

Regional Banking Taskforce 2021 – Issues Paper

Berrigan Shire Council Response



Berrigan Shire Council Introduction

The Berrigan Shire is a rural community with a population exceeding 8,500 and comprising the four towns of Finley, Berrigan, Tocumwal and Barooga; bordered by the Murray River and bushlands in the south and surrounded by dry and irrigated farming lands.

The Berrigan Shire Council (Council) has an active interest in banking in the area to the extent that, as a result of the closure of all on ground branches in the area, the Council has opened and operates a branch of the Bendigo Bank in order to provide access to the personal and business banking required by many of our community.

Council understands that the Taskforce is responsible for:

1. analysing the trends in bank branch closures in regional and remote Australia;
2. assessing the impacts of these branch closures on individuals, businesses, community organisations and regional industries (including business and land values) and determine accessibility issues and wider impacts on communities from these branch closures for banking facilities, services and products;
3. assessing how banks transition their services and delivery models to communities where they have closed (or will close) branches; and
4. identifying alternatives to bank branch models that would maintain or improve banking services and accessibility in areas where branches have been closed and potential solutions to overcome accessibility issues where branches have closed.

The nature of the consultation questions suggests that the Taskforce is primarily seeking comment focused on identifying alternatives to bank branch models in areas where branches have been closed. Further, it would seem the Taskforce is seeking consumer feedback on solutions that will need to be implemented to overcome decreased access to banking services in the communities where bank branches are closed.

Why is the Taskforce consulting on objectives focused on legitimising regional and remote bank branch closures? The Taskforce's remit is broad. The questions posed should use the process of consultation and consumer feedback to inform critical analysis of the trends in bank branch closures in regional and remote Australia. A critical approach would ensure any assessment of the impact, 'the lived experience' of branch closures in regional and remote Australia, uses the lens of neoliberal economics and public choice theory. Assessing the human impact on regional and remote communities of banking closures would seem to be more in line with the responsibilities of the Taskforce as advertised, rather than what on face, appears to be a question set more focused on legitimising what is already happening.

The current framing and ordering by the Taskforce of its questions infer that the Taskforce's operating assumption is that access to personal banking and financial services in rural and regional Australia is not a 'legitimate cost of doing business in a commodity-based economy'. Nor do the questions posed suggest the Taskforce appreciates the financial, export-oriented commodity-based economic reality of regional and remote Australia. Specifically, to remain competitive in global commodity markets now more than ever, there is a need for continued investment and bank branch presence in Australia's regional, rural, and remote areas.

Asking questions such as "What banking facilities, services and products are used in regional bank branches?" are quite insulting to areas where multi-million dollar businesses are not only farms, farming enterprises and their support industries, they are industries exporting their

products directly from these areas to the world. People in regional areas are asking for equity. We wonder why that is too much to ask, and having to constantly justify the need for equitable access is quite frankly – old. The question perhaps should have been, “How could the banking industry better support regional areas in encouraging the growing industry investments being experienced in these areas?”

1. How are Australians changing the ways they are accessing banking services?

In the context of regional and remote Australia, the question should be “How are Australian’s adapting to banking industry led change in how banking services are delivered and accessed?”.

Most reports provided through the Australian Banking Association and other similar bodies point to the fact that COVID-19 has accelerated the trends in society towards alternate styles of banking such as online and other technologically supported payments. What those reports do not consider is the fact that much of this trend was in fact forced on the population as “banking” was generally not considered a “reasonable excuse” for leaving home during various lockdowns.

To use the move to technology supported systems as an excuse to further reduce services to rural and remote communities would therefore seem to be more for the reason of confirming preplanned desires to increase profits, rather than living up to any social obligations banks hold as service providers.

In answer to the question posed, Australians are changing how they access banking services.

Older Australians and vulnerable Australians are now reliant on neighbours and family to assist them with banking services. Council’s experience has and continues to include, people requesting assistance through our libraries and through our customer service counter, particularly where family are no longer living in this community. These individuals require assistance with setting up banking services on personal digital devices. To do so, they must rely on the honesty and integrity of a third party – usually family, friend, or neighbour (and as stated sometimes Council staff) exposing private information and banking details. Changes forced on these citizens are thereby exposing vulnerable Australians to fraudulent use of their funds with no protection for any losses incurred. Such access is contrary to designs of internet banking conditions and yet there are technically no alternatives for these people.

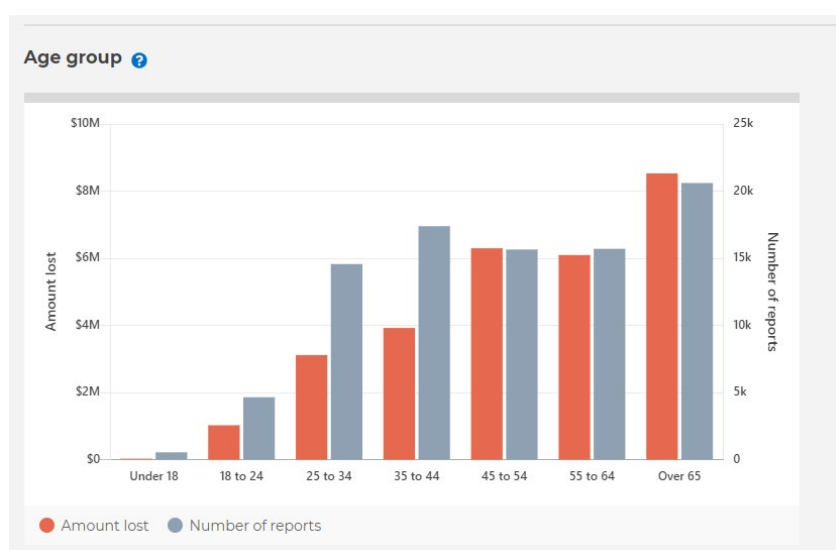
For businesses in car-dependent regional and remote Australia, the business cost of accessing banking services is measured in production ‘down time’, and the increased costs associated with securing cash on site. While also investing in technology that may or may not work due to internet congestion.

Australian’s are ‘changing’ the ways they are accessing banking services – it is, however, not a banking consumer-led change rather an adaption to change in how banking services are delivered. The cost of which is borne by the consumer and not the bank.

What are driving these changes?

Whilst it is agreed that technological change has made in-person banking less relevant for most of the population, including rural Australia, access to technology, and therefore widespread digital literacy, is not evenly distributed throughout Australia. Digital literacy, hence financial literacy in a digital world, cannot be assumed.

The increase in online banking is a driving factor in what has been in the first two decades of this century, an explosion in phone and internet scams designed to elicit the personal information needed to access or set up online banking services. Based on Scam Watch Data[i] (2021), online scam victims include older or non-digital native Australians – people aged 45 years of age or older. ABS data also confirms that the median age of people living in rural and regional Australia at 41.4 years is older than the median age of people who live in our capital cities[ii]



A key driver of change in how banks are changing the delivery of bank services; hence, access to banking service banks is banks' response to technology is the actuarial transference of the financial risk of online banking to the consumer.

Banks, not consumers are driving these changes. Banks establish the terms and conditions for bank access. Favourable terms are offered for online banking, including penalties for those consumers who transact face-to-face. Australia's banks are stating, and even forcing their customers to online forms of banking when rural and remote Australia's access to technology, digital connectivity is not at the levels experienced in urban and peri-urban Australia. Lower digital literacy rates, due to poor digital connectivity, are therefore real issues in rural and remote areas and that by inference, would seem to mean this push by banks to technology based platforms is most keenly felt in the areas where banking services are being removed at an increasingly rapid rate.

Lack of connectivity and digital literacy issues in rural and remote Australia are well known. The Regional Telecommunications Review currently being undertaken underpins acknowledgement that the issues faced in rural and remote communities are disparate to the experienced of urban and peri-urban areas.

The profit-driven nature of banking continues to place a premium on the cost of doing business. What is driving the change in rural and remote communities is the cost of doing business. The language is always carefully couched in the move to technology, but given that is less available in rural and regional areas, it is not a valid reason in these areas of Australia. The reason comes down to a lack of social conscience and a very strong focus on bottom line profits of banking corporations.

2. What banking facilities, services and products are used in regional bank branches?

The requirement of access to banking products and branches in rural and remote (or regional Australia) is literally no different to that of metropolitan users. People in rural and remote areas run businesses, large and small, have investment portfolios, have superannuation needs including planning, look for financial advice and simply need to deposit or withdraw cash sometimes.

Why would this taskforce think the needs of regional Australia is any different to those in metropolitan areas? When it comes to banking, those in rural communities are probably more astute than they are given credit for.

A mixture of banking facilities, services and products, including a mixture of delivery options, therefore remains as much a requirement in regional, rural and remote community as it does in more densely populated areas.

Automatic Teller Machines are one mechanism for delivery used by banks for the delivery of cash handling services. To suggest that cash handling is the only service needed in rural and remote communities is sophistry. For large banks however, ATMs are increasingly seen as the only on ground option they are willing to offer their clients. When regional and remote customers then travel to access other necessary banking services, the banks happily report that customers in these areas are moving to online options. Again this is not by choice, it is by force.

This Council is currently offering a Bendigo Bank agency at our office during limited hours. I will be asking Council to consider moving that to a full time option as often, the Bank is concerned by the amount of cash and transaction levels we have on site at any given time. The indicator here is that the service is desperately needed. It is not however, the remit of Local Government to support a hugely profitable and privatised banking sector.

3. Are there particular banking products or services that need to be delivered face-to-face or have support provided face-to-face? Are any of these particularly important for rural customers?

Social capital is the glue that ensures commodity-based regional and rural communities do not fragment and fall apart in a globalised market. Australia is a commodity-based trading nation. The withdrawal by Australia's banks of specialised agricultural bankers and agricultural investment products and services from the regional and rural communities disrupts not only the social capital of regional and rural communities, it limits rural and regional Australia's access to the investment needed to remain competitive. Put simply, Australia's banks are denying

shareholders social return on investment opportunities as a direct result of their deliberate de-investment in regional and remote communities.

Any banking service that is preferred to be delivered face-to-face or have supported delivery options to face-to-face (such as audio-visual linkages) are the same in rural and regional areas as they are anywhere else. Most people feel the need to speak directly with a person, face-to-face where they need advice regarding loans, investments, or depositing large sums of money. These are generally not options in rural, regional and remote communities as the only banking offering is an ATM.

The question really should be why do banks place less importance on the value of their rural and regional communities than they do on their customers who happen to live in higher density population areas?

4. What are the impacts of region bank branch closures on the banking needs of individuals?

It is important to note that the issue of a banking licence implicitly includes a social licence to operate. As part of that social licence banks are expected to provide banking services to all, equitably. The banks of Australia have effectively been allowed to walk away from this obligation as they chase bottom line profits rather than service regional areas in any meaningful way.

The impacts of banking closures in regional areas on individuals is that they have to travel considerable distances to access any type of banking that does not include using an ATM or utilising technologically supported payment options.

For the elderly, the disabled, and the illiterate (all of these vulnerable groups occur in larger numbers in regional areas) access to in-person banking is not generally possible without assistance. In this regional area, there is no public transport to assist vulnerable residents to access banking services. For these people, digital and technologically assisted banking is often not an option as they also exist in the lower socio-economic groups and can often not afford to include digital connection bills to their already stress budgets. This leaves them only the option of access to in-person banking.

Based on its experience as a service provider of last resort, the withdrawal of banking services prompted the Berrigan Shire Council to act on its social licence and offer banking services – this at a high and unfunded cost to its ratepayers. Council's decision is not based on anecdotal evidence but rather on the human cost for individuals (with limited funds) that was immediately evident as vulnerable members and groups in our communities had to trust others with their banking needs. This practice, as noted previously, leaves these people at a significantly increased risk of fraudulent access to their accounts. However, as stated earlier, there are few alternatives for this cohort – most of whom live in regional and remote areas.

5. What are the impacts on the banking needs of businesses, community organisations and communities?

As stated earlier – the banking needs of businesses, community organisations and communities are no different in regional and remote Australia than the banking needs of metropolitan-based enterprises.

If one considers for example the absolute truth that the banking industry, in metropolitan areas, offers night safe storage, cash deposit and cash withdrawal services to all businesses within its area, what would be the impacts of removing those services from metropolitan businesses? It is the very real scenario that all rural and remote businesses face. Their costs of doing business in rural and regional areas therefore dramatically increases due to the associated downtime of travelling a minimum of two hours to access banking and cash handling services alone. That is without considering the increased risk of carrying these large cash amounts in unsecured vehicles. These options would not be considered acceptable in metropolitan areas, but the banks have made them the only alternative available to rural and remote areas.

The following case-studies provide an example in this region alone of the type of investment and industrial activity is outlined below. The list is not definitive as there are a number of farms, farm enterprises, and farm support industries that would easily fit in this category. All are multi-million dollar enterprises either currently operating in the Berrigan Shire, or who will commence operations in the coming 1-2 year time frame:

- [REDACTED]

**** Should all or part of this document be published, please ensure the above list is redacted****

The above does not include the multi-million dollar tourism industry that flourishes in this area and all the supporting infrastructure and investment that is associated with such enterprise.

All of these local businesses handle significant quantities of cash and have been greatly impacted by the removal of banking services. It has certainly been reported to Council on a number of occasions that many have had to keep large sums of money at unsecured locations such as private residences until a trip to a bank (up to a 2 hour round trip) can be made. With Covid locks downs sometimes keeping rural communities in their own Local Government Areas, it becomes fairly obvious how much risk some of these businesses are in fact facing.

6. Are there particular issues in the provision of banking services in regional Australia for specific vulnerable groups?

An increase in the number of “unbanked” population is becoming an increasing reality in regional areas. The inability to easily open a new account, or even have face-to-face assistance to manage that step for vulnerable citizens will create a further social dislocation in regional areas.

The ability to open and operate a bank account is an essential requirement for welfare payments, wage and salary payments and to receive any type of supported payments.

Removing access to the ability to open accounts, especially for vulnerable groups (as noted above), increases the risk of the unwitting exposure of vulnerable residents and workers to the un-controlled “cash” economy. Vulnerable residents are therefore at higher risk of a range of illicit financial and labour practices, the least of which is the risk of subversive workplace actions such as being underpaid (or unpaid) for any work they can find; effectively leaving the only options for vulnerable community members as being case payments. In small communities, this scenario increases (not decreases) a rural community’s reliance on a cash economy.

Effectively, forcing vulnerable community members to rely on payments being made in cash only, will lead to a further increase in their social disadvantage.

7. What more could banks do to help customers transition to alternative banking services that would enable them to do their banking in a timely, efficient and cost-effective way?

Local Councils do not want to see alternative banking services being the only option in their communities and nor do their communities. The fact this question needs to state in a “cost-effective way” again highlights the needs of the banking industry for profits being placed before their social duty to provide equity.

Increasingly Local Councils and communities have effectively been left to provide the “community service” obligation abandoned by banks. This Council, and many others like it, are now offering essential banking services for local businesses and disadvantaged residents because no one else will.

Offering banking services for Local Councils will never be profitable because, as each bank leaves each town, they offer incentives to their profitable clients and customers to keep them and effectively abandon the rest (i.e. the elderly, the disabled, the illiterate and other vulnerable and disadvantaged community groups).

Whilst the banks continue to privatise their profits and socialise their losses, the question of whether they should or should not continue reducing their services to regional communities is moot. As the Banking Royal Commission found, Australia’s banking system has fostered a culture that has devastated the financial and social wellbeing of thousands of Australians. The complexity of the failures that have occurred is such that it is impossible to isolate any factor other than the overwhelming excuse being the high value placed on ‘profit’ and competition. For those communities in regional, rural and remote Australia, Australia’s banks do not need to worry about being held accountable for their lack of social responsibility.

The core issue of any discussion about removing banking services from regional, rural and remote communities should always have at its core the social responsibilities banks have to the entire Australian community. It is very concerning the Taskforce appears to have no appetite for addressing the issue of social responsibility and licence banks have to the Australian community which in reality forms the core of their licence to operate.

8. Are there facilities, services and products provided in bank branches that are not available through alternatives like ATMs, Bank@Post, phone banking, mobile banking, the telephone and the internet?

Yes humanity and social conscience cannot be provided online or through any other alternatives to banking. Social capital cannot be built or sustained in isolation of face-to-face contact. Commodity-based industries require commodity-based service.

If the perception of the Taskforce is that the only facilities, services and products that are needed for economic growth in a globalised commodity trading market, are sufficiently met through the provision of ATMs, Bank@Post, phone banking, mobile banking and the telephone then this is a very naive view of the reality of the requirements of regional, rural and remote communities.

Again the question should be, how should the banks continue to support ALL Australians, including the vulnerable and industry in regional and remote communities? Not how can they justify not having any social conscience at all by pointing to their bottom line as the only reason for withdrawal.

9. What are alternatives to bank branch models that would maintain or improve banking services and accessibility in areas where branches have been closed?

Why is the starting premise of this question that we need to identify an alternative to bank branch models? Arguably, while there is a need in metropolitan centres for a bank branch model, the need for a bank branch model for individuals and businesses that operate in regional and remote areas, as previously stated, exists. The requirement does not go away just because the bank branch goes. Based on our experience, and given the range of banking services the industry offers, this to question is moot. We have yet to experience an alternative to a bank branch that will adequately meet the very real needs of regional and remote communities. In addition, for the reasons already noted, these communities need and deserve equitable access to Australia's banking services.

10. Are there any alternative models for the provision of banking services that could be considered for adoption by banks in Australia?

Yes. The alternative model for the provision of banking services could be a model that values its customers. It is a model that regards banking as a service where the cost of doing business in Australia recognises Australia's service-based industries cannot be decoupled from the commodity-based industries of regional and remote Australia.

What is required is a model that is service-based not profit driven. Sufficient technology and capacity already exists within our regulated and government guaranteed banking system to not transfer the cost of doing business in regional and remote Australia to the consumers of banking services that can least afford it.

An alternative model would include recognising that digital literacy and financial literacy are two side of the same coin. Furthermore, banks in Australia have a fiduciary responsibility to ensure that the products and services offered to customers are 'fit for purpose' and do not transfer risk of financial harm to their customers.

Face to face over the counter services protect vulnerable customers. Face to face commodity and investment services allow bankers embedded in local communities to make an informed judgment call about the 'season' local commodity prices and the financial value in a good season of an enterprise. Technology is a tool that enhances the provision of banking services. It is not a service in and of itself.

11. What are the lessons from Australian and international experiences that can help improve banking services and accessibility in regional communities where bank branches have been closed?

The lessons from Australia and international experiences are that as regional communities contract, investor confidence diminishes and once vibrant connected regional and remote communities die. The communities that do not die 'survive' and for those that transition and reinvent themselves this occurs in response to an 'event'; an unforeseen 'white knight' not envisioned by community and the community still retains enough social capital to take advantage of this event. If we are going to improve banking services in regional communities our banking industry needs to recognise while ever it delivers profits to its shareholders from commodity based industries that it has a role in preserving the social capital of regional and remote communities.

For example, doctoral research undertaken by Ruffin (2020) investigating institutional practices, public value and planning for local services in NSW states:

an appreciation of the nature of social capital should include other forms of capital: human, financial, physical, and cultural' (p. 145). This view of social capital regards 'capital' as a resource, capable of producing more value and/or creating more capital. For example, a farmer may use financial capital to purchase a new farm. While the farm (the

physical capital) may increase in value over time, it is the application of human capital – training and knowledge of farming – that governs farm productivity. Cultural capital in this scenario is the farmer with access (not enjoyed by other farmers or market competitors in the same location) to one or more of the other capitals; for example, the farmer who inherited the farm. Social capital, meanwhile, is the strength of the trust embedded in the social networks of a rural community in which the farmer lives. In this illustration, the farmer and a local grain merchant in advance of a crop’s harvest agree on a price and seal the deal with a handshake.

Capital	Definition
Financial	Money is available for investment.
Physical	Real estate, equipment and/or infrastructure.
Human	Training which increases productivity on the job.
Cultural	High cultural knowledge used to the owner’s socio-economic advantage.
Social	Relationships of trust embedded in social networks.

Source: (Light, 2004, p. 146).

Central to this concept of capitals, summarised by the above is the notion of reciprocity as a property of social capital that is not inherent in the other capitals (Light, 2004). In this example, despite a lower than expected yield, the price agreed is paid to the farmer on delivery. The reciprocal property of this ‘capital’ is that subsequently and with a similar agreement, the farmer does not take advantage of increased yield and higher than expected demand / market prices and sells to another grain merchant. In the rural community in which the farmer and grain merchant both live, their use of ‘social capital’ mediates’ exposure to vagaries of global competition, climate and market forces (Ruffin 2020).

Australia’s banking and financial services profit from the commodity based nature of our economy. Service industries in our cities could not survive without the commodities produced in regional and remote Australia for local and export markets. Reciprocity is therefore, what is required to improve banking services and access. It is about time our banks and the finance industry more generally, stopped taking advantage of producers, businesses, and individuals who live and work in our regions and rural areas. Stop socialising the cost of doing business in a commodity-based economy to those that are doing the work and not enjoying the profits. Develop a model that apportions the cost and which builds social capital, and regards it as a reciprocal resource that is just as important as financial, physical, cultural and human capital because all capitals are needed for profitable investment and banking in regional and remote areas.

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