

How a public postal bank would work in Australia

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Structure

The CPSB would be established as a new Commonwealth government company, separate from Australian Postal Corporation, with its own board and management.

It would be legislated to operate through Australia Post, based on a comprehensive partnership agreement that includes an access payment to Australia Post for the use of its branch network, which is sufficient to also benefit the 2,850 small business licensed post offices (LPOs).

This agreement would be a significant improvement on the Bank@Post agreement Australia Post has with the private banks for serving their customers ([on which the banks are squeezing Australia Post](#)).

An alternative structure would be for Australian Postal Corporation to be given a banking licence, and run the bank itself, [which is how New Zealand's postal bank Kiwibank started](#).

One reason the proposed CPSB is not structured this way, however, is that it is possible this structure would require all 2,850 LPOs, because they are private small businesses, to individually apply for banking licences, which would be an unnecessary bureaucratic burden.

Retail services

For both the corporate post offices and community LPOs, their daily banking service for the CPSB would be virtually identical to how they serve customers of the private banks now, with largely the same computer terminals and systems.

They would take deposits, dispense cash, process payments, and show customers how to apply for loans, as they do for the private banks now.

The CPSB and Australia Post would need to ensure the post offices have security infrastructure, and secure processes, for handling, storing, and transporting cash, which is infrastructure they need anyway (the cost would be met in the partnership agreement between the CPSB and Australia Post).

The post offices would *not* be expected to function as bank managers and approve loans etc., as that would be handled by specialised CPSB staff.

Loan approvals

The CPSB board and management would be responsible for establishing a fully operational bank, with all banking functions, for which post offices are its retail outlets.

The banking decisions, including loan approvals, would be made by the bank staff, not the post office.

This would require a national office, state offices, and regional offices, which serve all the post offices in those regions with regional managers and staff that are responsible for regularly visiting the post offices and the communities in which they operate, and developing intimate knowledge of the local people, businesses, economies, and circumstances.

Loan approvals would be made at the regional office level, by experienced bankers who know the local conditions; the function of the local post office would be to help the local individuals or businesses with the initial loan application process that puts them in touch with the regional office.

Priorities and potential

The priorities of the CPSB would be:

- to ensure every Australian and every community always has access to face-to-face banking services;
- to provide credit for local communities and small and medium enterprises that are now too often denied credit by the private banks;
- to provide a low-cost, no-frills, secure banking alternative to the Big Four banks which forces them to compete.

On top of that, the CPSB has the potential to serve the economy in other ways, which it could easily do if the government of the day, and the management of the bank, so choose. These include:

- financing infrastructure and industry development—the CPSB could invest surplus deposits in a national development bank, which a Parliamentary inquiry called for in 2021, or establish its own development banking division, staffed by infrastructure and industry experts, to lend for local infrastructure projects, and to local industries;

- financing local councils—as local governments don't have enough money to properly maintain their existing infrastructure assets, the postal bank could lend to councils for infrastructure investment;
- low-cost insurance—a public bank is a perfect fit with a government insurance office, [which most Australian states had before they were privatised](#) and insurance became so expensive; the CPSB could establish an insurance division that provides affordable insurance for the communities that the private insurance companies are unwilling to cover.

The issue with a public post office bank is not whether it would work, but whether the government would be prepared to stand up to the private banking oligopoly, which would fight to stop it.

NEXT — State of Banking in Australia - The tip of the iceberg

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