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Submission to Regional Banking Taskforce – Regional Banking

The enquiry being conducted by the Taskforce with terms of reference to assess the impact of bank branch closures in the regions and identify alternative models of service, is both timely and critically important, and I welcome the opportunity to make a submission.

The enquiry follows two similarly-tasks enquiries - “*Money Too Far Away*” (David Hawker MP, 1999) and “*Money Matters in the Bush*” (Senator Grant Chapman, 2004) - which were held specifically to address the number of Bank branch closures that occurred after financial deregulation, but neither of which resulted in any positive action in addressing the issues arising from bank branch closures.

I am sure the Taskforce is well aware of the decisions which have led up to the problem to be addressed. The steps that led to financial deregulation and the decline of regional banking services can be traced through several banking enquiries, starting with financial deregulation ushered in by the 1982 Campbell Report.

Australia’s modern financial system is based on principles developed by the 1981 Campbell Committee and its 1982 Report, namely, the “*efficient markets theory*” - the belief that government and regulatory intervention should be kept to a minimum, because the competitive market will cure all ills.

The Campbell Report mapped out how the financial sector should work under free enterprise objectives. Australia at the time had a number of state and federal government-owned banks which Campbell determined had an unfair advantage over banks operating in the private sector, in that they were less driven by profits. This led first to the sale of the state-owned banks and then, eventually, the Commonwealth Bank.

Almost four decades after the Campbell Report was published, it is indisputable that the purported benefits of competition and marketplace solutions and minimal Government involvement, particularly for small business and primary industry lending, have not materialised. In June 2018, the Productivity Commission described Australia’s banking sector as “*an established oligopoly*”. The four major banks’ market power was “*substantially supported by regulatory settings, which contribute to the major banks’ structural advantages*.”

Campbell also recognised that there would be branch closures “*in the new competitive environment*” and that this would impact on country regions. He made it clear that he considered “*direct intervention in the financial system*” by government to keep bank branches open in certain areas “*inappropriate and, in many cases, counter-productive*”.

The Taskforce’s Issues Paper has dealt with the extent of the resulting branch closures resulting from cost-cutting and the promotion of online banking services and a move away from the use of cash, and hence its terms of reference.

Regions abandoned by the big four have had to either raise a considerable amount of their own money to back a franchise bank (community-owned), or a mutual bank (member-owned) or go without banking services altogether.

The findings of a 2020 parliamentary inquiry into regional inequality were consistent with the

“many, many” inquiries which had been held previously; that inquiry’s final report noting that a number of witnesses had commented on the “*large numbers of inquiries that have occurred with little result*”. The Committee concluded: “*Given the extensive research done into regional Australia and the many reports that have been written, it is the view of the committee that now is the time to take stock of those findings and advance a positive regional development program - a program that builds on what has been learned through the many and varied inquiries and the expertise of those who live in the regions.*”

One of the essential elements in any regional development program is access to reliable regional banking facilities.

The importance of banks and banking facilities was addressed in the 8 December 2021 *Queensland Country Life* which reported on the Regional Banking Taskforce in an article headlined, “***1 in 4 regional bank branches have shut since 2017***”. The article reported that the Australian Local Government Association, represented on the taskforce, stated that “*Banks are an essential service, just like pharmacies, supermarkets, medical practices, and government services, and their physical disappearance can create considerable difficulties for local communities*” and that Federal Regionalisation Minister and Nationals Senate leader Bridget McKenzie concurred, saying branch closures in the regions “*affect the liveability of towns*”.

The article also noted that the head of taskforce member, the Australian Banking Association, Anna Bligh, is cited as claiming that “*Where branches are closed, it’s because customers no longer need to do their banking face to face.*” She went on to say, “*The ABA will work with the Regional Banking Taskforce to highlight the improvements in bank services to all Australians, especially those in regional areas.*” These comments reveal the problem with bank involvement in the review

I agree that Banks should be regarded as an essential service. Banks are created by society and operate as a result of powers granted by that society - as such they do owe obligations to society, obligations that extend beyond mere profit maximisation and are not governed by maximising profits gouged from society for the sole benefit of shareholders.

In a 6 August 2001 opinion piece for the Canberra Times, Dr Evan Jones described an ideological notion which had “*taken hold across a wide spectrum of decision-makers*” during and since the 1980s-1990s - the belief that “*comprehensive financial deregulation was inevitable and universally beneficial*”. The Campbell Report had “*set the tone*”, - “*a full regime of ‘competition’ had replaced the then regulatory structure.*”

I agree with those comments and until the free trade, privatisation, deregulation ideology is recognised as a failure and is abandoned and the banks are re-regulated, the immediate solution to lack of regional banking facilities is the creation of a Government-owned bank to operate through the existing Post Office infrastructure as did the original Commonwealth Bank.

The argument that people no longer use cash and instead use internet banking and on-line financial services has been shown to be rejected by the majority of Australians. Australians prefer the opportunity for face-to-face access even as they make use of credit card and on-line services. A reliance on internet facilities is not a viable alternative to the use of cash and access to face-to-face financial services, particularly in regional areas where there is either limited or unreliable internet access or where such services will be unavailable through misadventure or during power failures or natural events such as bushfires or floods.

Former Australia Post CEO Christine Holgate conceived the idea of Australia Post becoming a bank itself, but knowing the opposition she would get, she at least made the banks pay reasonable amounts for the Bank@Post service in post offices, which for more than 1,000 communities was (and still is) their only banking service. She had observed successful postal banking operations in France, Switzerland, and India. Japan is another country with a successful postal bank, Japan Post Bank, which was central to its post-war economic miracle, investing in economic development and enabling Japan to remain free of foreign debt. The

USA had a successful postal bank until the 1960s, and there is support in the US Congress to bring it back. New Zealand established its postal bank, Kiwi Bank, in 2001, which immediately attracted a flood of deposits from New Zealanders desperate for an alternative to their big four banks (which are owned by Australia's big four). Australia's original Commonwealth Bank started in the post offices in 1912.

The creation of a Government-owned bank operating through existing Post Office infrastructure would have many advantages and totally address issues arising from regional bank closures. It would:-

- ▶ support and encourage the expansion of access to affordable banking, including the provision of short and long-term loans and better banking services to communities which have been deprived of private banking branches and facilities;
- ▶ provide a government-owned bank highly accessible to all Australians, with a large nationwide footprint and extended daily opening hours;
- ▶ provide easily accessible service locations, especially at Australian Post Offices to make it possible for all Australians to access physical banking locations;
- ▶ provide affordable, transparent, trustworthy banking services, including bank accounts and real-time payment systems and easily accessible service locations, including Australia's Post Offices;
- ▶ provide all financial products and services appropriate to a bank business, ensuring that the customer's access to the products and the public interest is given significant consideration;
- ▶ encourage Australians to save money and have access to banking services;
- ▶ Guarantee banking services to all communities, and force the big four private banking oligopoly to actually compete on service;
- ▶ Guarantee banking services to everyone and every legal business without discrimination - no "debanking" as the private banks are doing to more and more businesses;
- ▶ Guarantee deposits, as the bank would be owned by the Commonwealth government;
- ▶ Support the cash payments system which the private banks are trying to remove - the banks have ripped out one third of Australia's ATMs in recent years;
- ▶ Lend to local individuals and small businesses in the communities the postal bank serves;
- ▶ Invest surplus deposits in a national development or infrastructure bank, to be a source of credit for the economic development of Australia;
- ▶ Break the monopoly of the big four banks, including their power over Australian politics.

I commend such a Bank to the Taskforce in its deliberations.

I would be happy to expand further on any of the matters raised in this Submission.


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R H Butler
Solicitor,


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