Australia's return to a fair and true People's Bank

THE WIN-WIN POST OFFICE 'PEOPLE'S BANK' SOLUTION

19 May 2021 — The campaign to achieve justice for Christine Holgate and the thousands of licensed post offices (LPOs) she saved has exposed glaring deficiencies in the structure and management of Australia Post. Given the importance of post offices and postal services to Australian communities, reforming Australia Post to fix these failings would be good for the whole country, as well as LPOs. A post office people's bank that guarantees financial services to everyone and the long-term financial viability of LPOs, is a win-win solution for all Australians.

The 2,850 small business LPOs are the most vested stakeholders in Australia Post; on average, they each have more than a million dollars of their own capital ($3 billion collectively) invested in their businesses that provide postal services to the Australian people. LPOs exist because the government corporatised Australia Post and established the model of running post offices under license as small businesses to make Australia Post a self-funding service. Before Christine Holgate became CEO, however, LPOs were going bankrupt, and had been for decades. "The busier they are, the more money they lose, which is a pretty crazy business model", Senator Nick Xenophon said to ABC in September 2014, during a Senate inquiry into LPOs. Yet neither the government nor the management of Australia Post cared. All the years LPOs were going broke the government kept extracting around $200 million from Australia Post in annual dividends for the federal budget—the LPOs were effectively subsidising taxpayers out of their own pockets! The management of Australia Post were just as bad. Their callous advice for struggling LPOs was to combine their post office businesses with other businesses like coffee shops and florists. The community-minded LPOs were appalled, as this would mean cannibalising other small businesses in their towns to subsidise a service the government should have ensured was properly funded.

It is well documented how Christine Holgate turned around the fortunes of the LPOs, starting with the 2018 deal that required the major banks to pay a $20 million annual community representation fee for post offices to serve customers abandoned by the banks through branch closures. Achieving this deal was a miracle. The board of Australia Post predicted she couldn't do it and gave her a deadline of 30 September that year to land a deal, otherwise they would scrap banking services at post offices. The big four banks did not want to pay, despite the fee being less than 0.4 per cent of each of their mega profits. They complained about Christine Holgate to then-Treasurer Scott Morrison, who didn't lift a finger to help her. Only after Josh Frydenberg took over as Treasurer and Christine Holgate convinced him to support her plan, and he called the banks on her behalf, did three of the big four agree to pay. (ANZ refused, which is why ANZ customers can't bank at post offices now.)

LPO Group Executive Director Angela Cramp revealed in an **8 February 2021 Citizens Insight interview** that the deal increased payments to LPOs by 50 per cent on average, depending on how much banking LPOs do in their particular locations. This made a world of difference to their businesses—

Angela Cramp said for the first time she was able to sleep soundly instead of fretting over whether her business would survive. It's why the LPOs were so loyal to Christine Holgate two years later when she was attacked in Parliament for buying Cartier watches as rewards for the executives who worked on the deal.

By contrast, the government and Australia Post management were not loyal to Christine Holgate at all. Despite paying lip service to her brilliance as a CEO, they were treacherous, shunting her out as quickly as they could and then lying to cover up their intent. This underscores the ongoing problem facing the LPOs: the government and management don't care if they survive. As for the two-faced banks, they may renew the deal, but only if it suits their management priorities; in the meantime, they have jacked up the fees on Bank@Post transactions to a ridiculous $4.50. This means the future viability of the LPOs is at the mercy of banks that continue to demonstrate their disregard for their retail customers by shutting down bank branches en masse and ripping out thousands of ATMs all over Australia, especially in the regions.

Win-win solution

The Citizens Party has drafted a bill for a Commonwealth Postal Savings Bank (CPSB) that will solve many problems, for Australia Post and the nation:

- Permanently secure the financial viability of Australia Post and the LPOs. The CPSB will be a custom postal bank to permanently operate through post offices, based on a legislated agreement with Australia Post that guarantees the LPOs share the revenue—their income will not be at the mercy of the private banks deciding whether or not to renew their Bank@Post deals, nor of the fickle management of Australia Post.
- Guarantee financial services for all Australians. The private banks have abandoned small towns in regional Australia and low-income suburbs, but they all have post offices, through which they will be able to bank with the CPSB.
- Guarantee bank deposits. The CPSB will be a public bank, owned by the government, which will guarantee all deposits, so Australians who bank at the postal bank will know they won't lose their savings in a financial crisis or deposit "bail-in".
- No "de-banking". As a public bank, the CPSB will not be allowed to discriminate by de-banking lawful businesses, as the private banks do.
- Support cash payments. The private banks are trying to do away with cash, which would be a disaster; the CPSB would allow people to always access cash (as Christine Holgate ensured post offices do now).

The CPSB would be a people's bank that serves all Australians and breaks the monopoly of the Big Four banks, which makes it more than just a good idea—it's an urgent necessity. Join the fight to make it a reality.

PUBLIC PROPERTY

COMMONWEALTH POSTAL SAVINGS BANK BILL 2021

Background to the Bill's provisions

The following is an excerpt from the Commonwealth Postal Savings Bank Bill 2021 Explanatory Memorandum.

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 Commonwealth Postal Savings Bank (CPSB) would address many of the structural failings in the Australian banking system.

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; indeed, 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".

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.

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. Furthermore, he noted: "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 "Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry"—shocked Australians with revelations of the crimes of the banks and failings of the regulators.

The closure of bank branches led to increased demand from customers banking at local post offices, which act as agents for the banks. In 2018 Australia Post negotiated a deal with the banks, to pay more to cover the actual cost of post offices serving the banks' customers. The three-year deal enabled Australia Post to expand its Bank@Post service, which made Australia Post profitable and ensured the viability of its 2,900 community licensed post offices (CLPOs) and financial services for the communities abandoned by the banks. Bank@Post demonstrates the clear benefits of Australia Post providing financial services, both to the business model of Australia Post and to the communities it serves.

Banks also withdraw financial services through de-banking individual businesses, which the banks claim is to reduce reputational risk and the risk of exposure to crimes such as money laundering. De-banking involves closing the accounts of the business, as well as the personal accounts of its principals, and sometime even their family members; moreover, de-banked businesses often find all banks, not just their own bank, will deny them financial services. As private businesses it is the banks' right to decide who to conduct business with, but businesses that are legal under Australian law should have the right to access financial services.

Likewise, the major banks are aggressively promoting cashless payments systems, and are 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.

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.

Structure and operations of CPSB

The legislation provides that the CPSB would be a standalone national corporation, structured to operate wholly through post offices. This structure avoids the need for Australia Post to have its own banking licence, which has complex implications relating to whether Australia Post would need one banking licence or many for each of its licensed post offices; this structure also allows the management of the two institutions to focus on their core specialty while cooperating closely. The CPSB's structural relationship to Australia Post would be similar to how the Commonwealth Bank started operations in 1912 using post offices as branches, except the CPSB would be a permanent postal banking service.

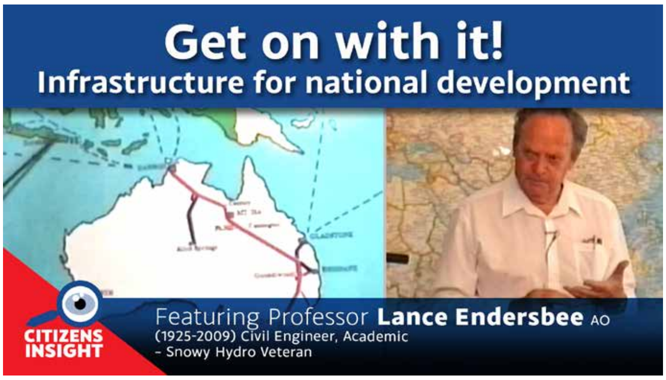
The arrangement between the CPSB and Australia Post would somewhat replicate the current Bank@Post arrangement between Australia Post and the private banks, in that the CPSB would compensate Australia Post for being the agent of its financial services. However, it would be different in crucial respects. First, as a permanent arrangement it would not require periodical renegotiation, whereas the Bank@Post deal is subject to renewal by banks, which banks could choose not to do if they cease to see it as in their commercial interest. Second, it would be genuinely mutually beneficial to Australia Post and its CLPOs, based on a fee structure agreed to by Australia Post that the legislation stipulates must reflect the actual cost of post offices serving bank customers, including a reasonable return to Australia Post and its CLPOs. This arrangement would secure Australia Post a permanent source of extra revenue that can subsidise postal delivery and guarantee its future as a public postal service, as well as the future of its unique licensed post office franchise network.

In its operations, the CPSB would generally meet demand that private financial institutions are unwilling to meet due to their business calculation of insufficient profitability. Because the CPSB's primary motivation is service, not profit, and because it is owned and backed by the Commonwealth government, it will have the financial flexibility and patience to serve marginal and neglected sectors and regions and in doing so, help to revive their economic prospects. The CPSB would not be restricted to areas not served by private banks however, as one of its benefits is increasing competition in the banking system, especially in retail banking services.

For many Australians, the CPSB would be an attractive alternative to the private banks. It would provide face-to-face retail banking services, easily accessible through post offices. Being owned by the Commonwealth, it would provide the security of a full Commonwealth government guarantee for deposits, not the more limited guarantee of the Financial Claims Scheme.

The CPSB's operational cost advantage—from using existing post offices instead of needing to invest in expensive new branch locations, and from enjoying a Commonwealth government guarantee—would enable it to subsidise banking services for Australians who are underbanked and unlikely to be served by existing banks.

It would provide credit to communities that have difficulty obtaining credit due to the commercial priorities of private banks; the CPSB would extend credit through competitive loans to individuals, to local businesses including farms, and to local governments for infrastructure. While CPSB customers would initiate loan applications through their local post office, the applications would be assessed and approved by qualified and specialised staff at the CPSB, to ensure high lending standards.



The legislation provides that the CPSB could invest surplus deposits in Commonwealth and State infrastructure projects, including by investing in Commonwealth government financial institutions. This envisions the possibility of a Commonwealth government-owned national infrastructure bank, through which the deposits of CPSB customers could be invested in the economic development of Australia.

As a postal bank, owned and guaranteed by the Commonwealth, and dedicated to increasing banking competition, providing financial services to all Australians and credit for neglected communities, and promoting economic development, the CPSB would be a safe alternative to the private financial system that serves the Australian people and the real economy.

What you can do

- **Tell your MP and Senators to support a post office people's bank.**
- **Share this flyer with your local Australia Post branch.**
- **For extra copies of this flyer that you can distribute through your local community, especially to the businesses, contact the Citizens Party on 1800 636 432.**

Sign petition for an Australia Post people's bank:
info.citizensparty.org.au/auspost-bank-petition

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