

Postal ‘people’s bank’ the solution for regional Australia

Regional banking in Australia, Part 3

Parts one ([AAS, 27 Oct.](#)) and two ([AAS, 3 Nov.](#)) of this series examined the Morrison government’s 22 October 2021 announcement of a Regional Banking Taskforce, which dubiously includes the major banks and their lobbyists as key participants.

Australia’s big four banks are Dr Jekyll when confronted with an angry public, and Mr Hyde as soon as the spotlight is off them. For example, according to Committee Chair David Hawker, at the beginning of the 1999 Hawker inquiry into regional banking, the banks were “hesitant and defensive”. However, as submissions and witness testimony revealed the deep anger and resentment of regional communities and exposed the social and economic damage wrought by widespread branch closures, the banks shifted to damage control. Hawker observed there were later “signals of a change of heart” and “a marked shift towards a more constructive attitude”. The banks made commitments and promises to placate an outraged public, but evidently had no intention of keeping them.

NEWS Banks say branch closures no longer a sign of a town in decline as online shift accelerates, but locals still worried

By business reporter Stephanie Chalmers
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Banks have broken their pledges and shut branches on loyal customers.

For example, ANZ told the Hawker Committee that it had announced a moratorium on rural branch closures, which was enshrined in its Customer Service Charter; and made a commitment not to withdraw from any community in either metropolitan or regional Australia. However, this promise was evidently false. In a 23 October 2018 Senate Estimates hearing, Australia Post CEO Christine Holgate observed that ANZ had closed 81 branches in 15 months, 20 in the previous three months alone. Around 70 per cent of these closures were in rural and regional Australia. According to research by new independent online news service founded by journalist Dale Webster, *The Regional*, since the start of 2021 ANZ has reduced its regional branch network by a further 16.4 per cent. Five of these closures were the last bank in town, leaving residents without a big four bank.

The Hawker Committee reported that Westpac had promised to “maintain the current overall level of branch numbers in the network”. Another false promise! *The Regional* reports that since the start of 2021 alone, Westpac reduced its remaining regional branch network by another 2.9 per cent.

In 2002, several years after the Hawker inquiry, Commonwealth Bank announced it would maintain the number of its branches around the level of 1,000 Australia-wide. In the 2004 Money Matters in the Bush inquiry into regional banking, a CBA executive testified that this was a “watertight commitment not to reduce traditional branch numbers below a thousand”. However, according to the Australian Prudential Regulation Authority’s (APRA) latest figures, CBA has 875 branches left, giving the lie to its so-called “watertight” commitment. *The Regional* reports that since the start of 2021, CBA reduced its regional branch network by another 9.4 per cent, and 14 of these closures left towns without a big four bank.

The 1999 Hawker Committee was disappointed with NAB’s “apparent nonchalant response to the concerns raised by rural communities during the course of the inquiry”. A decade later, NAB’s CEO penitently told a 2011 inquiry into competition within the Australian banking sector that “the banks, 10 years ago, clearly broke a bond of trust with the community when they closed branches. There is no question about that; it was a mistake.” This admission was evidently insincere posturing, as NAB has continued its widescale branch closures. *The Regional* reports that NAB has reduced its remaining regional branch network by 10 per cent since the start of 2021 alone, leaving 24 towns without a big four bank.

False promises and flawed assumptions

In the 2004 Money Matters in the Bush inquiry into regional banking, the banks “maintain[ed] that they have taken notice of the public outcry over banks abandoning the bush and have taken steps to mitigate the effects of the cutbacks”. The banks claimed that they “accept[ed] that they have a social responsibility and claim that they have taken measures to fulfil this obligation”; however the Committee observed that “a number of communities in regional Australia remain unconvinced by such assurances and worry about banks withdrawing from their district”. The ensuing years of regional branch closures, as documented by *The Regional*, confirms that regional communities were right to doubt. Past inquiries have revealed that the banks will make mealy-mouthed promises when confronted with an angry public, but are not interested in genuinely serving the needs of the community.

For example, in the 2004 Money Matters inquiry, despite the banks’ claims that they accepted they had a “social responsibility” to the public, they appeared unwilling to consider practical solutions to the needs of communities where traditional banking services were withdrawn. Banks were “not enthusiastic” about exploring solutions such as providing mobile banking services to regional areas. Banks strongly resisted the sensible idea of multiple banks sharing office space to save costs in rural communities. The Committee believed that “banks have not demonstrated a commitment to service their retail customers in country areas by exploring and actively pursuing a range of potential service delivery channels”.

The Money Matters inquiry also observed that the banks’ lobbyist, the Australian Banking Association (ABA), had adopted a “watered-down version” of the Hawker inquiry’s recommended branch closure protocol, with a number of mitigating qualifications and “notable omissions”. The Hawker Committee had stipulated that banks must leave some form of over-the-counter service behind when closing a branch. However the ABA’s branch closure protocol included the conveniently subjective qualification of “where it is commercially viable” to do so; adopting a proviso which was first suggested by the Howard government in its response to the Hawker report.

Notably, the ABA did not support banks being required to prepare a community interest statement prior to closing a branch. Submitters to the inquiry were concerned about the omission of community consultation from the branch closure protocol; however, the ABA claimed that it “was satisfied that there was a clear presumption that consultation would take place in the event of a proposed branch closure”. This “presumption” was worthless—banks simply announce branch closures with no regard for loyal customers who have banked with them for decades.

The ABA told the 2004 Money Matters Committee that it had announced a “Remote Services Round Table” initiative to “involve relevant government agencies ... to draw up action plans to improve access to banking services”. This proposal sounds suspiciously similar to the recently announced Regional Banking Taskforce, which also involves government agencies, the banks and the ABA. Evidently, the ABA’s lauded 2004 round table failed to improve banking services in regional communities—Australians should not let the Regional Banking Taskforce be a repeat non-performance.

Banks abandon and exploit the community

Despite all of their promises to the contrary, the banks have abandoned regional Australia, hand-balling the responsibility of providing banking services. In doing so, they have used and exploited the community. For example, in the Hawker inquiry, numerous submissions “argued that small businesses were acting as de-facto banks and that the burden of providing access to basic banking services in rural and remote regions had fallen disproportionately upon small and independent retailers”, which was impacting the very survival of some businesses. The Australian Council of Business Women observed there was a perception that “banks are doing well out of the system, but not those actually providing the service”.

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Good timing: Australia Post in talks to become a bank

FINANCE & TAX | By Michael West | April 25, 2018



Christine Holgate initiated talks for Australia Post to become a bank.

Other members of the community which have been exploited by the banks for decades are the

thousands of Australia Post small business franchisees.

The increased reliance on Australia Post to fill the services gap left by deserting banks was foreseen by the 1981 Campbell Inquiry, which was a key instigator of the decades of deregulation which have caused the banks to “rationalise” or prune their branch network in order to compete for profits.

In 1995 Australia Post significantly expanded its role in delivering financial services by establishing “giroPost”, an electronic banking network, which the banks have exploited ever since. Most banks had previously offset the effects of branch closures by outsourcing to a network of third-party agencies; however, as the Money Matters Committee shrewdly observed, there was a “general decline” in third party providers which coincided with the 1995 launch of giroPost. The ABA encouraged Australia Post to expand its electronic banking network, and it is obvious why—giroPost enabled the banks to honour their commitment to provide over-the-counter services when they closed regional branches, paying licensed post offices a pittance for the privilege of serving the banks’ abandoned customers.

The Hawker Committee recommended that Australia Post’s network and services should be expanded, including to offer business banking services. However, the Hawker report observed: “Australia Post expressed willingness to consider developing the service provided that banks were prepared to come to a commercial arrangement that would recognise Australia Post’s increased costs and levels of risk. At the time, Australia Post indicated that the banks were unwilling to offer what it considers a reasonable transaction fee for such a service. However, the Committee understands that this issue is the subject of continued negotiation between Australia Post and its banking partners.”

Shockingly, almost twenty years later, the banks were *still* unwilling to adequately compensate licensed post offices for providing services to the banks’ abandoned customers. As the Citizens Party has documented, the banks’ recalcitrance was destroying the 3,000 Licensed Post Offices (LPOs) run by small business families, sending them broke. The banks were happy to take advantage of Australia Post’s community banking services, but refused to properly pay the LPOs for providing the service. However, in 2018 Australia Post CEO Christine Holgate’s historic Bank@Post deal forced the banks to pay a community access fee, which saved the LPOs and Australia Post’s regional banking network.

Regional banking solution—a postal ‘people’s bank’

For decades, the banks have been happy to exploit Australia Post and its small business licensees, but will not tolerate it becoming a genuine competitor; namely, a public bank. Yet Australia Post is eminently suited to providing banking services to regional communities, and for many years the public have warmly supported its expansion.

The 1999 Hawker Committee observed that “[w]ith its extensive network in regional and remote Australia, Australia Post clearly has the potential to play a major role in providing access to financial services in areas affected by the withdrawal of banks”. Importantly, as the Hawker Committee pointed out, “Australia Post has an important role to play *in developing lower cost alternatives*”—a statement which would have alarmed the banks.

The 2004 Money Matters inquiry observed: “Australia Post is held in high regard for the work it is doing in making banking services more accessible to people in country Australia ... witnesses felt that Australia Post outlets are more attuned to the needs of their customers”. Witnesses also acknowledged Australia Post’s shortcomings, such as a limited range of services; however, the Committee observed that “[i]nterestingly, 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.”

On 25 April 2018, independent journalist Michael West reported that, according to sources, Australia Post CEO Christine Holgate was “driving the deliberations on Australia Post becoming a bank, leveraging its network of almost 7,000 offices across the country”. West, an experienced financial journalist, warned that “[t]he banks will fight it tooth and nail”. In 2020, bank-loyalist politicians, including Prime Minister Scott Morrison, engineered the political assassination and ouster of Holgate, whom the LPOs deemed “the best CEO Australia Post ever had”. The LPOs have long supported the policy of Australia Post becoming a bank, which would permanently provide the increased revenue franchisees need to viably provide banking services to the public.

Although the banks were Dr Jekyll while under the intense public scrutiny generated by the unjust ouster of Holgate, now that the spotlight is off, they are back to Mr Hyde. The banks have savagely moved to knee-cap Australia Post: as the Citizens Party has documented, although the contract for Bank@Post has supposedly been renewed, it is for a reduced community access fee that is only half the funding necessary to keep the LPOs viable; the LPOs have seen nothing in writing; and the banks are now slugging customers \$3 to \$4 per transaction to do their banking at licensed post offices.

The banks have demonstrated over and over that they cannot be trusted. Neither the banks nor their lobbyist, the ABA, deserve a seat on the Regional Banking Taskforce— they have done everything within their power to derail genuine solutions to regional branch closures for decades, because they will not tolerate any competition to their oligopoly. It is only self-serving politicians and the greedy, corrupt banking sector which object to Australia Post becoming a bank. The banks have had twenty

years to fulfil their promises to regional communities, and have failed utterly. Enough is enough—
Australians must demand an Australia Post public 'people's bank'!

By Melissa Harrison, Australian Alert Service, 10 November 2021