

CHAPTER 9

AGENCIES AND POST OFFICES

9.1 Banks maintain that they have taken notice of the public outcry over banks abandoning the bush and have taken steps to mitigate the effects of the cut backs. They have introduced a range of banking options offering over-the-counter services intended to compensate in some way for the loss of a full branch service. For example Dr David Morgan told an audience in 2000:

...after hearing the communities' concerns we undertook to keep face-to-face banking in every country town in which we currently operate. It is necessarily a compromise. Local communities were not blind to the fact that Westpac could not sustain services that were incompatible with its overall need for competitiveness and profitability. We managed this by rolling out a commercially viable in-store branch model that met regional needs for a local branch presence.¹

9.2 This chapter looks at the various forms of co-operation and partnerships that are being forged by service providers to assist in the delivery of banking and financial services to communities in regional Australia. It looks at the role of local councils, financial institutions, other business enterprises and the Commonwealth Government in working together to find solutions to overcome the challenges of delivering adequate financial services to regional, rural and remote areas of Australia. In particular, this chapter looks at the agency model including the use of Australia Post outlets.

Agencies

9.3 Many ADIs have adopted an 'agency' or 'in-store' model as a means of delivering over-the-counter services but without the need to maintain a fully functioning bank branch.² By outsourcing traditional branch activities to a third-party operated facility, they are able to provide services with fewer staff and at lower costs.

9.4 Although banks look to their network of third-party operated agencies to offset the effects of branch closures, this major channel of providing alternative bank services has also shrunk since 1997. It should be noted, however, that this general decline coincides with the introduction in 1995 of another agency type arrangement—giroPost—and its steady increase in numbers since then. GiroPost, which provides an outlet for more than one financial institution, is dealt with as a distinct type of agency model later in this chapter.

1 Dr David Morgan, CEO, Westpac Banking Corporation, CEDA Address, Sydney 21 August 2000, p. 10.

2 See for example, *Committee Hansard*, 14 November 2002, p. 61.

9.5 The following table provides some indication of the number of agencies delivering bank services in Australia.

Table 9.1—Agencies and GiroPost outlets, June 1990–June 2002³

C05 POINTS OF ACCESS TO THE AUSTRALIAN PAYMENTS SYSTEM			
Agencies			
	Banks	Non-banks	Giropost
June 1990	7712		
June 1991	7300		
June 1992	6585		
June 1993	6288	2645	
June 1994	5730	2728	
June 1995	5897	2633	
June 1996	6950	2084	2557
June 1997	6992	1760	2627
June 1998	6367	1652	2720
June 1999	6528	1417	2724
June 2000	5043	887	2814
June 2001			2821
June 2002			2962
June 2003			
<i>Source</i>	APRA	APRA	
C.05HIST.XLS	CPAAPSAB	CPAAPSAN	

9.6 The following table records more recent statistics. It, however, is based on the new Points of Presence database and can not be used as an extension of, or build on, the previous table because of differences in classification. Nonetheless, it gives some

3 Reserve Bank of Australia, C05 Points of Access to the Australian Payments System, updated 9 July 2003, http://www.rba.gov.au/Statistics/Bulletin/index.html#table_C (11 August 2003).

indication of recent developments in the provision of face-to-face banking services throughout Australia. The statistics do not include giroPost outlets and because of definitional problems cannot be relied on to provide accurate information (see discussion about the Points of Presence database in chapter 6).⁴

Table 9.2—Outlets providing other face-to-face banking services but excluding those delivering a branch level service and giroPost⁵

ADIs	ARIA category	2001	2002	2003	Variation 2001– 2003
Banks	<i>Highly Accessible</i>	1588	1622	1597	9
	<i>Accessible</i>	641	652	667	26
	<i>Moderately Accessible</i>	323	358	358	35
	<i>Remote</i>	103	110	109	6
	<i>Very Remote</i>	96	116	108	12
	<i>(blank)</i>	111	50	35	
	total		2862	2908	2874
Building Societies	<i>Highly Accessible</i>	86	110	127	41
	<i>Accessible</i>	46	54	61	15
	<i>Moderately Accessible</i>	58	60	70	12
	<i>Remote</i>	13	12	13	0
	<i>Very Remote</i>	3	1	3	0
	<i>(blank)</i>	5	1		
	total		211	238	274
Credit Unions	<i>Highly Accessible</i>	161	167	171	10
	<i>Accessible</i>	54	59	57	3
	<i>Moderately Accessible</i>	42	39	37	-5
	<i>Remote</i>	15	16	15	0
	<i>Very Remote</i>	20	21	18	-2
	<i>(blank)</i>	3		286	
	total		295	302	584

4 APRA's explanatory notes warn the reader that he or she 'should bear in mind that the detail of movements from 2002 and 2003 may reflect changes in the accuracy of respondents in reporting according to a particular definition. In general, subcategory numbers can be expected to be less robust than category totals, because of the possibility of classification errors'.

5 APRA Points of Presence, Breakdown and Movements, 2001, 2002 and 2003. See also footnote 6, Chapter 8, p. 103.

9.7 The term ‘agency’ is used variously by the different financial institutions to describe the arrangement they have entered into with a third party to provide banking services on their behalf. Although agencies vary in the range of services they offer, they generally accept deposits and provide limited cash withdrawals and account payment facilities.⁶

9.8 Despite the difficulty in identifying the precise level of services delivered by the various service channels termed ‘agencies’, the following section provides a brief description of the variety of facilities that now offer over-the-counter banking services. It outlines the steps that ADIs have taken in regional Australia to provide banking services through a third party operated facility to compensate for the absence of a bank branch. It assesses the extent to which these arrangements can be seen as satisfactory substitutes for services provided by a full scale branch.

Westpac

9.9 Westpac has introduced a community In-store partnership model. It informed the Committee that it is a branch that is owned, operated and staffed by its In-store business partner. There are currently 162 In-store branches around Australia. Generally they are located within a business, such as in a newsagent, chemist or general store. In some cases, the business proprietor has relocated his or her business to the former Westpac branch building.⁷

9.10 They operate during normal business hours, except part-time stores which operate a minimum of 25 hours a week. In-stores offer complete over-the-counter transactions (excluding bank cheques and international services) for all segments. They are supported by mobile specialists in business banking, home finance or financial planning and advice.⁸

9.11 Westpac suggests that the In-store approach works to ensure that face-to-face banking services are maintained with local townships and helps to boost the long-term sustainability of other small business operations in Australia’s rural and regional communities. It informed the Committee that the In-store model has allowed the Bank to open new facilities in a number of locations where it had not had a presence. For example, In-store partnerships have been established in towns such as Jimboomba, Agnes Waters and Boyne Island in Queensland or Kununurra in Western Australia where Westpac had not previously been represented.⁹

6 See for example, Patricia Howard, ‘Withdrawal Symptoms’, *Australian CPA*, vol. 71, no. 6, July 2001.

7 Westpac, *Submission 110*, p. 7.

8 Description given in APRA, *Points of Presence*, 2001.

9 *Submission 110*, p. 7.

ANZ

9.12 In addition to its network of branches and agencies outside metropolitan areas, the ANZ operates 73 local link agencies which are operated by a third party. They provide a lower cost delivery of basic transaction services using third party premises and labour.¹⁰ Local link agencies offer deposit and cash withdrawal services for personal and small business customers. Access to account keeping facilities and other financial services is provided by a parent ANZ branch. According to the ANZ, local link agencies serve as referral points for new business to the ANZ parent branch which is responsible for following up with the customer.¹¹

Commonwealth Bank

9.13 The Commonwealth Bank uses single site operators that are owned and operated by a franchisee. According to the Commonwealth Bank:

Management decisions are made by the franchisee that reports to the Bank's Area Manager. Sites offer sales and service facilities similar to the Bank's branch network. The operating hours are at the discretion of the franchisee. All sites operate with normal branch trading hours, with some sites having extended hours.¹²

9.14 There are both private agencies with electronic processing ability and manual agencies that can process deposit, withdrawal and update transactions (telephonically) on personal passbook accounts for personal customers of the Commonwealth Bank.¹³

St George

9.15 St George has 'Bragencies' which provide customers with services such as deposits and withdrawals transactions for and on behalf of St George customers and the facility to open deposit accounts. They are located in regional townships and situated in local businesses such as chemists and newsagencies.¹⁴

Bendigo Bank

9.16 The Bendigo Bank and the Elders Rural Services jointly own the Elders Rural Bank. According to the Elders Rural Bank:

The alliance marries Bendigo's banking expertise and rural product range with Elders rural and regional expertise, extensive representation and

10 *Submission* 121, pp. 3, 5.

11 APRA, Points of Presence, Raw Data.

12 *Submission* 124, p. 7. See also APRA, Points of Presence, Raw Data.

13 *Submission* 124, pp. 8, 9.

14 *Submission* 112, p. 1.

community acceptance. These names are two very powerful brands in all rural and regional areas.¹⁵

9.17 This arrangement allows the Bendigo Bank to promote and make available its banking and financial products to a broader market throughout Australia. Bendigo Bank explained that in return it promotes Elders products such as Seasonal Finance, Farm Management Deposits and Term Loans to its existing customer base.¹⁶ Elders informed the Committee that they are committed to providing a local branch wherever possible and with the network of Elders and Bendigo Bank (including their Community Bank branches) have expanded considerably their national infrastructure servicing local communities.¹⁷ Elders rural banks are located throughout the country including in some remote and very remote areas such as Alpha, Aramac Ayr, Barcaldine and Quilpie in Queensland and Meekatharra in Western Australia.¹⁸ Under the joint venture there are over 240 locations.

Agencies associated with credit unions and building societies

9.18 Credit unions and building societies also use agencies to extend their range of services. For example the Bass & Equitable Building Society has agencies operating throughout Tasmania. The agencies are owned and operated by various types of businesses. The staff are supplied by the owners of the business. They operate during normal business hours and provide services such as new account opening and over-the-counter deposits and withdrawals. New accounts are limited to basic transaction accounts and term investments.¹⁹ The Upper Hunter Credit Union also uses an agency model to increase the number of outlets offering its services. It has two agencies staffed by agents who are paid on a commission basis.²⁰

Shortcomings

9.19 Although the various agencies and in-store facilities vary in the level of service they provide, some submissions raised concerns about the adequacy of the service delivered. They include:

- limited services especially the level of access to professional bank staff; and
- privacy and security concerns.

15 *Submission* 131, p. 1.

16 APRA, Points of Presence.

17 *Submission* 131, p. 2.

18 APRA, Points of Presence.

19 APRA, Points of Presence.

20 APRA, Points of Presence.

Limited services

9.20 One of the main difficulties for agencies arises from consumer expectations especially where the agency is intended to substitute for the loss of traditional branch services. In the view of the Murgon Shire Council, in-store banking seemed to be a form of shared facility, but is ‘essentially a downgrading of banking services’.²¹ The Manilla Shire Council also equated the ‘non-traditional channel’ of banking using the agency model with an unsatisfactory level of banking service. It argued:

Agencies have not got any autonomy at all. Every decision, no matter how trivial, has to be referred to the regional centre or head quarters for resolution. In addition, no professional advice is available to rural residents, who are in many instances farmers and graziers in need of professional advice from time to time—especially in testing drought circumstances such as has been the situation over the last couple of seasons.²²

9.21 The Shire of Victoria Plains endorsed this viewpoint. It asserted bluntly that agencies do not have the facilities, the expertise or the options for an acceptable long-term comprehensive banking service.²³ The Guyra Shire Council and the Boonah Shire Council also mentioned the limited access to professional staff with no decision making authority. In many cases customers are advised to contact the bank’s regional office for anything other than a deposit or withdrawal.²⁴

9.22 The Local Government Association of Tasmania maintained that these agencies still tend to be paper-based and pass book oriented so that it is not always possible to receive a bank balance or transfer funds between accounts.²⁵ It stated further:

Agency arrangements do not provide Loan Managers, Financial Advisers or any other form of professional service usually found in a branch. Roving or mobile officers tend to have limited authority to assess and approve transactions and are generally subject to high-turnover. While professional and competent they are generally not from the local community and often have little knowledge or understanding of local circumstances.²⁶

9.23 Chapter 3 highlighted the growing gulf in country Australia between the customer and the bank as a major concern not only for individuals but for local

21 *Submission 29*, p. 1.

22 It stated further that rural residents in the Manilla Shire Council’s area of responsibility who do not have access to a local bank manager (who would have knowledge of local prevailing circumstances) for professional advice and assistance experience mental anxiety. *Submission 91*, pp. 1–2.

23 *Submission 49*, p. 1.

24 *Submission 50*, p. 2 and *Submission 92*, p. 1.

25 *Submission 43*, p. [2].

26 *Submission 43*, p. [2].

businesses and the community as a whole. Clearly, the agency model while providing basic banking services does not help to establish or nurture that close contact between customers and their financial institution that many people expect and value.

Privacy and concerns about security

9.24 The Country Women's Association of Australia noted that confidentiality is a major problem when the bank agency is in the supermarket.²⁷ The East Gippsland Shire Council also noted that 'there is a privacy issue of a local business knowing "your business"'.²⁸ Councillor John Lee, Nanango Shire Council, stated simply that an in-store banking institution is not like a bank itself:

You go into the chemist shop; it is the chemist. They have people for over-the-counter prescriptions and you do your business on the side there. That banking atmosphere has gone.²⁹

9.25 The Local Government Association of Tasmania raised the matter of security. It suggested that agencies are not often equipped with appropriate safety measures as would be found in a fully-serviced banking facility.³⁰ The Hindmarsh Shire Council also raised the matter about privacy and security.³¹

9.26 Evidence suggests that once banking services are delivered outside the traditional branch and especially through a third party, some customers feel uneasy about matters such as privacy and security. Similar concerns are discussed at relevant stages in the report dealing with giroPost and Rural Transaction Centres. The Committee notes these concerns and summarises its findings on this matter later in this chapter (see para 9.49).

Banks' view

9.27 ADIs accept that some of the agency arrangements used as substitutes for the traditional bank branch do not measure up to customer expectations. Dr David Morgan, CEO, Westpac, acknowledged that their in-store facilities:

deliver services with fewer staff and lower costs. They are not everything our regional customers would wish, but they do meet their needs for more convenient lower cost services. It's a balancing act.³²

27 *Submission 73*, p. 1.

28 *Submission 75*, p. 4.

29 *Committee Hansard*, 22 May 2003, p. 481.

30 *Submission 43*, p. [2].

31 *Submission 87*, p. 2.

32 Dr David Morgan, Committee for Economic Development of Australia, Address, Sydney, 21 August 2000, p. 10.

9.28 Along similar lines, the ANZ informed the Committee that while ‘the agencies and local link agencies may not provide a full range of financial services on-site, they do offer the majority of transaction services including small business deposits and can arrange mobile manager services for customers with lending or investment requirements’.³³

Summary

9.29 The Committee understands that the very purpose of establishing an agency is to deliver banking services but at reduced costs. It follows that the level of service will not be the same as that delivered through fully operational branches. Nonetheless, there appears to be the potential for ADIs to use agencies more effectively to improve and expand banking and financial services.

9.30 Before considering measures that could be taken to improve the delivery of banking services through the agency arrangement, the Committee looks at another third-party relationship involving Australia Post.

Australia Post

9.31 Australia Post has offered personal banking on behalf of the Commonwealth Bank since 1911. It has an Australia-wide network of 3,861 post offices which provide access for bill payments and banking. A majority of outlets are equipped with electronic equipment which is capable of delivering on-line financial transactions.

9.32 A major step forward in the delivery of banking services by Australia Post occurred in July 1995 when it launched its giroPost service. This service provides access to card-based, PIN-authorised banking services including deposits, withdrawals, account balances, acceptance of new account applications and payment for credit card bills. It also conducts passbook transactions for the Commonwealth Bank.³⁴

9.33 The giroPost network was established as ‘a national neutral delivery channel, with no single partner financial institution being offered prominence over another’. According to Mr Michael McCloskey from Australia Post:

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.³⁵

9.34 This arrangement means that the customers of 78 financial institutions are able to use giroPost to process electronic transactions at 2,962 Australia Post outlets of which 1,184 or 40 per cent of the outlets are in rural and regional areas.³⁶

33 *Submission* 121, p. 5.

34 *Submission* 106, p.1.

35 *Committee Hansard*, 12 March 2003, p. 382.

9.35 Statistics show that the number of giroPost outlets, unlike agencies, has been growing steadily since their inception in 1995 from 2,557 to 2,962 at June 2002 (see Table 9.1, p. 136). GiroPost, however, is not available at all localities. Nine hundred licensed post offices, 800 of them in regional areas, are not connected to the electronic network. These small, manual post offices are only able to offer very limited banking services using Commonwealth Bank passbook accounts.

9.36 Australia Post informed the Committee that an outlet with less than 12,000 transactions annually of a financial nature, which encompasses billpay, money orders and banking, and takes into account current and anticipated volumes, is not regarded as commercially viable for giroPost.³⁷ Mr McCloskey told the Committee:

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.³⁸

9.37 The Post Office Agents Association accepted that 12,000 transactions per annum was an accurate benchmark for measuring commercial viability. It stated:

At 10,000 transactions per annum Australia Post considers it mandatory to have their technology. If you are a licensee you do not have any say in it—you get the technology and therefore you get access to giroPost. At 12,000 transactions per annum it starts to make a bit of money for you.

...

Australia Post says that it costs around \$20,000 to put the technology into a post office. If they are going to spend \$20,000 plus ongoing costs and they are only going to get 10,000 transactions a year out of it, it is an economic decision for them.³⁹

36 Australia Post, *Submission 106*, p. 2. The figures produced at the public hearing differed a little from the submission. At the hearing the Committee was informed that 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. The evidence also indicated that the number of online retail outlets in the Australia Post network had grown to 2,972. *Committee Hansard*, 12 March 2003, p. 382.

37 Australia Post, *Submission 106*, p. 3. See also *Committee Hansard*, 12 March 2003, p. 382.

38 *Committee Hansard*, 12 March 2003, p. 391.

39 Marie McGrath-Kerr, *Committee Hansard*, 27 February 2003, p. 355.

9.38 Australia Post advised the Committee, however, of a proposal which is being examined to upgrade the capability of outlets in remote areas with low volume banking transactions to deliver a broader range of low cost services. It submitted:

There are indications that a recent upgrade of Australia Post counter technology (netPOS) may facilitate the deployment of a key subset of transactions to a number of non-electronically enabled sites, using lower cost web-based technology. The potential to provide secure access through a standard low-cost PC to a lower level of functionality from the normal Australia Post terminal is being examined.⁴⁰

Business banking

9.39 Although aimed primarily at personal banking customers, Australia Post, in April 2000, embarked on a pilot scheme with the Commonwealth Bank to provide business banking services to rural areas through selected outlets. Key features of the service are—cash and cheque deposits; overnight credits to customer's accounts; withdrawals; and one-stop convenience for bill payments, business and personal banking, and all postal needs.⁴¹

9.40 The trial proved successful and the business banking service has been rolled out more widely. As at 30 June 2002, the service was being offered to customers of the Commonwealth Bank, National Australia Bank, BankWest and Adelaide Bank at 320 outlets across Australia of which 300 were in rural and remote areas.⁴² By March 2003 this figure had grown to 512 outlets nationally of which two thirds were in rural areas.⁴³ Australia Post informed the Committee that it intends, in the course of the current year, to make its business banking service available at the remaining giroPost financial institutions through all its rural and remote on-line outlets.⁴⁴

9.41 Overall, the evidence presented to this Committee suggests that Australia Post is held in high regard for the work it is doing in making banking services more accessible to people in country Australia. Generally, witnesses acknowledged its contribution to the delivery of banking services and appreciate its efforts to improve its software and to expand its technology. Moreover, witnesses felt that Australia Post outlets are more attuned to the needs of their customers. Councillor Lykke captured the sentiments of many witnesses in stating:

Australia Post have lots of things going for them but, above all, what they have going for them is that they are aggressive marketers...When the banks

40 *Submission 106*, p. 3.

41 KPMG, *Small Business Banking in Australia*, A Research Report, February 2002, p. 25.

42 Australia Post, *Submission 106*, p. 2.

43 *Committee Hansard*, 12 March 2003, p. 383.

44 Australia Post, *Submission 106*, p. 3. See also for more recent developments, *Committee Hansard*, 12 March 2003, p. 383.

take that attitude, get out there and start actually looking for business, all our lives are going to improve.⁴⁵

9.42 In reinforcing this view, Mr Samuel Smith, stated simply that the community ‘are generally rapt in the idea [of Australia Post], simply because they, in the country, have access to every bank and institution that people in the cities have, except for ANZ, BankSA and Westpac at this stage’. In his opinion, the introduction of giroPost really brought services back to the community rather than closing them down. He stated that ‘Against the world standard, Australia Post was different to everybody else’.⁴⁶

Shortcomings of Australia Post agencies

9.43 Despite the praise for the work being done by Australia Post outlets, a few witnesses were critical of a number of aspects, notably privacy provisions and limited services for local business.

Privacy

9.44 A number of witnesses suggested that people do not feel comfortable conducting their banking business in a post office. Their concerns mirror those raised in connection with people using agencies to conduct their banking affairs. The Manilla Shire Council stated that the post office environment ‘does not contribute towards clients experiencing a feeling of privacy and confidentiality—as is needed for dealing with private and sensitive financial matters’.⁴⁷

9.45 Councillor Robert Smith, Boonah Shire Council, expressed similar sentiments. He stated people are in the same queue buying a stamp as someone doing their banking. He indicated that people like to feel secure and not present their bank book ‘in full view of everybody’.⁴⁸

9.46 Australia Post was not aware that privacy was a significant concern to its customers. Mr Terry Stephens told the Committee:

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.⁴⁹

45 *Committee Hansard*, 13 March 2003, p. 425.

46 *Committee Hansard*, 13 March 2003, p. 441.

47 *Submission 91*, p. 1.

48 *Committee Hansard*, 23 May 2003, p. 509.

49 *Committee Hansard*, 12 March 2003, p. 390.

He also noted that all Australia Post employees are subject to the Privacy Act and attend specific training programs to ensure that all are aware of their obligations. To his mind, privacy is the cornerstone of Australia Post's business.

9.47 The Post Office Agents Association also maintained that discretion is part of the job. It did not think there was any difference between a bank and a post office when it came to privacy at the counter. Ms Marie McGrath-Kerr, National Chairman, Post Office Agents Association, explained to the Committee:

Many post offices have set aside an area for banking. They have a screen so that any paperwork that is being dealt with is not seen by any other customers who might be standing alongside the customer doing the banking. Obviously that is different from outlet to outlet. But I have seen that myself in many post offices where there is a separately screened privacy area, shall we say—not just banking but any sort of business that is being done at a post office counter. For instance, Billpay is not the sort of thing that you want spread around.⁵⁰

9.48 Nevertheless, Mr Samuel Smith, a former post office agent, was aware of people's reluctance to use the post office because of privacy concerns. He noted, however, that it depends on whether the post office has made provision for privacy. He explained:

There is also the perception that, while you can go into a bank branch and probably not know very personally the person who is serving you, in a licensed post office set-up, or even in an official post office set-up, a person has often been there for donkey's years, knows your family and probably knows everything else about you...so it is definitely a problem, but given the fact that we do not have banks with multiple staff in our towns—maybe here you still do, but in a lot of smaller communities we have not had those for years now—people either drive off to Jamestown or Port Pirie, go to an ATM or do it locally. They have that choice.⁵¹

9.49 During the course of the inquiry, solutions to address the concerns about privacy and confidentiality became evident. The evidence suggests this matter can be addressed by post office agents paying close attention to creating an environment where their customers feel comfortable in transacting banking business. Practical, low-cost and workable measures such as redesigning or rearranging work space, placement of screens or setting aside a separate area are just some simple examples of ways in which agents could offer reassurance to their banking customers. Displaying prominently a notification that staff are subject to the Privacy Act and are bound to respect the confidentiality of their customers would be another inexpensive means to allay people's concerns about the privacy of their personal affairs. Staff training which places a specific focus on the importance of preserving customer confidentiality

50 *Committee Hansard*, 27 February 2003, p. 352.

51 *Committee Hansard*, 13 March 2003, p. 440.

would be yet another simple way to improve the public's perception of the integrity of the service. These measures would be equally effective in other agency type facilities.

Small business banking service

9.50 Mr Walter Brooks, COSBOA, noted the importance of having an adequate banking network within regional and rural Australia 'in a form that enables a full range of transactions to occur'. He cited in particular the difficulties experienced by business in depositing the daily business takings. The findings in chapter 3, identified cash management as one of the major problems for regional businesses. Mr Brooks cited the case of one business person who can make deposits for his bank at the post office but is limited to cash deposits of no greater than \$3,000 per day and is unable to obtain change. According to Mr Brooks:

As a retailer, especially during the summer period, it is now necessary for him to travel approximately half an hour each way to Anglesea, or even on to Geelong, to complete his banking business, thus causing significant cost and disruption to his small business.⁵²

The difficulty for business in managing cash flows was discussed in chapter 3, paragraphs 3.26–3.32.

9.51 Looking at this issue from the position of the Post Office agents, Ms McGrath-Kerr pointed out the cost to their business. She explained:

The local supermarket or hotel or service station could conceivably bring in \$20,000, \$30,000 or \$40,000 worth of cash. You could end up spending half the morning counting it, because we are not like a bank, which has note and coin counting facilities. It could tie up a staff member for an entire morning on one deposit and the commission out of that might be \$1.23. It is a business decision and Australia Post is monitoring the amounts of cash that are deposited through the small business bankings. The average is certainly not \$3,000—it is in the hundreds. So it would be only the odd customer who would need the facility.⁵³

9.52 Mr Stephens, Australia Post, agreed with the view that rarely would Australia Post outlets be asked to accept deposits of over \$3,000 a day from local businesses. He suggested:

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 it is a very infrequent one.⁵⁴

He stated further:

52 *Committee Hansard*, 26 February 2003, p. 287.

53 *Committee Hansard*, 27 February 2003, p. 354.

54 *Committee Hansard*, 12 March 2003, p. 384.

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.⁵⁵

Scope for expansion

9.53 Interestingly, rather than dwell on the shortcomings of the banking services provided through Australia Post, most witnesses preferred to emphasise the value in developing and extending these services. Clearly they saw that this particular model offers great potential to deliver services particularly in areas without a banking facility. The ABA considers the giroPost as a ‘superior’ model and encourages Australia Post to expand the service ‘as they are the most appropriate multi-service provider in regions without any other prospect of an over the counter service.’⁵⁶

9.54 Indeed, the services offered by giroPost enabled the National Australia Bank to honour its commitment to provide over-the-counter services to its customers when it decided last year to withdraw 56 regional branch services. Soon after the bank announced its intention to close these branches, Mr Frank Cicutto, CEO, wrote:

Linking with Australia Post created 2800 new points of contact throughout Australia where people can do transactional banking. It allowed us to make the promise we would not leave a rural community without a banking alternative. It also allowed us to return to some areas where we had not been represented.⁵⁷

9.55 The National stated that while it ‘does not consider the giroPost service to be a complete replacement of the full branch banking service, it is viewed as a viable transaction delivery channel for small rural communities’.⁵⁸ More importantly, the National recognised the potential for giroPost to expand the delivery of transactional banking services into rural and remote communities where it currently has no physical presence.⁵⁹

9.56 The Catholic Women’s League Tasmania suggested that all major Australian owned banks, credit unions and building societies should make use of post offices in country towns.⁶⁰ Supporting this view, the Manangatang Improvement Group Inc stated further that:

55 *Committee Hansard*, 12 March 2003, p. 386.

56 *Supplementary Submission* 117, p. 9.

57 Frank Cicutto, ‘Banking in a Competitive Environment’, *Journal of Banking and Financial Services*, vol. 116. no. 2, April 2002, p. 8. See also *Submission* 118, p. 3.

58 *Submission* 118, p. 3.

59 *Submission* 118, p. 3.

60 *Submission* 28, p. 1.

While Gyro post has most Banking Facilities two major banks have still not made themselves available through this venue. We would like the government to pressure the Bank of Melbourne to become involved with this service as approximately half our community bank with this bank.⁶¹

9.57 The Post Office Agents Association saw the opportunity to use existing resources and infrastructure to further enhance of the delivery of financial services. They claimed that their outlets have the physical platform in place and their staff have the experience, training and discipline to extend this service to meet current challenges. The Association supported measures that would:

- expand the electronic network of Australia Post to all Licensed Post Offices and appropriate CPAs in Australia;
- allow rural, remote and some regional LPOs to offer ATM services at their premises;
- extend the Australia Post technology platform that supports their type of business and add a few, but critical, financial institutions to those that already have commercial arrangements with Australia Post.⁶²

9.58 Australia Post is responding to customer needs and is conscious that it can have a significant role in delivering banking services. For example, it is investigating ways to use its resources so that it could:

- facilitate transactions for bank customers in the collection of credit or transaction cards;
- provide a booking service whereby customers can make an appointment to meet a travelling adviser;⁶³ and
- make available suitable accommodation for customers to meet a bank officer.⁶⁴

9.59 The Committee recognises the potential for Post Office outlets in partnership with ADIs to move beyond simply providing basic transactions services for local residents to providing opportunities that would allow banks to establish strong personal links with their customers.

61 *Submission 90*, p. 1.

62 *Submission 77*, pp. 2, 13.

63 *Committee Hansard*, 12 March 2003, p. 385.

64 *Committee Hansard*, 12 March 2003, p. 385. Australia Post is also conducting market research to determine what further services might be provided under its banking services banner. Serious attention is being given to: account transfer functionality; credit/debit card pick up from Australia Post outlets; and credit/debit card activation at Australia Post outlets.

Australia Post is confident that it will continue to extend and develop its banking services as more financial institutions join giroPost, as its on-line network grows and as it expands its product range. See *Submission 106*, p. 5.

9.60 In considering the provision of basic transactional services, the Committee accepts that even with Australia Post's commitment to provide a better banking service and the enthusiasm of Post Office agents to expand their business, there are some remote locations where the customer base will simply not support a commercially viable giroPost facility. The Committee visited Yacka, a small town in South Australia, which only has a mail sorting facility. Similarly, the Latrobe City Council informed the Committee that in the case of Traralgon South, requests for a sub-agency for Australia Post has been unsuccessful.⁶⁵ In such cases, a number of witnesses suggested that post office outlets could be provided with additional funding to enable them to develop their services.⁶⁶ Some steps are being taken under the Rural Transaction Centre Program to ensure that outlets with transactions over 5,000 will be provided with giroPost. This is discussed in the following chapter.

Summary

9.61 The Committee shares the optimism of both Australia Post and the Post Office agents about the increased role that post office outlets could have in providing banking and financial services to regional, rural and remote Australia. It accepts that financial institutions could do more to use post office outlets to better service small communities. It encourages financial institutions not yet using giroPost to consider doing so.

9.62 While people are generally satisfied with the level of service for basic banking transactions delivered through Australia Post, they still do not have ready access to financial advice from bank staff. This lack of access to advice from local bank staff was cited in chapter 3 as a major concern for individual residents, local businesses and the community as a whole. It would appear that although steps are being taken to ensure that small communities have access to basic banking transactions less attention is being given to ensuring that financial advice is readily available.

9.63 The Committee notes that Australia Post is exploring ways to promote the provision of face-to-face banking and financial services such as introducing a booking service and making available accommodation for meetings between customers and their bank. It urges ADIs, Australia Post and the Post Office Agents Association to continue to investigate and experiment with various means whereby Post Office outlets can be more active and constructive in assisting banks to foster and maintain close personal links with their customers.

9.64 The difficulties experienced by small business in regional, rural and remote Australia in gaining access to banking services also requires further consideration. Australia Post and the Post Office Agents have shown themselves willing to act as facilitators in this regard. Even so, small businesses in many areas of country Australia face on-going difficulties with managing their cash flow and also with obtaining assistance from banking professionals who understand the local economy.

65 *Submission 38*, p. 11.

66 Robert Adam, *Committee Hansard*, 13 March 2003, p. 425.

Conclusion

9.65 The Committee accepts that the services provided by agencies, including giroPost, are limited. For communities struggling to retain a full branch service, however, they provide access to basic banking transactions. Nonetheless, it is clear that consumers, including small business, miss the personal contact offered through a traditional branch and it is in this area that banks need to show some initiative and willingness to pay heed to the needs of their customers.