



20 December 2021

Regional Banking Taskforce
Financial System Division
The Treasury
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Thank you for the opportunity to comment on the Regional Banking Taskforce Issues Paper which aims to identify ways in which banks, in collaboration with Government, assess the impact of bank branch closures in the regions.

The NSW Farmers' Association is Australia's largest state farming organisation representing the interests of its farmer members. NSW Farmers is Australia's only state-based farming organisation that represents the interests of farmers of all agricultural commodities. Our purpose is to build a profitable and sustainable New South Wales farming sector.

Our members engage with the banking sector for both business and personal services. As business owners they understand the importance of a sustainable business model, however, there are increasing concerns that banking closures in smaller rural areas is designed to deliver profitability at the expense of any perceived or actual community service obligations.

NSW Farmers' members hold significant concerns about the ramifications of moving to an increasingly cashless society due to the community impacts.¹

Digital technology

There is no doubt that with significant improvements for technology solutions there is an improved capability for on-line service delivery broadly, this increased reliance by banks for service delivery assumes that all regional, rural, and remote residents have certainty of access to interactive digital services – mobile and internet.

NSW Farmers notes with concern the assumptions regarding certainty of access for internet banking outlined on page 5 of the Issues Paper. The data as reported indicates that with 95 per cent of adult Australians in regional areas can access home internet, and 89 percent were performing banking activities on-line. It is important that this high-level data does not lead to an assumption that the experience is a choice, rather than a necessity, or that these transactions are straightforward.

NSW Farmers have recently made a submission to the Regional Telecommunications Independent Review Committee. Our submission, based on member feedback, highlights significant accessibility issues that have flow on effects for electronic banking.

¹ 21EC-OCT - That NSW Farmers requires government to mitigate the ramifications associated with moving to a cashless society and the resultant impact on the community. 4543

The challenges related to virtual banking are summarised as follows:

- Lack of certainty regarding service availability – mobile services can be cut resulting in lack of continuity of service. If a customer is seeking to progress a phone-banking transaction, each time the mobile service is lost, the process must be recommenced.
- Poor internet speeds – members have indicated that low upload speeds result in time-out issues when conducting business banking through cloud applications. The significant variability also impacts the ability for customers to progress seamlessly through the required two-step verification for secure account log-on. For example, a farming member in the North West region of NSW has been unable to undertake time critical business transactions for at least 4 days due to requirements for telecommunications infrastructure upgrades on his closest mobile tower. When the connection is functioning, his download speeds vary from a maximum of 30mb/s to 1.1mb/sec.
- For those with poor internet/mobile access, without a bank in their local town/village, the next best option is to use community providers, including libraries or community centres – where available. While this community service is appreciated, there are can be access issues due to limited opening hours, and or concerns about the security of the internet service.

What has been clear across rural NSW is that smaller towns and villages have lost access to physical bank branches and face-to-face interaction. While the larger centres and cities have, in the main, seen a maintenance of these services, the impact of this is the de-personalisation of the banking relationship and a greater focus on less complicated transactional/transfer services.

It is not the intent of NSW Farmers to oppose on-line banking. For many, the intent of the service means that there is greater flexibility in their banking access. Rather our concern is the assumption that internet and on-line banking is a service that has certainty of access across regional, rural and remote areas.

NSW Farmers encourages the Regional Banking Taskforce to look critically at the challenges for connectivity in these areas to improve certainty and equity of access with metropolitan areas.

Business Banking Impacts

For the farming community, their business finance needs are often complex and involve a range of products from retail banks – loans (business operation and machinery) and short-term cash-flow management facilities. The loss of direct banking relationships that may aid in the most appropriate product for the individual business can be lost due to the standardisation of progress points for eligibility.

NSW Farmers recognises the importance of transparency in banking, but the loss of direct relationships can be challenging, particularly when the farm business is under stress due to long-term drought or natural disaster impacts. We are aware that the banking sector has in place key points of contact for business banking, but this may be an ad-hoc contact, and the bank representative is often located out of the local community.

Personal Banking Impacts

NSW Farmers is concerned that the loss of a physical banking presence in smaller communities has potential for a detrimental effect on related commercial operations in regional and rural towns. We note that the COVID-19 response over the last 18 months has led to significant changes to the way that individuals have engaged in shop-front delivered services – access to services, retail etc. However, the importance of physical or face-to-face interactions should not be discounted, especially as it underpins and maintaining vibrant communities.

In smaller rural centres the loss of shop-front banking can and has led to a reduction in other retail or service provision – reducing the ‘main street’ offering, or indeed the broader community capacity. As we saw during the recent drought, once services or people leave a rural community, re-attraction is challenging.

While on-line banking is a partial solution, there is still a need across the community for cash. The only option for some in rural communities is access through an Automatic Teller Machine (ATM). In some communities

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there may be only one ATM. Customers will incur a transaction fee if this ATM is not provided by the bank at which the customer has an account, or it is operated through a contracted arrangement within a local business. This adds costs for the customer. Additionally, the use of EFTPOS can also incur a service charge – depending on the bank/credit provider arrangement with the retailer.

NSW Farmers considers that it is inappropriate that if a bank withdraws service from a community that the individual banking customer is required to bear the costs of this decision through additional transaction costs.

NSW Farmers considers that there are additional community engagement consequences of the removal of shop-front banking.

A reduction in the accessibility to cash has implications for local fund-raising activities run by volunteer groups. These activities rely on multiple low value cash transactions. The ability for these groups to organise EFTPOS access can be challenging if not connected to a registered business entity or charity, and the costs associated with establishing these processes reduces the overall value of the fund-raising effort and may result in the cessation of these volunteer led activities.

The ripple effect can then be that the community does not have the capacity to apply for contestable grants, the required financial threshold may be below the minimum funding guidelines, or their community fundraising need is outside any contestable grant eligibility guidelines.

Bank@Post

NSW Farmers recognises the value of the Bank@Post to deposit (cash and cheques) and withdraw cash. However, while this service provides for timely transactions, for many of the financial services for which it is a contracted service provider, there will be limited capacity for the employees to provide accurate and appropriate information on broader bank offerings.

We also note that while the Bank@Post service does not charge a transaction fee to the customer at the point of interaction, there is no guarantee that the individual bank does not apply a service charge directly to the customer. It is important that banks, when entering into a service delivery agreement with third party service providers, do not pass through the costs to the individual account holder. This is inequitable and inappropriate if the Bank@Post is the most accessible 'shop-front' access for residents in rural and remote communities.

Given that the Issues Paper states on page 9 that banks have invested in the technology and security for the Bank@Post service, the provision of individual user terminals should also be made available by the banks to allow self-directed searching of broader bank products and services, given that not all residents may have access to personal internet/mobile services.

Digital and Financial Literacy

NSW Farmers is concerned that while banking/financial information is available on-line where it is able to be accessed by the majority, there is still a significant minority who will be disadvantaged or isolated by further loss of in-place banking services in rural and remote areas. Older residents, or residents with low income, restricted movement, or who are visually compromised are at greater risk of marginalisation following the withdrawal of physical services from a community.

We note that the banking sector has complemented on-line banking with call centres or dedicated help lines. These are critical support services; however NSW Farmers considers there is value in establishing, or expanding dedicated support services for rural and remote customers, with these service providers having capacity to provide phone inquiry and support services as well as delivering in-place support through targeted community information sessions.

Should additional information be required by the Taskforce, the secretariat is invited to contact Kathy Rankin, Policy Director by email rankink@nswfarmers.org.au, or phone 02 9478 1008.

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