

Secretariat

Regional Banking Taskforce

Financial System Division

The Treasury

Langton Crescent PARKES ACT 2600

Dear Members of the Taskforce,

I would like to believe that this Inquiry is genuine, and not simply to cover for the monopolistic banks deserting rural towns and communities. Their monopoly over Australia's banking and financial system must be broken. If the Taskforce is genuinely about providing a readily accessible, affordable alternative to the major banks, who clearly are not interested in servicing the regions because that's not where they make their bucks, the taskforce will recommend and drive a policy for a government-owned Postal Bank to be operated through post offices right across the country, not only in rural and regional Australia.

Regarding your consultation questions:

How are Australians changing the ways they are accessing banking services? What are driving these changes?

Australians are being forced to change how they access banking services. They do not have a choice! The banks are not interested in providing a service to the community, they are only interested in profits and collude together for that purpose.

The 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Banking Royal Commission) revealed and confirmed many failings of Australia's banking system. The revelations fuelled an ongoing debate about the structure of the banking system, in particular the way just four large institutions dominate Australia's financial sector.

The Big Four banks—CBA, NAB, ANZ and Westpac—account for around 80 per cent of Australia's financial system. This level of concentration undermines genuine competition in financial services. The chairman of the Australian Competition and Consumer Commission (ACCC) Rod Sims told the 5 April 2018 AFR Banking and Wealth Summit that the behaviour of the major banks "more resembles synchronised swimming than it does vigorous competition".

What banking facilities, services and products are used in regional bank branches?

To use the banking facilities — services and products— first you have to have a branch!

The Banking Royal Commission found that many Australians did not have access to financial services. In his final report Commissioner Hayne noted that about 28 per cent of the Australian population, nearly 7 million people, lived in regional or remote areas, but only 4 per cent of all branches of ADIs and 2 per cent of ATMs were located in areas classified as remote or very remote. As Hayne pointed out, the banks' branch networks have been shrinking for some years. "The banks have fewer face-to-face points of presence." The 6 October 2018 Daily Telegraph reported figures from the banks showing that between September 2017 and September 2018, the Big Four banks shut down 196 branches and

removed 734 ATMs, leaving many rural and regional communities, and low-income metropolitan communities, without access to financial services.

The Taskforce Issues Paper reports that “The number of branches in regional and remote Australia has fallen from around 2,500 to 1,900 in the four years to June 2021 (a decline of almost a quarter) with a 5 per cent decline in branches in the past year.” The banks have also ripped out 20 per cent of all ATMs nationwide since 2016.

The banks have been deserting the regions, and exploiting the post offices. The Taskforce reports there are 1,145 post offices providing Bank@Post services to regional and rural communities that do not have a bank branch. As was revealed during the Christine Holgate Inquiry, before Holgate’s time at Australia Post the licensed post offices were being paid a pittance by the banks. Now that Holgate has been railroaded out of the job, the banks are once again taking advantage of the post offices to fill their social obligation to provide banking services.

Are there particular banking products or services that need to be delivered face-to-face or have support provided face-to-face? Are any of these particularly important for regional customers?

Denying regional customers access to face-to-face banking is like denying regional towns access to power and water. If the lights aren’t being used during the day, or the tap is turned off, that doesn’t mean those vital services are not required by the town’s households! Power, water, banking and postal services are essential services and a moral obligation of the government, and in all cases should never be left to the whim of the cost-cutting, profit-seeking private corporations, especially the major banks.

Besides their sectoral dominance, the major banks are to varying degrees vertically integrated conglomerates of commercial banking, investment banking, stock broking, insurance, and superannuation. Consequently, customers who use those banks for basic financial services— deposits, payments and loans—are also exposed to the consequences of the other activities those banks engage in, including the profitable but high-risk investment banking trade in financial derivatives that the banks have expanded enormously in recent decades.

What are the impacts of regional bank branch closures on the banking needs of individuals?

What are the impacts on the banking needs of businesses, community organisations and communities?

Individuals and many small businesses deal in cash, in particular in the regional areas. The local businesses and school canteen, the community fund raiser event, the local busker, or beggar, the charity organisations, they all need the community to have access to cash. Cash was king for those devastated by the bushfires who needed to purchase food and goods. Without electricity, electronic transactions were non-existent. Cash is a vital means of exchange!

The major banks are aggressively promoting cashless payments systems, and pursuing targets to reduce cash use in the economy. The banks promote cashless payments in terms of ease, efficiency and security for their customers, but the reduction in the availability and use of cash disadvantages the elderly and disabled, and immigrant communities, who prefer the certainty and simplicity of cash transactions. It also exposes Australians to being stranded from transacting by failures of the electronic payments system when natural disasters and infrastructure problems cause power and/or telecommunications failures.

Are there particular issues in the provision of banking services in regional Australia for specific vulnerable groups?

Providing access to banking services and cash, for all Australians, is a government responsibility. Stop begging the banks to keep their regional branches open and instead, force them to compete with a public option — a postal bank. Postal banks are successful all over the world. The US Congress is considering a bill to re-establish postal banking through the US Postal Service, and Australia's Commonwealth Bank started as a postal bank.

The taskforce's report already identified that the intention of the banks is to put profit before people!

Under the Branch Closure Protocol, ABA member banks are committed to providing personal and small business customers in remote, rural and regional areas, ongoing face-to-face banking services when branches close.

Specifically, when a branch closes ABA member banks will provide ongoing locally available face-to-face services with cash deposit and withdrawal facilities **where it is commercially viable**. The bank will give customers and relevant organisations written notice of the intention to close the branch and provide customers with information about accessing services and offer assistance to help customers adjust to the change.

If it is not commercially viable to maintain branch services and local face-to-face services are not available, banks will undertake to identify other retail banking service options prior to closure.

What more could banks do to help customers transition to alternative banking services that would enable them to do their banking in a timely, efficient and cost-effective way?

I would recommend that rather than asking the banks what they will do, use the power of government and fulfil government's responsibility to provide banking and postal services to everyone, regardless of where in Australia they reside.

The Citizens Party and the Member for Kennedy, Bob Katter MP, have drafted a bill for a *Commonwealth Postal Savings Bank (CPSB)*, which Mr Katter intends to introduce in Parliament at the first opportunity. The bill would establish the CPSB as a government corporation to operate exclusively through post offices. I've attached a copy of the Bill and memorandum.

The CPSB would:

- Guarantee banking services to all Australians;
- Guarantee income to Australia Post and LPOs, ensuring the long-term viability of postal services across Australia (so they never have to beg from the private banks again);
- Guarantee all deposits of CPSB customers;
- Support the cash payments system, so that cash is always available in the economy (whereas the private banks are aggressively trying to phase out cash to trap people in electronic transactions that have to go through banks);
- Lend to individuals, business and industries in the local communities the CPSB serves (which are increasingly starved of credit by the private banks); and

- Invest surplus deposits in a national development bank to invest in major infrastructure and industry development in regional Australia.

Are there facilities, services and products provided in bank branches that are not available alternatives like ATMs, Bank@Post, phone banking, mobile banking, the telephone and the internet?

Wrong question!

The right question is: would those alternatives be available if the internet is down, or the power supply is interrupted. What about if the area is subjected to bushfires or flooding? With a government-owned banking institution such as a Post Office Bank, unless the doors are electronic they will always be open for the community to access cash and do their banking, manually if need be. The proposed post office bank offers so much more to benefit all Australians, individuals, businesses— the whole economy— not only those in rural and regional areas.

The taskforce issues paper mentions various bank scenarios where a particular institution could be working with the local community, and “may assist in providing banking services”. But, whether or not a town is a viable option for that institution to work with the community, is determined on their estimated profitability. In all cases, the community wears the risk, and if viable, the bank will share some of its dividends and profits with the community. If not viable, they will probably pull up stumps and leave.

The government has a moral responsibility to provide postal services, and combining banking with postal ensures both services can be maintained. It’s a win-win for everyone!

What are alternatives to bank branch models that would maintain or improve banking services and accessibility in areas where branches have been closed?

If the Taskforce is committed to a genuine solution that will maintain banking services across the country, that solution is a Post Office Banking system.

A summary of the key provisions of The Commonwealth Postal Savings Bank Bill are:

1. Establishes a new, government-owned savings bank for the deposit of savings;
2. Supports and encourages the expansion of access to affordable banking, including the provision of short and long-term loans and better banking services to communities which have been deprived of private banking branches and facilities;
3. Provides access to a government-owned savings bank which is highly accessible, with a large nationwide footprint and extended daily opening hours;
4. Provides easily accessible service locations, especially at Australian Post Offices to make it possible for all Australians to access physical banking locations;
5. Makes the Post Office branches, agencies and franchises available for that purpose;
6. Provides Commonwealth security to depositors for repayment of all moneys so deposited with the Bank;
7. Provides affordable, transparent, trustworthy banking services, including bank accounts and real-time payment systems and easily accessible service locations, including Australia’s Post Offices;

8. Creates a government-owned savings bank to provide all financial products and services, ensuring that the customer's access to the products and the public interest is given significant consideration;
9. Encourages Australians to save money and have access to banking services;
10. Provides easily accessible savings products to all strata of the population;
11. Gives small investors a ready means of saving;
12. Provides funds to facilitate efficient, long-term financing of infrastructure projects, business and economic growth, vital aspects of the economy and new job creation in Australia by the investment of the Bank's funds with Government-owned institutions which have access to or control of such projects;
13. Provides such other basic financial services as the Bank determines appropriate in the public interest.

Are there any alternative models for the provision of banking services that could be considered for adoption by banks in Australia?

Private banks will always act to maximise profits, so don't kid yourself they will adopt a holier than thou approach now! There is no alternative model!

The only genuine solution is a government-owned savings bank, that could be easily operated through Australia Post Offices, which will provide all financial products and services, ensuring customers have access to their products and the public interest is given significant consideration.

The Commonwealth Postal Savings Bank would:

- Be a public institution dedicated to the economic prosperity and welfare of the people of Australia;
- Promote genuine competition in the banking system, as the original Commonwealth Bank did for 85 years from 1911 to its privatisation completed in 1996, after which bank profits soared and service declined;
- Provide basic deposit and loan financial services to all Australians, separated from the risks of investment banking and guaranteed by the government;
- Ensure rural and regional communities and low-income metropolitan communities have access to financial services through the post office network;
- Not discriminate against lawful businesses;
- Support and maintain cash use and availability, which is especially important in rural and regional Australia.

What are the lessons from Australian and international experiences that can help improve banking services and accessibility in regional communities where bank branches have been closed?

This is an excerpt from an article by the Citizens Party titled: The post office origins of the Commonwealth Bank. <https://citizensparty.org.au/post-office-origins-commonwealth-bank>

As recounted in *The Commonwealth Bank of Australia: A Brief History of its Establishment, Development and Service to the People of Australia and the British Empire under Sir Denison Miller*, by C.C. Faulkner (1923), the Commonwealth Bank began its operations with its Savings Bank business, prior to commencing other general business.

In 1901, the Postmaster-General's Department had been established to unify state-based postal and telegraph services into one federal agency. With passage of the *Commonwealth Post and Telegraph Act* in June 1902, all post office workers were employees of the Commonwealth. The idea to establish the new Commonwealth Bank's branches at existing local post offices made perfect sense. At the time, state banks run by state governments conducted virtually all their savings bank business at local post offices, by arrangement with the federal government, but post offices were released from this agreement in 1913 to make way for the Commonwealth Bank.

A Per Capita Discussion Paper titled: Postbank: Filling a void, securing essential services, pages 17-19 references international examples of post office banking: Successful post office banks have run in many countries over the last 200 years. However, over the last fifty years many have been victims of their own success and been privatised as part of economic rationalist trends around the world towards smaller governments and fewer government run enterprises. Remaining or re-established successful postal banks include Post Office Money in the UK, Kiwibank in New Zealand, Banque Postal in France, Post-Finance in Switzerland and Banco-Posta in Italy. https://percapita.org.au/wp-content/uploads/2020/07/Australia-PostBank_FINAL2.pdf

Thank you for the opportunity to express my concerns and put forward a genuine banking solution.

The Taskforce has the opportunity, and responsibility to act decisively in the best interest of all Australians and get the Commonwealth Postal Savings Bank legislated.

Yours sincerely,

Ann Lawler