

Small towns want answers as the banks withdraw

News feature The Tasmanian town of Smithton produces \$840 million worth of commodities a year but is losing branches, writes James Eyers.

Smithton is a picturesque town in the north-west of Tasmania. Its main industries are beef and dairy. Along the coast, boats harvest oysters and crayfish, while on shore, the biggest employers are the abattoir and a timber mill. The area, with a population of 8117, produces \$840 million worth of soft commodities annually.

But in the past year, Smithton has waved goodbye to the branches of its two major banks: Commonwealth Bank shut up shop last November, and ANZ left the town in April.

"It's been a bank as long as I can remember," Gerard Blizzard, 67, says of the two-storey, colonial-style red-brick building on the town's main roundabout, which once housed an ANZ branch and now displays a For Lease sign. The former CBA branch, further up the street, is also vacant.

It's a similar story all over the country. Over the past five years, 677 rural and regional bank branches have been closed, a reduction of 29 per cent, according to figures from the prudential regulator.

Smithton has been left with a Bendigo and Adelaide Community Bank branch, providing more limited services than the majors, and there is no longer an ATM in the town. The nearest cash machine and big bank branches are in Wynyard or Burnie, an hour's drive away.

This week, the Senate's standing committee on rural and regional affairs visited Launceston, 230 kilometres to the south-east, where Blizzard, Smithton's mayor, joined other Tasmanian mayors to brief MPs on the impact of branch closures.

He told them personal banking was an essential service for many members of his community, particularly the vulnerable and marginalised lacking in digital and financial literacy. The exits were compounding the cost-of-living crisis, as small businesses were forced to drive cash to bigger towns to bank their takings. He chastised the banks for not listening to community concerns and factoring in the social impacts before deciding to cut and run.

The committee has heard similar complaints all over Australia during hearings this year in Sale in Victoria, Cloncurry and Ingham in Queensland, and Carnamah and Beverly in Western Australia. After visiting Launceston on Tuesday, it was in Junee, NSW, on Thursday, and will soon visit regional South Australia.

This inquiry has received more than 500 submissions, dealing with complex issues including low levels of digital literacy among the elderly and ongoing fears about rural isolation.

At the heart of the malaise is the declining use of cash. Bank CEOs briefing the committee this week argued this has sliced foot traffic in many branches, and the decision to shut them was an economically rational one.

But for the affected communities, the closures raise questions about banks' social licence to operate, and obligations to provide physical services in areas where cash remains important.

"Personally, I don't use a lot of cash,

but I know a lot of people who do," says Blizzard, who worked as a rural finance manager for 25 years before joining local politics. "We have a large cohort of elderly people here who are not digitally literate and for them, cash is a comfort thing."

"We have many small businesses in town, service stations and cafes and second-hand shops, and these closures have created problems. They are taking the risk of holding cash on premise, or taking it home, increasing insurance costs. Some are paying Armaguard to collect money, or are taking the risk of driving it up to Burnie themselves."

As the Hayne royal commission fades into the rearview mirror, banking services in the bush have become the new political pressure point for the banks. Since the inquiry began in February, three of the majors – CBA, ANZ and Westpac – have paused rural branch closures. National Australia Bank came under pressure this week for not doing the same.

Bank CEOs explained this week that cash deposits at rural branches were down 43 per cent over the past four years. According to CBA, five years ago 43 per cent of all transactions were made with cash, but today, the figure has slumped to 15 per cent, and banks expect this to decline further.

But the committee has heard that in regional areas, cash remains necessary. Many elderly people don't know how to use iPhones or computers. Telecommunication networks can be less reliable. The conflict is that banks are less keen on investing to maintain access to cash, in favour of cheaper digital services.

On Thursday, the senators moved on to Junee, in the Riverina region of NSW, known for its liquorice and chocolate factory and thriving agricultural community. It has been fighting hard to keep its Commonwealth Bank, which was slated for closure, but will remain open until at least 2026 under CBA's moratorium.

The Junee Golf Club told the committee that 33 per cent of its take was still in cash and the loss of the bank would present a big inconvenience if the manager was forced to drive into Wagga Wagga.

Liberal senator Gerard Rennick told AFR *Weekend* the messages from Junee were similar to many small towns: businesses will be forced to pay more for insurance to store cash on site, or assume the risk of delivering it long distances in cars. "Banks are pushing costs onto small business," he said.

Australian Banking Association CEO



Smithton mayor Gerard Blizzard (above) in front of the former ANZ branch. CBA chief executive Matt Comyn (left) fronting the Senate committee this week. PHOTOS: SARAH RHODES, ALEX ELLINGHAUSEN

We are not a cashless society. The reality is regional economies depend on cash. Small businesses need to get cash floats and to bank their takings.

Robert Barwick, Australian Citizens Party,

Anna Bligh, a former Labor premier of Queensland, assured MPs that lower branch numbers should not be seen as a decline in service options, given digital and phone banking options. Customers of CBA, NAB and Westpac can also use Australia Post offices to bank cash takings.

But the committee has heard about troubles with digital banking in the bush, including delays receiving text messages to meet two-factor authentication which causes internet banking to time out, and continuing concerns about network coverage, although this is improving.

And many are unconvinced that Bank@Post is the long-term answer,

given limits that banks impose on takings, variable levels of service under its franchisee model, questions about the security of its branches, and the closure of some of its locations as well.

"There is a massive gulf between how banks view the world, and how their customers experience the world," says Robert Barwick, research director of the Australian Citizens Party, which lobbied for this inquiry.

Mr Barwick describes Bligh as "a self-appointed cheerleader for a digital dystopia she is trying to sell as a nirvana".

"What I heard was a disconnect with the real world, and it was just appalling and dismissive and totally out of touch with what this inquiry has been hearing," Mr Barwick said. "We are not a cashless society. The reality is regional economies depend on cash. Small businesses need to get cash floats and to bank their takings. Banks say they are becoming more efficient, but they are doing this by reducing the productivity of small business."

Some leaders of the rural economy have questioned whether foot traffic is too limited a measure of the contribution a branch makes to the overall profits of a bank.

During hearings in Cloncurry in May, Queensland cattle baron Don McDonald, the father of National Party senator Susan McDonald, suggested

branch-level profitability should also factor in the contribution from nearby farms borrowing from the banks, so helping to generate their healthy overall profits.

"Banks see that there aren't enough people going through the door, but they've got a lot of businesses and a lot of wealth being produced around it," McDonald said.

"The money that's coming out of the beef industry and the mining industry in this area alone is enormous, and that's got to be considered in keeping your doors open."

Blizzard agrees the contribution of Smithton's agricultural industries should have informed CBA's and ANZ's thinking about the profitability of their branches. "One of the really frustrating things down here is that we have done well in the rural industry. But there are lots of small rural communities going through same thing we are going through," he says.

The committee is due to report in December, and is mulling a range of policy options. In addition to using Australia Post, some councils have called for deposit centres to be set up in their chambers, so local businesses can deposit cash.

The Financial Sector Union has gone further, calling for a "community service obligation" to be imposed on banks which could be attached to banking licences. Some senators suggested this week this could be a quid pro quo for government support including bailing out big banks in a crisis.

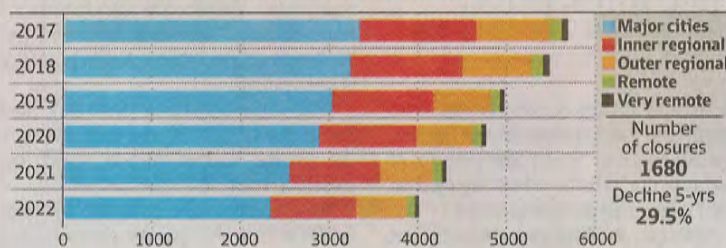
But the reluctance of government to dictate to private companies how they should invest has led to another idea, a policy of the Australian Citizens Party: creating a government-owned rural bank, with a mandate to ensure rural access to essential financial services.

Rennick says he is warming to the idea. "This is not up to the banks, it is up to government," the senator says. "My view is banking is an essential service, and like we have public and private schools, and public and private hospitals, I don't know why we can't have a public bank again, that makes enough of a profit to keep branches open in the regions, as a backstop for people who want cash and face-to-face services."

Blizzard hopes the committee can find solutions. "I don't for one minute suggest our community has a branch of every bank," he says. "But we should have a bank in the area."

Cutting back

Number of bank branches, by area of remoteness



SOURCE: APRA