to pay my electricity bill—

Mr Stephens—You can do it.

Senator WONG—Can I deposit a cheque there?

Mr Stephens—If you are a passbook holder of the Commonwealth Bank.

Senator WONG—Only if I have a Commonwealth Bank passbook—because there is no giroPost.

CHAIRMAN—What plans, if any, do you have to progressively expand the electronic links into those 899, given the cost that you have highlighted?

Mr McCloskey—The government's Rural Transaction Centre program is looking currently at the possibility of expanding into, I think, up to 60 of those outlets that are currently manual and are in towns of up to 3,000 people, where there is currently some form of other financial institution presence. That is being processed at the moment. The 60-plus licensed post office operators have been invited to apply to have EPOS extended under the RTC program. This has happened to over 100 previously, where there was no other financial institution presence within the particular community.

CHAIRMAN—Could you enlarge on how the RTC program interacts with Australia Post and giroPost?

Mr McCloskey—Yes. The expansion of the EPOS network is a specific initiative under the RTC program that was launched by the government about two years ago. That has been gradually rolled out. At this stage they do not see it going beyond the 104, I think it is, that have already been brought online where there was no financial institution, and the 60-odd that may be eligible where there is a financial institution. These are outlets that already do between 5,000 and 10,000 transactions of this nature annually.

CHAIRMAN—Would the giroPost facility become part of the RTC itself?

Mr McCloskey—No.

CHAIRMAN—Or just the fact that you have an RTC with the EFTPOS; that would link into the post office, would it?

Mr McCloskey—The licensed post office is not an RTC as such, but the RTC program has provided funding to upgrade the particular licensed post office in that community.

CHAIRMAN—It does not involve the establishment of an RTC in that town.

Mr McCloskey—No.

CHAIRMAN—It is purely the provision of the EFTPOS facility through the program to the post office.

Mr McCloskey—That is correct.

Senator WONG—Not giroPost.

Mr McCloskey—Yes, giroPost, and online bill payment.

Senator WONG—That is separate to the 12,000 limit then?

Mr Stephens—Yes. That is a separate initiative.

Senator WONG—That would subsidise the provision of giroPost in circumstances where you would not necessarily meet the 12,000 transactions.

Mr Stephens—Yes.

Mr McCloskey—That is correct.

Senator WONG—I think you said it had occurred in about 100 places.

Mr McCloskey—Yes, 104 have been brought online in the last 18 months or so and a further 60 have been invited to apply. This is for the RTC program, not to Australia Post.

CHAIRMAN—My understanding of RTCs is that although they have received government support for their establishment—initial funding and initial operation—it is intended that they become self-supporting. Given that you have said some of these areas would not be self-supporting, how will that hiatus be overcome?

Mr McCloskey—The capital funding has been provided from the RTC program. In the initial stages, any shortfall in the operating costs are being met under the RTC program. Once that program finishes, part of the condition is that the licensees will then become liable—if that is the correct word—to pay an annual technology fee to Australia Post, which is something that licensees currently do under the EPOS system, and Australia Post will look at picking up the shortfall if the number of transactions in those particular outlets does not reach the 10,000 limit.

CHAIRMAN—You wouldn't rip out the facility once it was there?

Mr McCloskey—No, we certainly would not do that, Senator.

Senator WONG—What would you do if it stayed below 10,000?

Mr Stephens—It means that we will have to cover part of the shortfall.

Senator WONG—You would cover the shortfall?

Mr Stephens—The licensee would share part of the shortfall, as would we, yes.

Mr McCloskey—Interestingly, it has not been functioning for long but to give the committee an idea of the level of increase that being online as opposed to offline might provide a local outlet, on the figures to date—and they do not cover a full 12-month period yet—the average increase in transactions at those outlets is around 10 per cent.

Senator WONG—This is the hundred?

Mr McCloskey—This is the 104, yes.

Mr Stephens—These are the ones that are at the bottom end of the scale that we were talking about earlier. There has been very little capacity for increasing transaction volumes, whereas with the example that you mentioned earlier where we were talking about a 10,000 threshold, those that were in that 10,000 to 12,000 threshold were able to make the 12,000 because they were in much bigger areas.

Senator WONG—When does this funding expire?

Mr McCloskey—It runs through to June 2004.

Senator WONG—After that time, Australia Post and these licensees in this area, on the figures that you have given—10 per cent increase—a lot of them I would have thought will be under what you consider to be operationally viable figures.

Mr Stephens—That is correct.

Senator WONG—Are you charging these licensees as much as you would have if you had paid for the roll-out of giroPost to those areas?

Mr Stephens—We are not looking to discriminate against them in that sense. Licensees at the moment pay an annual technology fee. On average, it is \$1,500. I do not believe we have any intention of—

Senator WONG—No, I understood that part. They will bear the cost associated with any shortfall between the 10,000 and the number of transactions actually processed. Is that right?

Mr Stephens—That is correct.

Senator WONG—There is a certain cost over and above the annual technology fee.

Mr Stephens—That is right. Yes.

Senator WONG—In terms of the subsidised licensees, would the shortfall cost to them be the same as if they had not been subsidised?

Mr McCloskey—The Australia Post commitment to the RTC program was that after the program finished Australia Post would pick up the shortfall.

Senator WONG—Not the licensees?

Mr McCloskey—Not the licensees. The licensees will pick up the technology fee and Australia Post will pick up any shortfall fee that remains.

CHAIRMAN—Do you have figures to indicate in rural and remote areas the number of towns which have giroPost and also have retained the traditional branch banking facilities, and also those that have giroPost and have established an RTC and, by corollary, how many towns have as their only banking facility the giroPost?

Mr Stephens—We do not have those numbers with us today but we do have some numbers. I do not think we have the comparative numbers that show the number of locations where there is a bank plus—yes, we do, the bank and giroPost. There is one of those categories that I do not think we cover, but we could certainly make whatever figures we have available to you.

CHAIRMAN—Take that on notice.

Mr Stephens—We are happy to provide that.

CHAIRMAN—Thank you very much for appearing before the committee and for your response to our questions and contribution to our inquiry.

SHATTOCK, Mrs Judith Mary, Deputy State President, South Australian Country Women's Association Inc.

WADDINGTON, Mrs Elizabeth, Chairman, Social Issues Fact Finding Team, South Australian Country Women's Association Inc.

YELDS, Mrs Val, Secretary, Social Issues Fact Finding Team, South Australian Country Women's Association Inc.

CHAIRMAN—Welcome. The committee prefers that all evidence be given in public, as this is a public hearing, but if at any time you wish to give part of your evidence in private you may request that of the committee and we will consider a request to move into camera. We have before us the written submission from the CWA which we have numbered 26. Are there any alterations or additions you want to make to the written submission at this stage?

Mrs Shattock—No.

CHAIRMAN—I now invite you to make a brief opening statement and afterwards the committee will proceed to questions.

Mrs Shattock—Members of the South Australian Country Women's Association Inc. are concerned at the reduction in banking services in rural, regional and remote areas. When services in a town are curtailed clients are forced to make other arrangements. This often means travelling to a larger town. It follows then that they will do other business while they are there which impacts further on the home town—for example, shopping for food and clothing, hardware, chemist. In time the ongoing impact of loss of business leads to further loss of services and closure of businesses and even the eventual demise of smaller towns.

Many people are sufficiently mobile to cope with this, but there are still many who find the erosion of local services impacts heavily on them. This applies particularly to the elderly, non-drivers and also full-time workers. Shared banking facilities seem a good option; it saves travel for clients and would also reduce overhead costs for banking institutions because there would be no need to provide at least two workers from the one institution for security reasons where shared facilities are not limited to just one bank at a time.

We realise that there are other options accessing non-traditional channels. These methods require an education process. Older people in general are not against new methods, providing there is an adequate education process which may need to be repeated and assisted by one-on-one guidance. There is, however, a very real reluctance to use electronic methods because of security. We are aware also that not all people have access to the Internet.

Telephone banking should be a relatively simple procedure but often it is not. For example, a woman can have a credit card with her own name but with the account itself being in her husband's name. When she wants to pay the account by telephone using funds from another account held jointly with her husband, she experiences problems. The solution? Leave the account paying to her husband. This is no encouragement to use the services of telephone banking.

The public is continually being warned to be vigilant when using ATMs, PINs and the Internet. Instances of fraud that still seem to occur do not encourage people to use these systems. Too many changes too frequently are also not well handled by people. Many will simply give the whole thing up as being too hard.

The level of service currently available to rural, regional and remote residents can be patchy and inconsistent. Hours of supply can be broken, as not all come online at the same time. One country town formerly had three full-time banking institutions. One closed and later an agency was set up in the fruit and vegetable shop. It was not a place conducive to privacy for doing business. Another bank is currently open for business as follows: 11 a.m. to 4 p.m. Monday to Wednesday, 9.30 a.m. to 4 p.m. on Thursday, 11 a.m. to 4 p.m. on Friday. It is closed every day for lunch from 1.30 p.m. to 2 p.m. The third bank in the same town operates from 10 a.m. to 2 p.m. Monday, Wednesday and Thursday and 10 a.m. to 5 p.m. Friday, but closes for lunch 1.30 p.m. to 2 p.m. It is closed all day Tuesday, which is the only day that the dentist visits the town. As a consequence out of town residents have to make two trips if they need to access both services. The bank chose this day to close because it was the quietest one for business. As a matter of interest this information was confirmed by telephone for the purpose of this exercise; all the button pressing and holding of the line while waiting in the queue was no simple matter and took at least half an hour to access.

Some people find that they can no longer access the local bank manager as easily as previously. They have been allocated a business banking manager in a larger town which, of course, involves more time, travel and expense. Some people experience problems making deposits at agencies. They are required to use a bar coded deposit card. It would appear that some operators of agencies are unclear themselves about how the system works. Therefore it would seem that training needs to be implemented by the bank in the system it requires the agency to use.

Whatever electronic methods are available and however successful they may be, the need still remains for face-to-face, over-the-counter banking. For example, small businesses still require cash and also need to deposit cash. Community organisations, especially after fundraising events, need to deposit their takings. These days most people do not want to carry large amounts of cash on their person or have it in their homes; even more so when it is somebody else's money, public money.

Overall, the South Australian Country Women's Association Inc. sees the retention of as many services as possible as essential for the survival of towns and communities in rural, regional and remote areas of South Australia. Thank you.

CHAIRMAN—Thank you, Mrs Shattock. You expressed the view in your introductory remarks that it is important to retain face-to-face banking facilities. Is that purely for transaction accounts, or for seeking financial advice, business advice as well? Do you distinguish between the two?

Mrs Shattock—We need it for both really because it is so impersonal, just using these other things which people are not familiar with. All the electronic methods are impersonal.

CHAIRMAN—We have heard evidence so far in the hearings about the rural transaction centres established with the federal government's support to provide a range of services,

including banking, where those services have been withdrawn from smaller towns, also including this morning from Australia Post and other witnesses about the giroPost system operated by Australia Post offices and agencies. They would certainly offer most of the requirements in terms of over the counter transactional aspects, although there are some limits on the amount of cash they will receive. They are addressing that issue, from what they told us this morning. Do they provide an adequate substitute for the transactional side of banking business?

Mrs Shattock—I have not had any experience with those. Have either of you two?

Mrs Waddington—No.

CHAIRMAN—You have not had any feedback from members?

Mrs Shattock—No, at this stage I do not think we have, that I can recall.

Mrs Waddington—No, I have not heard anything.

CHAIRMAN—On the business advice and so on, where bank managers no longer exist the banks have told us they have dedicated customer relations managers at the end of a telephone. They say they have adequate local knowledge to be able to advise and make decisions in relation to customer needs.

Mrs Shattock—I do not think it is the same as having your bank manager there. If you are going in one day to do your shopping or other business you could drop in and see the bank manager and it always seems much easier to do that. But if you have to go to another town then you have to make a special trip and organise your work commitments to fit in with that as well.

CHAIRMAN—You mentioned the need for training for people to be able to make use of technology in banking services. Who do you think should be responsible for that training? Is that the banks' responsibility, or the government's responsibility?

Mrs Shattock—No, the banks should be prepared to do that, if they want customers to use these facilities. They should be prepared to teach them. Sometimes people can understand it the first time but, when they come back perhaps next week, they need some revision, or somebody helping them until they get familiar with the new system.

CHAIRMAN—Do you think, if the banks were to offer some sort of formal training system for customers, more people would take on Internet type banking, or electronic banking?

Mrs Shattock—Some would, but some are still scared of the Internet and the security issue.

Mrs Waddington—There are still a lot of members who do not have access to the Internet and who have absolutely no intention of getting access because they are so frightened of it.

CHAIRMAN—Some certainly do not have access. An interesting statistic was presented to us by an academic at our hearing in Melbourne the week before last. He did a study of rural banking issues in four small country towns in Victoria, and 14 per cent of bank customers,

averaged across those four towns, were using Internet banking, but general use of the Internet was approximately 50 per cent, or even 60 per cent. A lot of people who had access and, indeed, who used the Internet for other purposes, still were not using it for banking. Do you think that part of that is lack of training, but part of it is this aspect of security?

Mrs Shattock—That is my biggest fear, too.

CHAIRMAN—What do you think can be done to reassure people that the Internet is a secure means of undertaking banking transactions?

Mrs Waddington—They hear that it is secure, and then they see a headline in the paper where someone has accessed somebody's account and whipped off so much money. If you have a germ of fear there to start with, that puts you off, no matter how much training you have had, because you think, 'I'm not terribly satisfied. I'm not terribly confident with what I'm doing. If I make a mistake, is that going to happen to me?'

CHAIRMAN—You also raised the issue of privacy, which has been raised by other witnesses, in terms of undertaking banking transactions in facilities that are not fully dedicated banks.

Mrs Shattock—In the fruit and veg shop?

CHAIRMAN—Would you care to enlarge on that point?

Mrs Shattock—If I am going in to buy my fruit and veg, I do not really want to be standing close to somebody else who is doing their banking, because it is embarrassing for me, and it could be embarrassing for the person doing the banking. I would go to another bank rather than do that. It is just not right to do that, in my thinking.

Mrs Waddington—It is too much of knowing your neighbour's business, and you do not like your neighbour to know what your banking business is. If you happen to be buying your potatoes, and they are doing their banking, you cannot help but hear what is going on.

CHAIRMAN—The point has been made to us that, in those sorts of facilities, it is mainly over-the-counter transactions, rather than any detailed discussions of financial circumstances.

Mrs Waddington—Then you have to go somewhere else to do that, don't you?

CHAIRMAN—Yes, but the question is, given that you have to go somewhere else to do that sort of banking business, is it a difficulty in terms of privacy with regard to the simple transactions at the banking facility at the fruit and veg shop, or the pharmacy, or wherever? Do you still think it is?

Mrs Shattock—It might be for some people; it might not for others. Some people are more sensitive to those things than others.

Senator WONG—It is probably fairly obvious, but quite a number of submissions have talked about the on-flow effects for the 'home town', I think you called it, if the bank closes,

and that you tend to get a lot of economic activity moving to the next nearest town with a bank because, if you shop and those sorts of things, if you go to the bank to get the money out, bank your cheque and whatever, you may as well pick up your groceries while you are there and carry out any other transactions. I assume that is consistent with your membership's experience.

Mrs Shattock—You can still bank your cheque by post. That is no problem but, handling cash, that has to be done there. Probably a lot of people, if they know they have to go to the bank, will run their shopping list and say, 'I won't do that. I'll do that because I'm going to the bigger town to do this job, and so I'll do it all while I'm there,' and that is not good for the health of small country towns.

Senator WONG—It has a consequent effect for other small businesses in that town.

Mrs Shattock—Yes, very much so.

Senator WONG—Referring to telephone banking and Internet banking, first, is there a reasonably high uptake of telephone banking by your membership? Do people use that much? Paying bills over the phone and transferring funds between accounts and so on, is that something that people do a lot?

Mrs Waddington—It doesn't appear to be, from those who come and talk and worry and say, 'This is worrying us.' There doesn't seem to be all that much uptake in the age group.

Senator WONG—I understand that, and I was coming to that, that there is a generational issue. When people grow up with certain technologies, they are more comfortable with them.

Mrs Waddington—That's true.

Senator WONG—Kids going through school now, the computer is like a first language for them; whereas, for someone like me, it will always be a second language. Is the issue of telephone banking an educational issue? Do people simply not know that that is available, or are there also security concerns, or are you not able to comment?

Mrs Shattock—I gave the example of somebody wanting to pay an account, but the bank not letting them because the bank card is in the husband's name, or the cheque account that they want to access funds from is in joint names and the bank won't let the wife do it. Those are real problems. As I said, the solution is to let the husband do it, but that is not always convenient.

Senator WONG—I am not sure that we can recommend that, Mrs Shattock—that we think the solution to regional banking problems is the husband should pay the bills! It is an option. That can be overcome by those accounts being linked. Is it something that your membership and those you deal with have an issue over because of security concerns, or is it simply a habit, or a cultural issue, that it is not something they are familiar with; no-one has taken them through it, and they do not really know how to use it, so they do not, therefore, take it up?

Mrs Shattock—It varies from place to place.

Mrs Waddington—I think it does.

Mrs Shattock—Fear is one of the biggest things.

Senator WONG—Fear?

Mrs Waddington—Fear of the unknown, and a lack of confidence when they have been taught. In my own branch and in other branches, people from the banks came and spoke to our members about how to do telephone banking and so on. Our members still were not totally happy, and a lot of them have not ever tried it.

Senator WONG—Why were they not happy?

Mrs Waddington—Fear of the unknown. It is a huge issue with our generation.

Senator WONG—Do you think that could be dealt with if there were more educational opportunities or training of customers by the banks?

Mrs Shattock—Yes, I think it could be. There could be more training but, when they do the training, they need to come back and retrain, or reinforce what they have done before, because people forget. Until you have done it yourself, you are not sure.

Senator WONG—That is what all the training manuals say: you cannot just be taught once. Can we now move to Internet access and financial services delivered through that medium. First, what is the Internet access like for the people you represent? Is it something that most of them, if they wanted to, can take up? I am talking about the infrastructure. Is it something that a lot of them have had difficulties in accessing?

Mrs Waddington—Most of the remote area places are probably gradually getting online, because of their education needs for their children and all those sorts of things. It is probably sorting itself out there, because they have not had any option but to, and I think there has been a degree of training for them by the people who have been installing the facilities for them. The education department has put a lot of time and a lot of money into putting in Internet and computer facilities for the remote station areas and places like that, so it is the in-between middle bits that are the problem.

Senator WONG—So the new School of the Air—

Mrs Shattock—Those people are all right because they are conversant with the system, but it is the next layer down—

Senator WONG—Tell me about the next layer down. What is access to the Internet like in other areas?

Mrs Shattock—I could not give you numbers.

Mrs Yelds—Down in the regional area where I live, in Victor Harbor, we have a Seniors Online and we do get banks coming in giving us courses. Our members are men and women. They do the course but they are not really happy with it. You can tell they are not conversant enough with their computers to go and do it. They are a bit scared to try in case they do

something wrong and they lose all their money and things like this. They do come back a second time and they are bit happier because they have been shown again what to do. Possibly it is just reinforcing all the time. We do put a lot of students through on our Seniors Online and gradually in the area they are taking it up. Probably about 50 per cent of Victor Harbor would be online.

Senator WONG—Do you want to add to that, Mrs Shattock?

Mrs Shattock—Victor Harbor is quite a big town but probably in my own small town there would be very few people who would be online.

Senator WONG—Whereabouts is that?

Mrs Shattock—It is in the mid-north of South Australia.

Senator WONG—And is that an issue of having access, in terms of there being the infrastructure there for it—that is, people experience problems if they do try and get online, or is it a cultural thing, that they are not that keen on it?

Mrs Shattock—It is probably that they have not grown up with it. As you mentioned before, with children it is just first language for them. Older people have to go away to learn how to do these things and then they probably just do not bother.

Senator WONG—Are you familiar with the rural transaction centres?

Mrs Shattock—I know they exist but I have not had any experience with them myself.

Senator WONG—In terms of phone banking, is there any issue there with telephone access or people having problems with dialling up or anything like that?

Mrs Waddington—Time. Yes. You can sit for quite a long while, even in the city, before you get through.

CHAIRMAN—This is the automated banking?

Mrs Shattock—Over the telephone, yes. It takes a long time.

Senator WONG—Most of those numbers are toll free, though, aren't they?

Mrs Waddington—Yes, but it is not the cost of doing it. It is the cost of the time that you have to sit there.

CHAIRMAN—When you are talking about time, it is not time waiting for a person to come online; it takes quite a long time to actually do the automated banking?

Mrs Waddington—You must push button B and button XYZ and all the rest of it, and then you get, 'All our operators are busy,' and they play music to you, and so it goes.

Mrs Shattock—And you are not always sure. You might have a different inquiry; then you are not sure whether you have pressed the right button and then you can't remember what to do to go back, and that is a bit confusing at times. The biggest problem is the time that it takes to do it.

Senator WONG—What about giroPost? Is that something you are familiar with through the post office?

Mrs Shattock—It is not something I use.

CHAIRMAN—You have referred to the time in terms of telephone banking. In your submission you refer to the level of service being patchy, not consistent, broken hours of supply, not all come online at the same time, no notification is given when maintenance is scheduled and therefore the supply is offline. How bad is the experience with that sort of problem in regard to online banking, whether it is by telephone or by Internet computer banking?

Mrs Shattock—That particular example came from the Eyre Peninsula, but I cannot really tell you how bad it is.

CHAIRMAN—Another issue that has been raised with us by other witnesses is the loss of the local knowledge that a bank manager had in relation to financial matters relevant to the local area, being able to advise on business decisions, obviously having the local knowledge to facilitate financial arrangements if that was required. The banks say they have been replaced by dedicated customer relations individuals, who are readily accessible. What is your view of that substitution and how it is working?

Mrs Waddington—The problem with that is they know all the know-how but they do not know the difference between town X and town Y and town Z. You cannot use the same program, for want of a better word, for one town, because it will not suit the next one and it will not suit the next one, and that is where your bank manager had the advantage, because he knew the different factors that impinged on his particular town, as opposed to the town in the next area, and so on. That is a big thing, your dedicated managers. Sure they know how to manage and they know how to give advice and they can spout it out quite happily, but they do not have the regional knowledge and they do not seem to realise that each region is different. There are different little quirks and things about different regions that make a huge difference to the action that they are advising.

CHAIRMAN—So you believe that the people who have replaced the bank manager in the chain of command or the chain of advice have not been equipped with the local knowledge?

Mrs Waddington—They cannot be, because there are not enough of them to know all the bits and pieces. I get the impression, from listening to people, that they do not really want to know that there are differences anyhow. They want you to conform—square pegs into square holes.

CHAIRMAN—We have no further questions, so thank you very much for your appearance before the committee today and your contribution to our inquiry.

Mrs Waddington—Thank you for inviting us.

Mrs Shattock—We hope it will have some good outcomes.

CHAIRMAN—We hope so.

[2.44 p.m.]

PITMAN, Ms Julia Louise, Justice and Solidarity Research Officer, Uniting Church Synod of South Australia

CHAIRMAN—Welcome. The committee prefers that all evidence be given in public, but if at any stage you should wish to give some of your evidence in private you may request that of the committee and we will consider a request to move into in camera. We have before us the Uniting Church's submission, which we have numbered 84. Are there any alterations or additions you want to make to the written submission at this stage?

Ms Pitman—No.

CHAIRMAN—I invite you to make a brief opening statement, at the conclusion of which I am sure we will have some questions.

Ms Pitman—Thank you for the opportunity to present to the committee today. The Uniting Church is a union of three Protestant denominations inaugurated in 1977. As part of its founding charter the church pursues an advocacy role in the community in order to give expression to its hope, as expressed in that charter, for the renewal and reconciliation of the whole of creation. The voice of the church is developed based on its commitment to enter into the inheritance of literary and scientific inquiry over the last 2,000 years and also to listen to the voices of the marginalised in the community. These voices are drawn largely from its interaction with the community at the level of the congregation and its role as the largest provider of community services in Australia.

In South Australia, the church provides services in metropolitan and regional areas such as Port Pirie, Port Augusta, Port Lincoln and Whyalla. Because the church's advocacy role is stretched across a number of policy areas, this submission is modest in terms of its understanding of the response of government and the financial sector to the complex processes of financial deregulation that have occurred in recent years. However, the church is particularly concerned that changes to the financial sector have had adverse impacts on the lives of the most poor and marginalised in the community. The church is concerned that the increased cost of banking in time and travel is increasingly borne by the community. While on the one hand banking services to rural areas have increased, on the other hand the amount of education related to the provision and the reliability of the delivery of some of those services have come into question.

Qualitative evidence drawn from interviews with services and Uniting Church members has indicated that the access of the most marginalised to the new banking services is unlikely to have increased. The Uniting Church welcomes the efforts of the government to facilitate the creation of regional transaction centres and the extension of the giroPost network as an attempt to return an appropriate level of banking services to rural, regional and remote Australia. During this effort there is also a need to address the effects on the community of the changed relationship between the customer and the bank which has significantly affected the aged, people on low incomes and people who have low literacy and numeracy skills. The changed nature of banking has also affected the capacity of agencies, such as the Uniting Church, to

advocate on behalf of the marginalised. Because the deregulation of the financial sector has meant that the provision of banking services is now largely but not completely driven by economic interests, there is also a role for government to ensure that the provision of banking services will accommodate the needs of all Australians, particularly the poor and the marginalised.

CHAIRMAN—Your written submission expresses the view that the current provision of financial services in Australia exemplifies market failure and that therefore there should be government intervention. You suggest, as a consequence of that, a number of measures the committee should explore to overcome that market failure. One of our interstate witnesses a few weeks ago suggested that rather than there being market failure, there is a gap or a lapse in the transition from old ways of banking to new. In fact, he made the point that the history of banking was—I do not know whether you were here when I mentioned this earlier this morning—that its role was to provide the match between the mismatch of borrowers and lenders. Mostly lenders wanted to lend for short periods and borrowers wanted to borrow for long periods, and the bank provided the capital to be able to guarantee both that they would have their money when they wanted it. But with increasing technology, and more rapid transfer of information as a consequence of that—both domestically and internationally—that mismatch was not so great and the role of banking now was more to provide funds for people by trading in securities. In that sense there was less capital required; there was less need for the physical facilities to be present. In fact, what he said was that the nature of the market has changed, rather than the market failing. There are certainly transitional issues to deal with regarding that, but not a market failure. I am wondering what your response is to that.

Ms Pitman—I can accept that. There are transitional issues that need to be managed, regulated. It is the role of government to do that. I am prepared to accept that.

CHAIRMAN—You also advocated a publicly owned bank. Do you think there is a danger that if you establish a publicly owned bank that the private institutions might more rapidly withdraw their services from areas that they see as not being profitable and simply leave that to the publicly owned bank to provide?

Ms Pitman—Yes.

CHAIRMAN—So in fact you get a greater diminution of services and a greater burden on the taxpayer to provide those services. If they are not profitable for a publicly owned bank to do, then obviously it is going to have to do it with taxpayer subsidies.

Ms Pitman—Yes, I would be persuaded by that argument.

CHAIRMAN—That leads to the question of whether you would expect the publicly owned bank to be self-sufficient or to be subsidised by the taxpayer.

Ms Pitman—It would have to be subsidised by the taxpayer.

CHAIRMAN—All right. Another option you suggested was to get banks to agree amongst themselves to maintain one branch in operation in certain regions according to criteria determined by the government. Again, if that was a commercially nonviable situation, who would be responsible for subsidising the operation?

Ms Pitman—Government would be responsible.

CHAIRMAN—What is your view of the current preference of the banks for people to use modern technology for their banking transactions? There is a lot of promotion that the banks put into trying to move people on to Internet banking and telephone banking and so on.

Ms Pitman—Yes. I think it is determined by age and educational level. We have already seen in the previous submission to this inquiry that older people are very reluctant to take up any new form of technology. It is also very difficult for people who have low levels of education to be expected to take up new forms of technology on the basis of very little education. There would need to be increased education campaigns that are repetitive. There would also need to be an expectation that there are some people within the community who cannot be expected to respond to education campaigns at all and they need to be provided for.

CHAIRMAN—Do you think the banks themselves are the institutions which should provide that training? Are they equipped to do that?

Ms Pitman—The banks should be responsible, but they should also be responsible to the government. They should be accountable to the government.

CHAIRMAN—Why do you believe they should be accountable to government?

Ms Pitman—So that they fulfil their responsibility effectively and so there is evenness in the provision of the service across all banks.

CHAIRMAN—Do you believe there is some sort of community service obligation on the part of the banks?

Ms Pitman—Yes.

CHAIRMAN—That goes above and beyond that of other commercial organisations?

Ms Pitman—According to the level of benefit.

CHAIRMAN—Or do you think all commercial organisations have the same obligations?

Ms Pitman—In my submission I said the level of community obligation should be measured according to the level of community benefit. The banks, as a business, benefit from market transactions. They therefore should show equivalent levels of community obligation.

CHAIRMAN—How do you measure the benefit a bank obtains from the community, compared with the benefit a car manufacturer, or some other commercial organisation, obtains from the community?

Ms Pitman—That is a very good question. It could be worked out economically, but there would be difficulties.

Senator WONG—Whether or not I agree with some of your recommendations, your point is that there are social consequences of the withdrawal of banking services, particularly in regional and rural Australia—flow-on economic effects, and so on—that may mean that it has attached a different social obligation from another industry.

Ms Pitman—Yes.

Senator WONG—In your summary of recommendations, you talked about reconsidering the effective provision of free insurance for deposits to profit oriented banks. This is the government guarantee for deposits, essentially. You are suggesting that that should be withdrawn for private sector banks, are you? Am I understanding your submission correctly?

Ms Pitman—That would be the end result of the current direction.

Senator WONG—If it assists you, there is a more detailed discussion at page 14, the last couple of lines of the top paragraph.

Ms Pitman—Yes, that is related to the provision of a Commonwealth Bank. If there were a public bank, it would then cease guarantees for deposits to profit oriented banks. That would be part of a package.

Senator WONG—Why would the government do that? What do you think would be the benefit of removing that kind of guarantee?

Ms Pitman—Because those banks would be driven by economic interests and would be responsible to themselves.

Senator WONG—If we can move to electronic banking and telecommunications infrastructure, I will come to the cultural issues in a moment—that is, the legitimate concerns of consumers who are not familiar with this sort of technology. In terms of the nuts and bolts access, in your experience with members of the church and the community with whom you deal, what is the level of access to an appropriate Internet connection for them? Is it such that it impinges upon their ability to take up these services?

Ms Pitman—For some it does. The experience of Internet connection has been mixed.

Senator WONG—Can you elaborate on that?

Ms Pitman—The majority have access to good Internet connections, but there is a significant minority who do not.

Senator WONG—Is there a regional pattern to that?

Ms Pitman—In some areas in the north and in the mid-north of the state there is a problem.

Senator WONG—What sort of problem?

Ms Pitman—Poor connection and connections that fail quickly, so the cost of redialling is significant.

Senator WONG—Is that a disincentive for them to utilise that means of banking and accessing financial services?

Ms Pitman—Definitely.

Senator WONG—Then we come to the cultural and educational issues, particularly for certain demographics that might not be very familiar with this type of technology. How do you think that issue is best addressed?

Ms Pitman—It is a very difficult question. For people who are simply not able and are not interested in accessing new forms of technology—particularly the aged—where those new forms of technology rely on memory to a significant extent, there should be face to face banking provided; where it is simply a matter of people with low levels of literacy and numeracy, there needs to be a comprehensive approach to addressing that issue. It is much more complicated to create a sustainable community in general so that you can avoid problems of low literacy developing, and alleviate those problems.

Senator WONG—Is that something that you say should be provided by the banks, or by the community through government?

Ms Pitman—Through the community as a whole through government.

Senator WONG—In your recommendations, you also talked about ‘interbank transfer fees’—that you want the code of conduct the bank signs off on to include a reduction in those sorts of fees. Firstly, can you elaborate on that; secondly, are there any experiences that have been communicated to you where that has been an issue, particularly on closure of banks in an area?

Ms Pitman—The Uniting Church is involved in financial counselling services, specialist services. Most social workers have to be able to deal with financial counselling, and they have found that fees charged on accounts, where there has been an overtransaction, or the account has been closed due to minimum funds, have been punitive for people on low incomes. There needs to be a code of conduct that addresses that issue, such that low-income people do not have to suffer.

Senator WONG—The other fee issue is ‘punitive fees’, as you described them, where you have an overdraft. Can you elaborate on that in terms of the church’s experience?

Ms Pitman—I do not know that we have done any quantitative studies, but it certainly is the case for people who are struggling to make ends meet in ordinary circumstances. Something that comes out of the blue, such as an extra fee that they cannot budget for, can be the difference between entering or remaining in poverty for some people. Whilst most ordinary Australians can deal with extra fees from time to time, for many who are struggling it can be the difference between just managing and just not managing.

CHAIRMAN—Has the Uniting Church had any experience with regard to rural transaction centres and their operation, or the giroPost facility offered by Australia Post?

Ms Pitman—Only as it has been commented upon in some of the interviews that I have conducted for this submission. You asked earlier witnesses in the inquiry about the issue of privacy in conducting transactions with the giroPost network. I do not know that it is a particularly significant issue, but some older members have noticed that the difference in the physical environment, as Senator Wong was saying earlier, has had an impact on simply the experience of banking. Going into a post office is quite different from going into a traditional bank, where there are barriers that are placed there as part of the infrastructure of the building.

CHAIRMAN—What about the community banks arranged in partnership with Bendigo Bank?

Ms Pitman—I cannot comment on that.

CHAIRMAN—You gave the example of low-income earners or Centrelink recipients, where they overdraw their accounts and are charged punitive fees. Is that a frequent occurrence or an isolated occurrence, do you know?

Ms Pitman—It depends on the bank, but I would have to do some work and get back to you on that. I would not be surprised if it is frequent, but I could not say.

CHAIRMAN—I know some, if not all, banks have introduced fee-free accounts for low-income earners. Do you know how successful they have been and how workable they are for those people?

Ms Pitman—They are very good and are to be encouraged. Certainly, in Adelaide Central Mission, anyone who accesses our services is encouraged to switch to those accounts.

CHAIRMAN—Thank you very much for your submission and also your appearance before the committee today.

Committee adjourned at 3.05 p.m.