



Australian Government  
The Treasury

# Regional Banking Taskforce

## Final Report

September 2022



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# Contents

Executive summary .....	1
Bank branch closures .....	5
Findings and recommendations.....	9

# Executive summary

## The Regional Banking Taskforce

The Regional Banking Taskforce was established on 22 October 2021 by the former Government to bring banks and other key stakeholders to work together in partnership to:

- analyse the trends in bank branch closures in regional and remote Australia
- assess 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
- assess how banks transition their services and delivery models to communities where they have closed (or will close) branches
- identify 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.

The Taskforce brought together senior representatives from:

- banks: Australia and New Zealand Banking Group (ANZ), Commonwealth Bank of Australia (CBA), National Australia Bank (NAB), Westpac Banking Corporation, Bendigo and Adelaide Bank, Bank of Queensland
- peak bodies: the Australian Banking Association (ABA), the Customer Owned Banking Association (COBA), the Council of Small Business Organisations Australia, the Australian Chamber of Commerce and Industry
- Australia Post
- the Australian Local Government Association.

The Taskforce released an Issues Paper to encourage submissions and over 400 submissions were received which informed the Taskforce's work. The Taskforce also came together for meetings in Sydney, Orange, Mildura and Canberra to hear and discuss how bank branch closures have impacted individuals and regional communities, and to work collaboratively to identify possible solutions.

## Submissions

On 18 November 2021, the Taskforce released an Issues Paper and sought submissions from the public on their concerns and on ways of maintaining and improving banking services in regional Australia.

Submissions were received from individuals and organisations (including businesses and local councils, as well as consumer, worker and small business advocacy groups). Some of these submissions

reported the results of their own surveys. The Taskforce thanks all those who spent time to share their views and experiences, which helped inform the Taskforce's deliberations.

Submissions raised a rich variety of issues. Some themes included:

- The **importance of banking services and access to cash** for regional communities, especially when there are emergencies. One submission recounted 'When the system goes down without a bank branch or an ATM in your town how do you access your cash savings in an emergency? You could not get fuel for your car or food for the family to eat. It was a terrible time for all of us.'
- **Consumer groups** said that branch closures had created large areas of regional Australia with no access to in-person banking, meaning that regional consumers, businesses and community organisations were unable to conduct basic business and had to pay a premium for basic financial inclusion, including paying high fees to access cash. They also noted the impact on the local community, including community sector organisations, and discussed issues for First Nations communities. These included the need to visit a bank branch in person to establish a bank account (which can be difficult for those that live in remote communities) and the challenges of doing banking over the phone or online (when English may not be their first language) (CHOICE et al. 2021).
- People experiencing **vulnerability** (such as the elderly and people with disabilities) face particular challenges with one submission noting the poor and elderly are most affected by service cuts and high fees.
- **Farmers and small businesses** noted a variety of issues with the transition away from branch banking. Alternatives like call centres can lead to dealing with staff that lack flexibility to work with the customer's specific situation. This loss of an ongoing, direct banking relationship can be frustrating and lead to unsatisfactory or untimely responses, which can result in lost opportunities. Branch closures increase security risks due to cash being carried for longer periods of time and create added costs to visit branches to withdraw or deposit cash. The closure of branches led to the loss of rural bank managers who work with rural businesses in distress.
- The **Finance Sector Union** (FSU) noted the significant number of branch closures over recent years. The union reported concerns of their members about finding a new job if their branch closes (with 86 per cent of respondents to an FSU survey of regional members saying that, if their local branch closes, they would find it difficult to get a new job) and feeling pressured to migrate consumers to digital banking (91 per cent of respondents).
- The **banking industry** noted that new technology has allowed customers to bank in different ways and means less customers need to attend a branch to do their banking. Banks discussed some of their innovations to improve banking service accessibility for regional Australia in their submissions, including the use of video, mobile services, smart ATMs and a variety of co-location models. The ABA noted that while digital banking allows families and businesses to do their banking from their home or their office, banks understood that there are some customers who want to do banking in person and some who need extra support in the transition to digital services.
- **Digital connectivity and digital literacy** were identified by a number of stakeholders as important for the delivery of banking services, with a number of banks noting initiatives they had taken to improve the digital accessibility of banking services.

However, submissions also noted ongoing challenges in this area. While significant improvements in technology have improved the capability for online service delivery broadly, not all regional residents have certainty of access to the digital connectivity they desire. The Queensland Farmers' Federation noted that parts of Queensland are less digitally included and the Banana Shire Council received feedback from regional businesses and residents reporting 'unreliable internet connectivity has impacted on our business's ability to process payments.' The NSW Law Society noted that their members had reported issues accessing online banking as the text message code (for the two-step verification process) times out before it can be entered into the banking platform, resulting in a measure intended to ensure secure banking hindering access to banking services.

- **Bank@Post** (the service provided through Australia Post on behalf of some banks and other financial institutions) was recognised by some submissions as an important provider of banking services in regional Australia. However, submissions suggested there may be scope for improving the service by, for example, embedding banking staff at the post office, providing more banking options and improving facilities (with one submission noting that the post office has steps making it difficult for the elderly and those using wheelchairs).
- Submissions recommended **information sessions and support** to assist customers to make the most of banking services, such as internet banking information sessions, information guides on how to use phone banking and help with identifying banking scams.

## Summary of taskforce recommendations

This report presents the findings and recommendations of the Taskforce. It provides a way forward to help maintain and improve banking services in regional Australia, as banking services transition from branches to alternative delivery platforms.

The Taskforce found that:

- banks can do more to communicate and consult with individuals and communities when closing a regional branch
- when branches do close, alternatives like Bank@Post can assist to maintain banking services
- it is important to maintain access to cash, which is crucial for many in regional Australia
- people experiencing vulnerability face particular challenges and need support in accessing banking services
- continuing to support digital connectivity and literacy will help regional customers to access banking services
- it is important to have data to monitor and understand the transition to alternative ways of providing banking services.

## **Recommendation 1 – Review and strengthen the ABA’s Branch Closure Protocol**

The ABA should review and strengthen its Branch Closure Protocol and introduce an ABA Customer Care Standard by mid-2023, to improve communication and support when regional branches close or their hours are being permanently and materially reduced.

## **Recommendation 2 – Implement branch closure impact assessments**

Banks should establish a process for conducting and publishing regional branch closure impact assessments by mid-2023. Assessments should provide clear reasons for the closure and the engagement that will occur with customers, local government and other stakeholders following the announcement of the closure.

## **Recommendation 3 – Promote and support Bank@Post services**

Australia Post and participating banks should collaborate to promote Bank@Post services more widely and help their customers utilise the banking services available to them. This should include working together to formalise and expand programs to support transition to Bank@Post when branches close.

## **Recommendation 4 – Maintain access to cash**

Australia Post should consider how the cash float and deposit needs of small businesses and community group customers can be met.

Australia Post and Bank@Post partners should work towards standardising deposit and withdrawal limits to enable easier promotion to customers and communities.

The major banks should commit to continue to provide (and expand where possible given competition restrictions) access to fee-free ATMs in remote Indigenous areas.

## **Recommendation 5 – Improve support for regional consumers experiencing vulnerability**

Banks should provide additional support for those experiencing vulnerability, including targeting transitional support when a branch closes and helping customers onto fee-free banking accounts. This includes engaging with First Nation communities on their banking needs in regional Australia, promoting services and reviewing the effectiveness of dedicated resources.

## **Recommendation 6 – Continue to support and improve digital connectivity and literacy in regional areas**

The Australian Government to invest in telecommunication services through its Better Connectivity for Rural and Regional Australia Plan, which will provide significant improvement in regional connectivity. The Government to encourage co-investment by industry and States and Territories to maximise outcomes. Banks should continue to provide digital literacy support for people experiencing vulnerability and coordinate with the Government on digital education programs, such as the Government’s ‘Be Connected’ program for improving digital literacy for older Australians.

## Recommendation 7 – Review the APRA Points of Presence collection

Australian Prudential Regulation Authority (APRA) to commence in 2022 a review of its Authorised Deposit-taking Institutions (ADI) Points of Presence collection to better capture indicators on how banking services are accessed, with public consultation in early 2023.

# Bank branch closures

## Transition in the provision of banking services

Australia's financial and insurance services industry (which includes banks) plays a key role in the Australian economy. It provides financial intermediation for the economy and accounted for around \$154 billion of total economic activities (Real Gross Value Added) and employed around 480,000 people in 2020-21 (in original terms) (ABS 2021, 2022).

Banks provide a wide range of services to their customers. Historically banks delivered these services through branches, which are open at certain times. However, like other sectors of the economy, how banking services are provided has changed over time. Since at least the 1990s, a variety of factors including technological developments, shifts in consumer demand, demographic shifts to larger cities and towns, and changes in financial regulation have contributed to pressure on banks to consolidate their branch networks.

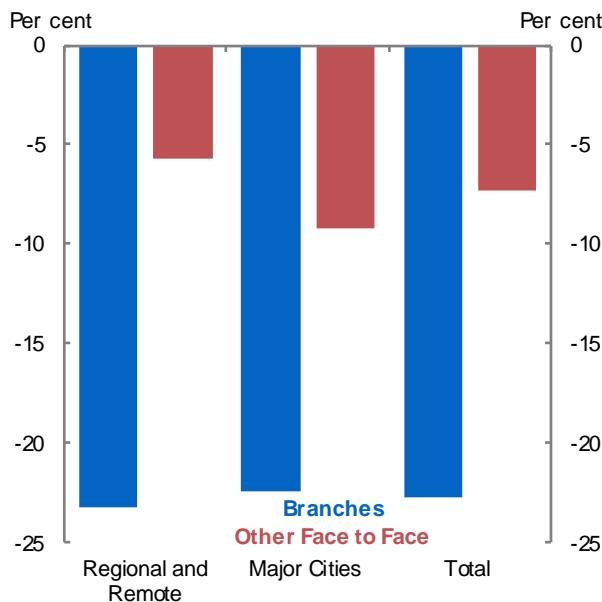
This trend has continued, with the number of bank branches in regional and remote Australia having fallen from around 2,500 to 1,900 in the four years to June 2021, a 23 per cent decline (APRA 2021). This trend is not unique to regional and remote Australia, with major cities also experiencing a similar decline. At a national level, the total number of branches declined from around 5,800 to 4,500, over the four years to June 2021, a 23 percent decline (Figures 1 and 2).

APRA data indicate that other face-to-face points of presence in regional and remote Australia for banks have seen a more modest decline from around 2,500 to 2,400 in the four years to June 2021, with Bank@Post numbers remaining steady at around 1,900 over the same period (APRA 2021).<sup>1</sup>

Analysis published by the Reserve Bank of Australia (RBA) found that the number of ATMs has also declined, with the total number of active ATMs nationally having fallen by around 20 per cent since its peak in late 2016. Australians generally do not have to travel far to reach their nearest cash access point, with around 95 per cent of people living within 4 kilometres of a cash withdrawal point in 2021. However, there are parts of regional and remote Australia with limited access to cash. In addition to longer distances to cash access points, these areas also have fewer alternative access points nearby. This means these regions are more vulnerable to any further removal of cash access points and an increasing number of localities are down to their last cash access point (Caddy and Zhang 2021 and RBA 2022).

<sup>1</sup> In the APRA statistics, branches are face-to-face points of presence that (1) accept cash and other deposits (including business deposits) and provide change, (2) facilitate the keeping of accounts for customer access, (3) open and close accounts, (4) can facilitate or arrange the assessment of credit risk for existing and potential customers and (5) offer additional services such as financial services, business banking and specialist lending. Other face-to-face points of presence (which include Bank@Post) provide face-to-face services and maintain a fixed address, but do not meet all the requirements to be a branch. Banks include building societies and credit unions.

**Figure 1: Change in bank points of presence (2017–2021)**



Note: Data for June of the relevant year.

Source: APRA (2021), Treasury.

Reflecting the decline in branch numbers, major banks reported that over-the-counter transactions declined by up to 68 per cent over the five years.

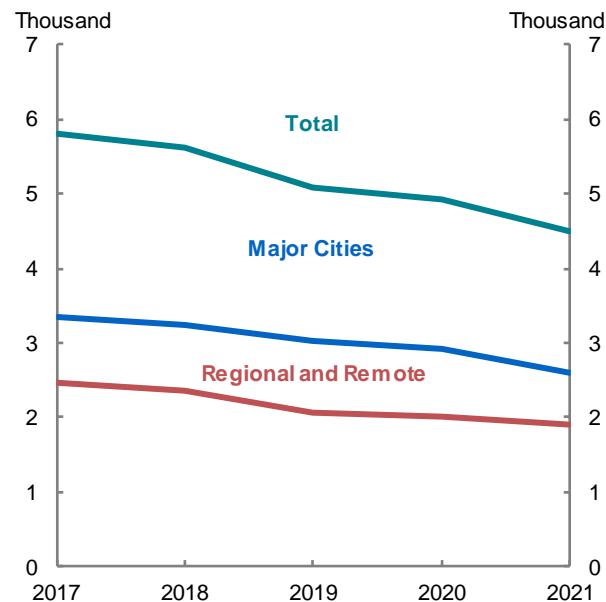
Branch closures are not unique to Australia. In New Zealand, just under a quarter of the branches that were operating in September 2019 were closed by March 2021 (RBNZ 2021) and in the UK the number of bank branches roughly halved from 1986 to 2014 (Bennett 2020).

As the provision of banking services transitions away from bank branches, alternatives such as online and telephone banking have emerged. Table 1 below summarises the banking services available via different modes of delivery. Virtual banking through telephone calls, online or mobile apps provide many services that are fast, secure, easy to use and available at a time and location convenient to customers.

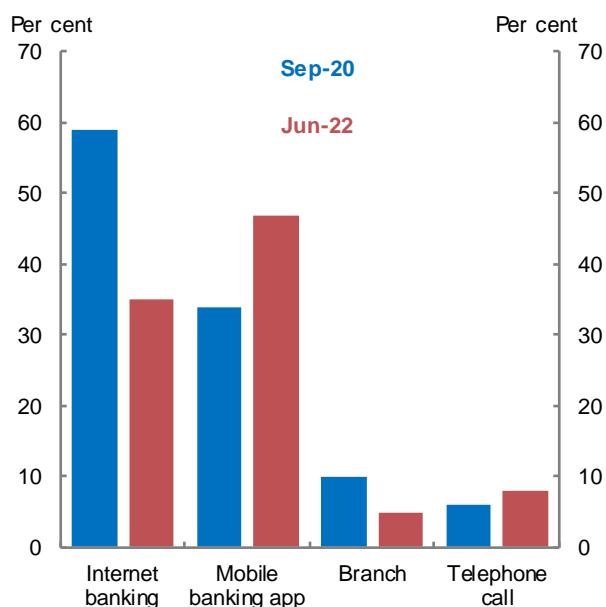
There has been a shift to online activity. Home internet access and online banking are at the highest levels of all time, with 88 per cent of adult Australians in regional areas having internet access at home and 89 per cent of internet users in regional areas having performed banking activities online in the past six months in June 2021 (up from 82 per cent in May 2019) (ACMA 2021).

As of June 2022, around 80 per cent of regional Australians generally used internet banking or mobile apps to pay bills, while 5 per cent used a branch (RFI Group data, Figure 3).

**Figure 2: Bank branches**



**Figure 3: Generally used channels for paying a bill (Regional Australia)**



Note: There is a slight change in data collection methodology in the two time periods resulting in data for September 2020 summing to >100% due to an option for multiple response, while data for June 2022 sums to <100% as data is single response and excludes the category 'other'.

Source: RFi Group.

**Table 1: Selected bank services by mode of delivery**

	Branch	Bank@Post	App/Internet Banking	Telephone/Video	ATM
Open and close savings accounts	Yes	No	Yes (open only)	Yes	No
Withdraw cash	Yes	Yes	No	No	Yes
Deposit cash	Yes	Yes	No	No	Smart ATMs
Check account details & balance	Yes	Yes	Yes	Yes	Yes
Deposit cheques	Yes	Yes	Yes (up to a limit)	No	Yes (with limits)
Change for business floats	Yes	Yes	No	No	No
Lock card/report card stolen	Yes	No	Yes	Yes	No
Card activation	Yes	No	Yes	Yes	No
Set or change a card PIN	Yes	No	Yes	No	Yes
Apply for a personal or business loan	Yes	No	Yes*	Yes	No
Apply for a mortgage	Yes	No	Yes*	Yes	No
Pay a bill and transfer funds	Yes	Yes	Yes	Yes	No
Credit card repayments	Yes	Yes	Yes	Yes	Yes (cash only)

\*Depending on the bank, may be available only on internet.

Source: ABA

In addition, there are a variety of alternative models for delivering bank services to traditional bank branches, including:

- co-location (where banking services are co-located with other businesses at the same location)
- co-branding (where different bank brands are co-located)
- community banks (where there is a franchise or joint venture relationship between a bank and local company)
- reduced opening hours (where branches continued to operate by reducing their opening hours)
- banking hubs (where several banks use a common space to provide in-person banking services)
- advisory hubs (where banks provide information)
- mobile branches (where bankers travel to their customers)
- smart ATMs (which provide a broader variety of services than standard ATMs including the ability to deposit cash).

While some of these models may not be appropriate for all situations and may not provide all the banking services available at a branch, these alternatives (and others such as the Bank@Post service described in detail below) may help provide banking services when branches close. The Taskforce learned about a number of examples where these models were being used.

## Impacts of branch closures

Local bank branches are an important part of regional communities with elderly residents and community groups and businesses all relying on their local bank branch for their banking needs. Closures of branches can impact the accessibility of banking services for these and other customers, limiting their ability to use and benefit from important banking services.

There can be challenges rearranging or transferring bank accounts and learning new ways of banking when a branch closes, with some submissions raising concerns about scams.

There are inconveniences and extra costs associated with having to travel to the next branch. One respondent (to the survey CHOICE conducted to inform the work of the Taskforce) noted ‘I live in a small country town, with an aging population. We have lost all banks now. Elderly folk have to drive 25km on a dangerous badly maintained highway to get to a bank that is only now open in the mornings.’

Branch closures can also have an impact on local jobs and the community’s economy. Legal Aid Queensland’s submission to the Taskforce noted that ‘reducing bank services usually sees the senior staff and more highly paid bankers leave the area for larger centres. Most often, the remaining staff have been drawn from the local area and can be out of work when [the] bank closes its doors in the town. This adds to the unemployment in the area, leaving their families with few options.’

Less branches leads to safety and security implications as customers need to keep larger amounts of cash. Legal Aid Queensland’s submission noted that ‘retaining large amounts of cash on premises exposes the business to criminal activity putting staff/ owners/ customers/ buildings and facilities at risk.’

As branches close, there is also less competition, leaving customers with less choice in financial services available to them, which could lead to lost opportunities. The lack of readily available

information and advice from local bank staff who understand the community can also lead to a deterioration in the quality of service.

Farmers and small businesses also face challenges when branches close. For example, the loss of a local branch can lead to stress, inconvenience, and higher costs, including from paying a cash provider. The transition from a branch can lead to a loss of an ongoing direct relationship with a banker who understands the business and has worked with rural businesses in distress. Farmers and small business owners noted that if they are dealing with a call centre, they often don't get to speak to the same person twice. It can also lead to unsatisfactory or untimely responses, leading to lost opportunities. The lack of a direct relationship may also mean that it is harder for businesses to obtain a loan and can be particularly challenging when a business is under stress.

Branch closures may mean some small businesses look for services outside the regulated financial system, increasing administrative costs and the level of risk for business owners.

Community groups and businesses may also find it more difficult to get cash and change for floats and this may affect fundraising opportunities.

Significantly, the impact of branch closures in a small community is not limited to the provision of bank services. If a person or business is forced to travel to the next town to do their banking, they are likely to buy other goods and services in that town as well, thus impacting commerce in the town with the branch closure.

## Findings and recommendations

### Banks can improve communication and consultation with regional communities when branches close

The Taskforce found that while regional communities understand the factors that lead to branch closures, banks' communication and consultation processes do not meet expectations. A lack of forewarning and transitional support can leave branch dependent customers frustrated, disappointed, and confused about how to do their banking. Branch closures can also come as a surprise to local governments, small businesses, and community groups, which may rely on physical banking services.

The ABA's Branch Closure Protocol (ABA 2015), which is incorporated by reference into the ABA Banking Code of Practice (ABA 2021), outlines the banking industry's commitment to provide customers in remote, rural, and regional areas with ongoing face-to-face banking services when a branch closes. It details what processes ABA members will go through including notification, waiving fees, and providing information if a branch closes.

In the current protocol, when a branch closes ABA member banks will provide ongoing locally available face-to-face services with cash deposit and withdrawal facilities where it is commercially viable. The bank will give customers and relevant organisations written notice of the intention to close the branch, provide customers with information about accessing services and offer help to customers to adjust to the change.

If it is not commercially viable to maintain branch services, and local face-to-face services are not available, banks will undertake to identify other retail banking service options prior to closure. The bank will provide information about accessing services and offer training and assistance to help customers adjust to the change, as well as waive any fees and charges associated with transferring accounts to other financial institutions that offer alternative banking services in the same area.

While the current Branch Closure Protocol is a useful commitment by ABA members, it can be improved to ensure it meets community expectations.

Some stakeholders would like a commitment to more communications and support prior to closing a branch. This commitment could include finding ways to meaningfully continue to support access to banking services, including face-to-face services. Discussion at the Taskforce also suggested that the Protocol may not have been consistently followed or that the Protocol may not be sufficient.

The recent independent ABA Banking Code of Practice Review recommended that the Protocol be updated and strengthened (Callaghan 2021). It noted that banks need to be more innovative in dealing with a declining number of branches and need to look at what changes they may need to make to their procedures and processes.

The Taskforce heard about negative branch closure experiences, where there had been a lack of engagement, consultation and communication in the lead up to the closures. Customers did not feel that they were adequately supported to transition to alternatives like Bank@Post. Community groups felt abandoned and left without reasonable access to services, such as cash floats and deposit facilities. The closures were also not effectively communicated to community leaders (e.g. mayors), who could have helped with communicating changes to the wider community.

As a result of the work of the Taskforce, the ABA has committed to building on and updating its Branch Closure Protocol to better explain the range of and access to banking services for customers. The Protocol will be ready by mid-2023. As part of this update, the ABA will introduce an ABA Customer Care Standard. This will ensure better communication with community engagement standards in the revised Protocol to ensure the right people, including local government and small businesses, are notified of any closures. The ABA Branch Closure Protocol should require banks to ensure that their customer care or other contact points are able to provide support. The support service should be available to explain why the branch is closing and how banking services can be accessed through another branch or alternative banking methods such as Bank@Post, online, telephone and mobile banking. Support for these alternatives should be offered to customers, particularly if they are branch dependent.

Where the branch closing is the last in town, the impact of a closure can be especially significant because the community cannot easily switch to an alternative bank with a local branch. Banks faced with this situation should consider options to keep the branch open, including transitioning to more sustainable models for maintaining a physical presence, subject to commercial considerations and recognising that often the bank running the last branch in town has been trying to stay in the community for as long as possible.

More generally it may be beneficial, appropriate and workable to expand communications around branch closures (e.g. in some suburban areas), so the ABA should explore expanding the operation of the ABA Branch Closure Protocol to ensure appropriately targeted services are available to customers affected by a branch closure.

### **Recommendation 1 – Review and strengthen the ABA’s Branch Closure Protocol**

The ABA should review and strengthen its Branch Closure Protocol and introduce an ABA Customer Care Standard by mid-2023, to improve communication and support when regional branches close or their hours are being permanently and materially reduced.

## **Banks can better assess the impact of branch closures have on regional communities**

Feedback received by the Taskforce highlighted both the challenges faced by customers when branches close and the need for better communication and engagement around branch closures. The Taskforce heard that regional communities felt that the impact on their community was not properly considered when a closure decision was made. This frustration is often exacerbated by a lack of transparency around how these decisions are made.

While closing a branch is ultimately a commercial decision for a bank, formalising good closure impact assessment processes for regional branches would help promote good decision making and best practice communication of branch closures to customers and other relevant parties, along with the provision of appropriate support.

An impact assessment procedure should require banks to assess the impact a proposed branch closure will have on that specific community.<sup>2</sup> While not disclosing any confidential information, impact assessments should provide clear reasons for the closure, what information was used to make the decision, and a summary of what engagement will be conducted with customers and the local community following the public announcement of changes. Impact assessment documents for each closure should be communicated directly to relevant stakeholders and published publicly on the bank’s website. Following the public announcement of branch closures, banks should undertake genuine engagement with community leaders, such as mayors/local government leaders. The information provided and the explanation for the closure should be tailored to local circumstances.

This requirement to conduct impact assessments will ensure banks are held accountable for their branch closure decisions. It would help ensure that banks are transparent about the decision, about the factors considered in making the decision, and about the planned support and engagement with the affected community going forward. The scope of the engagement would depend on the situation (for example broad engagement may be less appropriate for branches in particular situations such as on military bases), providing information about how the decision was made without revisiting the decision or disclosing commercial in confidence information.

Another consideration is the perception that financial service providers occupy a special position of responsibility and trust in their community. One of the main challenges for these providers is satisfying public expectation that they meet the needs of the communities they serve (PJCCFS 2004). While the exact nature of these expectations may not be clear and may evolve over time, increased communication and transparency around branch closures, including impact assessments, would help

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<sup>2</sup> Impact assessments would not be required if a bank provides or retains an alternate branch service for customers in the same regional town or city (for example, if a bank co-locates a branch service).

satisfy the public that banks are considering customers' and the community's needs when making decisions.<sup>3</sup>

### Recommendation 2 – Implement branch closure impact assessments

Banks should establish a process for conducting and publishing regional branch closure impact assessments by mid-2023. Assessments should provide clear reasons for the closure and the engagement that will occur with customers, local government and other stakeholders following the announcement of the closure.

## Australia Post's Bank@Post is a good alternative but may not be well known and may be underutilised in regional communities

Taskforce members and submissions recognised the important role Australia Post plays in the provision of banking services in regional communities. Bank@Post involves post offices acting as an agent and providing services to customers of over 80 banks and other financial institutions. This is a commercial partnership that banks have entered for Australia Post to deliver Agency Banking Services and involves substantial investments in the capability, technology, and security of Bank@Post outlets so customers can bank in a way that suits them.

Australia Post enables customers to conduct a range of essential banking services via its Post Office Network including withdrawal, deposit, credit card deposits and balances enquiry via Bank@Post as well as payment of bills via Post Billpay. While Australia Post seeks to provide a broad range of services, the provision of these services varies depending on the commercial arrangements for each institution. Australia Post actively promotes its Bank@Post services through, for example, local marketing activities and in store signage.

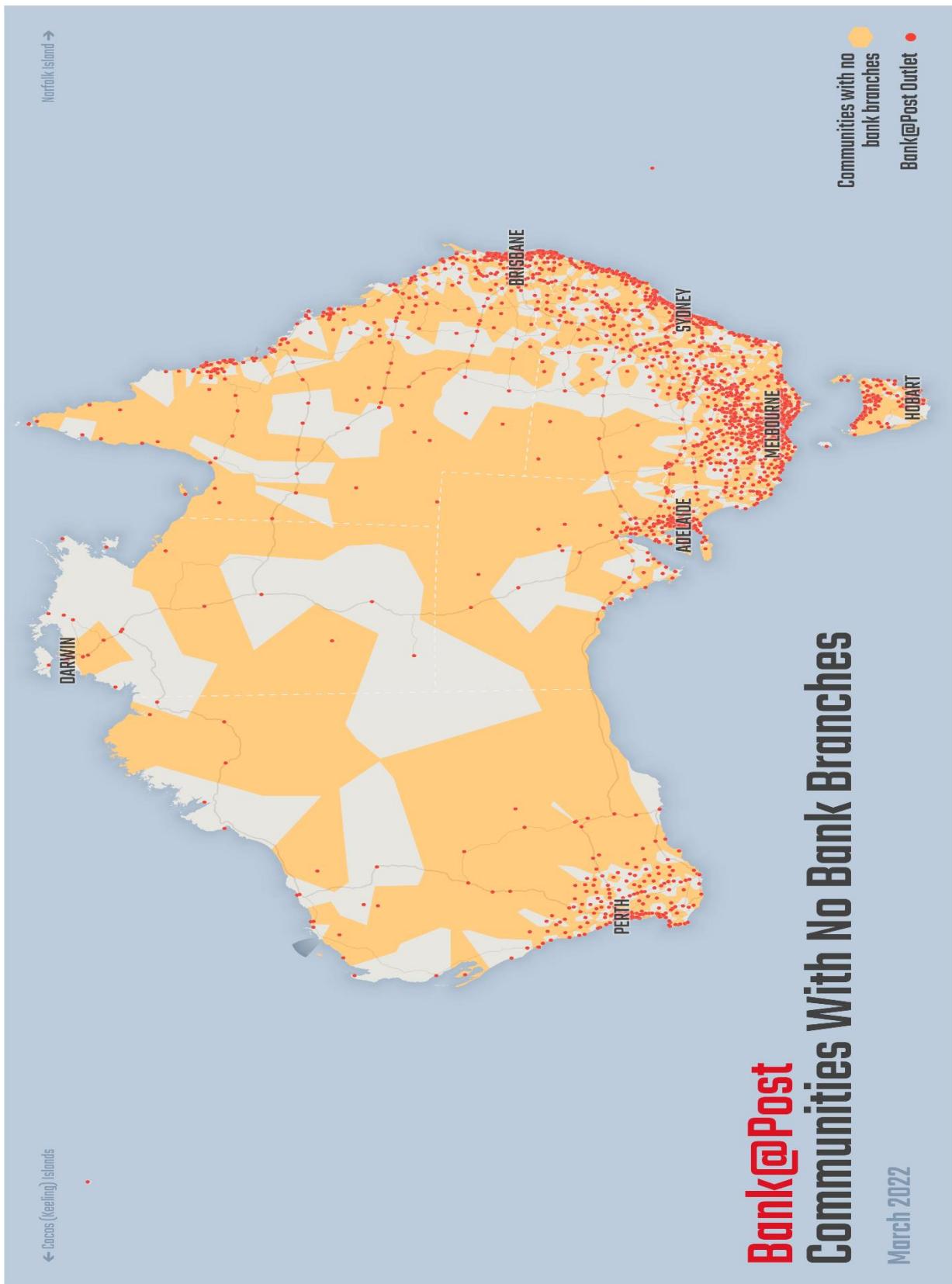
There are more than 1,800 Bank@Post offices in rural and remote locations. Over 1,150 of these offices are in communities with no bank branch and play a particularly important role in providing in-person banking services in regional Australia (see Figure 4 below which reports in red Bank@Post locations and in orange communities which are serviced by a Bank@Post but not a bank branch).<sup>4</sup> Where branch closures would lead to Bank@Post being the only physical banking service remaining in a town, it is particularly important for both Australia Post and participating banks to promote and support this valuable option.

Although it is a valuable alternative in many rural and remote communities, awareness of the breadth of participating banks and banking services available through post offices varies.

<sup>3</sup> Taskforce submissions suggest that banks see a role for them in serving their customers with the ABA noting 'Australian banks take seriously their responsibility to ensure that regional customers are getting the services they need' and that there are special expectations in the community on banks with the Berigan Shire Council submission expressing an expectation of the 'social responsibilities banks have to the entire Australian community.'

<sup>4</sup> Around 65 per cent of Bank@Post offices in regional and remote Australia are in communities with no bank branch.

**Figure 4: Bank@Post locations**



Source: Australia Post

Within the constraints of competition law, there is scope for participating banks and Australia Post to work together to better promote and support the use of banking services through Bank@Post. In particular, targeted transitional support and communication when branches close would be a cost-effective way of increasing the use of Bank@Post when it is needed most.

Australia Post and participating banks should work together to identify barriers to greater uptake of Bank@Post in regional areas and to better support transition to Bank@Post when branches close, including to provide appropriate assistance for First Nations people. This would build on Australia Post's existing work conducting local area market trials to test the most effective ways to raise awareness and engage customers.

Bank programs which embed staff in post offices after a branch closes have also been helpful. For example, the Commonwealth Bank and NAB have embedded customer service staff in post offices to provide face-to-face support to customers who are transitioning to Bank@Post. Australia Post and participating banks should look for opportunities to work together to expand and promote these type of Community Banker programs as part of branch closure processes.

Since 2018, Australia Post's arrangement to provide Bank@Post services includes banks paying a Community Representation Fee as well as transaction fees. This funding arrangement enables Australia Post to invest in the post office network to provide banking services.

Importantly the participation in Bank@Post is a commercial decision for Australia Post, the banks and the Licensed Post Offices. As such, the recommendations of the Taskforce need to be implemented in a manner that is commercially viable for all parties.

Banks should consider options for ensuring that regional customers have physical access to banking services. For those banks not participating in Bank@Post, this could include considering participating in Bank@Post or other options, taking into account their commercial situation.

Similar issues were considered in the UK where the finance industry and the post office launched an action plan which included (UK Finance 2018):

- raising awareness of banking services via regional and targeted localised pilot media campaigns, timed to coincide with in-branch bank campaigns
- supporting specific communities, including those impacted by bank branch closures, through information leaflets, joint post office and bank outreach to communities and improved collaboration with the banks during any bank branch closures
- promoting the post office as a channel for day-to-day banking, with clear and prominent information for customers in banks' literature, on websites and telephony channels.

A number of submissions to the Taskforce suggested making Australia Post a bank. However, it is important to recognise that this would significantly duplicate the services already offered through Bank@Post. Such a service may also lead to other banks not renewing their Bank@Post arrangements with Australia Post, reducing consumer choice in rural areas. There are likely to be other issues around making Australia Post a bank. It would raise significant competitive neutrality concerns (as the new bank would be government backed) and would require significant legislative change and capital investment. There are also likely to be strong tensions between operating in a commercially viable way and meeting social obligations. Importantly, this additional function could divert focus away from Australia Post's core function to deliver letters and parcels.

### **Recommendation 3 – Promote and support Bank@Post services**

Australia Post and participating banks should collaborate to promote Bank@Post services more widely and help their customers utilise the banking services available to them. This should include working together to formalise and expand programs to support transition to Bank@Post when branches close.

## **Access to cash is important to individuals, small businesses and community groups**

While there has been a shift away from the use of cash in transactions, cash remains a vital means of payment for some members of the community.<sup>5</sup> The RBA’s 2019 Consumer Payment Survey indicated that around 15 per cent of people used cash for 80 per cent or more of their in-person transactions. These high cash users are more likely to be older, have lower household incomes, live in regional areas, and/or have limited internet access, with around 18 per cent of those living in regional areas being high cash users. The majority of high cash users indicated they would suffer a major inconvenience or genuine hardship if they could no longer withdraw cash or if retailers stopped accepting cash (Delaney et al. 2020).

Consistent with this, the Taskforce heard that reduced availability of cash is a challenge. Cash is important for individuals, businesses and local community groups (which may experience negative impacts on fundraising opportunities without cash and change for floats). Submissions raised examples of high fees to access cash, with one respondent to CHOICE’s survey noting that ‘The only ATMs in town cost \$2.00 per withdrawal and will only dispense \$200 at a time, so \$400 costs \$4 to withdraw...’

Cash access is likely to be a particular issue in remote locations, including remote Indigenous areas.

The banking industry is committed to providing a cash solution for coin exchange, deposits and withdrawals through Bank@Post, Smart Safes, fee-free ATMs, smart ATMs, and courier services. For example, Bank@Post provides a cash float service for small businesses and community groups. Where a larger float or coin usage is required, banks recommend utilising a courier service.

Banks have also taken a number of initiatives to provide ATM services without fees. Since 2017 the major banks have abolished fees at their ATMs. In addition, ABA members have worked together to provide up to 85 fee-free ATMs in remote locations, enabling customers to check balances and make cash withdrawals for free.

In addition, Australia Post is currently developing trials of Express Business Deposits and Cash Floats to support business customers’ needs. Once launched these services can be adopted by other Bank@Post partner financial institutions.

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<sup>5</sup> Based on the Consumer Payments Survey, cash payments’ share of the total number of payments fell from 69 per cent in 2007 to 27 per cent in 2019 (Caddy et al. 2020). Submissions also provided evidence that the COVID-19 pandemic had changed Australians’ cash use, with the value of cash withdrawals having fallen significantly lower since the onset of the pandemic.

Australia Post and banks should work together to standardise a basic level of service for Bank@Post, where customers are able to withdraw and deposit standard maximum and minimum amounts that could be easily communicated to customers.

The key elements of Australia's bank note distribution system have been in place since 2001 and were established when cash was the most commonly used retail payment method. The declining use of cash for retail payments has put financial pressure on parts of the cash-in-transit industry and the ongoing provision of cash. Reflecting this, the Reserve Bank of Australia (RBA) has recently conducted a Review of Banknote Distribution Arrangements to determine what changes could make the banknote distribution system more effective, efficient, sustainable, and resilient (RBA 2021). The review covered the arrangements that govern how industry participants transact with the RBA to purchase and return banknotes, the arrangements in place to manage the quality of bank notes in circulation, as well as the operation and ownership of the infrastructure necessary for the wholesale storing, processing and transportation of banknotes.

The RBA review found that the current system for banknote distribution is effective in enabling the demand for banknotes across the country to be met, and it supports the maintenance of good-quality banknotes in distribution. However, the RBA notes that there is evidence that the cash distribution industry is under financial pressure, with the two largest cash-in-transit companies (Armaguard and Prosegur) having recently proposed a merger (which is subject to regulatory review). The RBA has announced intended changes to increase transparency around banknote distribution arrangements, to potentially remove some impediments to industry-led efficiency gains, and to ensure the quality of banknotes in circulation is maintained. The RBA will continue to monitor the ability of consumers to access and pay with cash, with a particular focus on regional communities. It will also continue to engage with other public sector agencies to inform any further solutions that may need to be developed to support the public's access to cash (RBA 2022).

AusPayNet (the self-regulator of the payments industry) in their Future State of Payments Action Plan 2021 Update has indicated that they will continue to monitor developments to ensure the decline in cash use is appropriately managed.

In the UK there have been challenges accessing cash, which has had both an Access to Cash Review and Community Access to Cash Pilots scheme to try to address the issue. Last year it was announced that, in light of this work, UK banks agreed to share services to ensure that communities have fair access to cash. Shared banking hubs will be rolled out alongside free ATMs, enhanced post office services and cashback without purchase. Communities' cash needs will be independently assessed with the power to commission services to meet community cash needs (UK Finance 2021).

#### **Recommendation 4 – Maintain access to cash**

Australia Post should consider how the cash float and deposit needs of small businesses and community group customers can be met.

Australia Post and Bank@Post partners should work towards standardising deposit and withdrawal limits to enable easier promotion to customers and communities.

The major banks should commit to continue to provide (and expand where possible given competition restrictions) access to fee-free ATMs in remote Indigenous areas.

## **Consumers experiencing vulnerabilities face greater challenges when bank branches close**

Submissions identified that some consumers, such as older Australians, persons with disabilities, migrant communities, and First Nations peoples, may face greater challenges and need more assistance in accessing banking services. Submissions reported some of these challenges. For example, a couple (both with health issues) noted that they had to allow two to three hours to get to a branch.

Consumers experiencing vulnerability can also require more support when branches close. Older Australians face difficulties when transitioning to digital alternatives or physical alternatives like Bank@Post. Many of these consumers are loyal, long-term customers. Without adequate support to transition, these consumers can be left frustrated, confused and feeling excluded from accessing financial services.

Submissions noted the fees associated with banking. Banks should move consumers experiencing vulnerability onto fee-free banking accounts and any other available assistance to provide support, especially to those who are likely to need in-person services.

Many banks have targeted engagement processes in place to provide transitional support. For example, ANZ has customer care teams who use available data to identify customers who are more likely to use face-to-face banking or may be experiencing vulnerability. Once identified, these customers are offered ongoing training and support. Metrics used to target this support include customers who hold a passbook account and rely on a branch for day-to-day transactions, are over 65, have used a branch at least twice in six months, or small business customers who have recently used a branch.

Banks should review or implement processes for identifying consumers who are experiencing vulnerability and targeting transitional support when branches close by mid-2023 (noting that it may be challenging for banks to identify customers who are experiencing vulnerability).

These targeted support services should be cohort appropriate, recognising that the needs of older Australians are different to other cohorts such as First Nations Australians living in regional communities or linguistically diverse migrants.

Many financial service providers offer financial education services to consumers both online and face-to-face, either directly or in partnership with not-for-profit organisations. One example aimed at First Nations peoples in remote communities is ANZ's MoneyBusiness program. ANZ developed MoneyBusiness in partnership with the Government in 2005. MoneyBusiness is an adult financial education program developed to promote a stronger savings culture and build money management skills and confidence.

ABA member banks have committed to providing banking services which are inclusive of all people (as reflected in Chapter 13 of the Banking Code). They are seeking to support customers who may face particular challenges when a branch closes by seeking to make additional contact including with those who are over 65 years of age, hold specially discounted bank accounts, hold a passbook account and rely on a branch for their day-to-day transactions, are First Nations customers or speak a language other than English.

The ABA plans to revise its Accessibility Principles for Banking Services to help promote best practice and ensure the accessibility of banking products and services for all Australians (including those who are experiencing vulnerabilities). This includes ensuring that new and existing technology is inclusive by design, such as designing text alternatives to web contents. The ABA is also currently in the process of developing industry guidance on best practice to support customers experiencing vulnerability, including on how and when to provide extra care to customers.

COBA has recently revised its Customer Owned Banking Code of Practice (COBCOP). The revised COBCOP has new obligations on signatory banks to provide inclusive banking services and support for customers experiencing vulnerable circumstances. It also obliges signatories to train staff on how to identify customers experiencing vulnerability, and how to adapt customer service standards for them in a sensitive and helpful way. The revised COBCOP will take effect from the end of October this year.

In addition, financial capability can assist Australians to respond and adapt to new challenges and opportunities presented by social, economic and technological change. Equipping individuals with the appropriate skills and the right information at the right time enables them to make informed decisions that are appropriate for their circumstances. There are a range of Government programs with building financial capability as one of their aims, including:

- Moneysmart (ASIC) – a website of consumer education helping Australians to be in control of their financial lives. It includes Moneysmart for teachers.
- Manage Your Money (Services Australia) – financial information such as how to budget, manage debts, access financial counselling and savings/retirement.
- Commonwealth Financial Counselling and Financial Capability (Department of Social Services) – voluntary, free and confidential services to help eligible people to address their financial problems, make informed financial choices and build their financial capability.
- Indigenous Outreach Program (ASIC) – provides support to First Nations consumers who want to know more about money matters. The team also works with industry and consumer advocates to improve services provided to Indigenous Australians.

First Nations people continue to face unique challenges when banking. There are many reasons why it can be difficult for some First Nations people to access banking services. For example, there may be challenges with:

- connectivity or going to a bank branch in person to establish a bank account (especially for those in very remote communities)
- banking over the phone or online when English may not be their first language.

There may be significant levels of disempowerment due to intergenerational trauma and discrimination which can affect people's willingness to use technology and their ability to express their needs (CHOICE et al. 2021).

The banking industry has measures in place to support First Nations customers, with specific provisions in the ABA Banking Code of Practice including providing cultural awareness training and the provision of services in remote communities. As noted above, the industry also provides up to 85 fee-free ATMs in remote locations across Australia. More details including information on dedicated First Nations customer assistance phone lines (including interpreter support), assistance on better internet availability and reconciliation action plans can be found at [ABA Industry Statement: Supporting Aboriginal and Torres Strait Islander peoples](#).

Banks should continue to engage with First Nations people on their banking needs. Specialist assistance, including phone lines, should be visible and well-promoted.

#### **Recommendation 5 – Improve support for regional consumers experiencing vulnerability**

Banks should provide additional support for those experiencing vulnerability, including targeting transitional support when a branch closes and helping customers onto fee-free banking accounts. This includes engaging with First Nation communities on their banking needs in regional Australia, promoting services and reviewing the effectiveness of dedicated resources.

## **Digital inclusion in regional areas is important as banks transition to digital services**

With the move towards the digital provision of banking services, the submissions and Taskforce discussion highlighted the importance of resilient digital connectivity and investment in digital infrastructure, which is important for both digital banking and electronic payments.

Submissions also noted ongoing challenges. These can impact on businesses' ability to process payments. It was noted that some had issues accessing online banking as the text message code (for the two-step verification process) times out before it can be entered into the banking platform, meaning a measure intended to ensure secure banking is hindering access to banking services.

The importance of effective digital connectivity to banking was also raised with the 2021 Regional Telecommunications Review and is reflected in the review's report, *A step change in demand*. The report notes the importance of digital connectivity for banking, including robust support for eftpos terminals. It also points to the importance of reliable power supply for digital connectivity and the services, like banking, that depend on connectivity.

The National Broadband Network (NBN) build was completed in 2020 and the expansion of mobile coverage by industry and uptake of mobile technology have been important for digital connectivity in supporting online banking. In less populous areas, additional mobile coverage has been supported by the Australian Government's Mobile Black Spot Program, and the Regional Connectivity Program has been improving services more generally. Co-investment by industry and States and Territories under these programs has leveraged better outcomes for regional communities.

The Regional Tech Hub, managed by the National Farmers' Federation, has been providing a range of practical resources for regional consumers, including how to select the most appropriate telecommunications option, troubleshooting mobile phone and internet issues, escalating faults with service providers, and helping users to understand their consumer rights.

The Australian Government will continue to prioritise digital inclusion given the fundamental and increasing role of digital connectivity in our everyday lives.

In its *Better Connectivity for Rural and Regional Australia Plan*, the Government has committed to over \$1.1 billion in funding for regional telecommunications. Under the plan, the Government will boost NBN speeds, deliver better mobile coverage on roads and in communities, and improve connectivity for regional communities and on farms.

In June 2022, the Government provided \$480 million to NBN Co towards a significant upgrade and expansion of the NBN fixed wireless network. All 755,000 premises in the expanded fixed wireless footprint will benefit from access to increased download speeds of up to 100 Megabits per second (Mbps), with up to 85 per cent able to access 250 Mbps. The 300,000 premises that remain in the satellite footprint have already benefited from increases in Sky Muster data allowances and product inclusions, with further enhancements to follow after the upgrades are complete.

The Plan also provides for full fibre access to a further 660,000 homes and businesses in the regions.

On mobile connectivity, the Government will undertake an independent audit of mobile coverage to better identify black spots and guide investment priorities. The Plan provides \$400 million for multi-carrier mobile coverage on roads with coverage black spots and improving coverage in regional communities. The Plan provides a further \$200 million for place-based regional telecommunications projects, such as mobile or targeted fibre, to meet community needs. A \$30 million program will enable more farmers to extend connectivity in their fields and take advantage of connected machinery and sensor technology. The Government has also committed \$6 million for the Regional Tech Hub to serve as a trusted intermediary and source of free and independent advice.

Digital literacy was also identified by submissions to the Regional Banking Taskforce as important for the greater use of digital banking and a number of banks have been looking for and finding ways to support the digital literacy of their customers. Building financial capability will also support customers to make more informed decisions and better understand the opportunities and risks associated with using digital financial products.

Digital connectivity can be more challenging for Australians experiencing vulnerability, including older Australians, so they may need more support. The Commonwealth's Be Connected program (which includes an interactive online banking module and resources developed in consultation with the Australian banking sector) aims to increase the confidence, skills and online safety of older Australians (aged over 50) in using digital technology. It enables learners to benefit from the social and economic benefits of digital technologies and has dedicated interactive learning modules to make online banking both safer and more accessible to older Australians. The current program engages with around 280,000 learners annually and is supported by around 3,700 Network Partners and 15,000 digital mentors.

## **Recommendation 6 – Continue to support and improve digital connectivity and literacy in regional areas**

The Australian Government to invest in telecommunication services through its Better Connectivity for Rural and Regional Australia Plan, which will provide significant improvement in regional connectivity. The Government to encourage co-investment by industry and States and Territories to maximise outcomes. Banks should continue to provide digital literacy support for people experiencing vulnerability and coordinate with the Government on digital education programs, such as the Government's 'Be Connected' program for improving digital literacy for older Australians.

## **There are gaps in current points of presence data collection and reporting arrangements**

Currently APRA collects and publishes points of presence data annually for Authorised Deposit-taking Institutions (ADIs or banks). The APRA Points of Presence publication provides information on the physical banking service channels provided to Australians by ADIs, including:

- face-to-face points of presence offering a branch level of service
- other face-to-face points of presence
- ATMs
- eftpos machines.

The publication includes how many branches and ATMs are in regional areas and each branch's geospatial location. It currently provides helpful information on the decline in physical points of presence over time. However, the report does not include data on banking services provided online or via mobile banking applications, a key issue in an increasingly digital world.

To better understand and plan the transition away from branches, it is important to know what banking options are available and where (including virtual options). In light of this, the Taskforce recommends APRA review its Points of Presence collection to better capture indicators of how banking services are accessed, including through digital channels. This should be undertaken in consultation with industry and data users and include consideration of how to assess how banking services are accessed in different ways.

## **Recommendation 7 – Review the APRA Points of Presence collection**

Australian Prudential Regulation Authority (APRA) to commence in 2022 a review of its Authorised Deposit-taking Institutions (ADI) Points of Presence collection to better capture indicators on how banking services are accessed, with public consultation in early 2023.

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