

CCIQ RESPONSE TO: REGIONAL BANKING TASKFORCE ISSUES PAPER - NOVEMBER 2021

*Regional Banking Taskforce,
Treasury*
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Introduction

The Chamber of Commerce and Industry Queensland (CCIQ) thanks the Regional Banking Taskforce for the opportunity to comment on the *Regional Banking Taskforce Issues Paper November 2021*.

CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 448,000 Queensland small and medium businesses who employ 44% of Queenslanders working in the private sector. CCIQ works with the regional and local chamber network across Queensland to develop and advocate for policies that are in the best interests of Queensland businesses, economy, and community.

CCIQ acknowledges the important role banks play in regional communities for individuals, business owners, and community organisations, and submits this response to represent the experiences and needs of Queensland's regional business community. **Just like metropolitan-based businesses, regional small businesses have a variety of banking needs. Accessibility however can be a considerable constraint.**

Any identified alternatives to bank branch models must maintain or seek to improve banking services and accessibility in regional areas. Any deterioration in accessibility would negatively impact businesses, economic growth, and liveability. Even where alternative means of accessing banking services are available, closures of "brick and mortar" bank branches are felt by local business owners and the broader community.

The role that banks play in regional communities is also broader than just the services they offer. They are part of the regional business community and support the regional social and cultural fabric. Many regional banks often sponsor local community services and clubs, or are key advocates for economic development projects alongside local government and business groups.

Supporting the Economic Resilience of Regional Queensland

In assessing the impacts of bank branch closures on regional areas, the inherent vulnerabilities and broader implications need to be considered. A holistic view of a region's economic resilience involves understanding the local context and threats of crises or shocks a region may face.

Vulnerabilities to natural disasters, utility disruptions, or trade restrictions, should be considered when assessing suitable banking alternatives, as to avoid a situation where alternatives put in place are insufficient to meet community and business needs in the event of such a crisis. **Alternative banking solutions must aim to build resilience in regional economies, rather than create increased vulnerability.**

Key constraint on resilient regions: Poor Digital Connectivity

A key vulnerability of regional communities is poor digital connectivity. A key priority for CCIQ is in advocating across all levels of government for the advancement of digital infrastructure in regional Queensland to keep businesses connected, including the need for high-speed internet.

Underpinning many of the issues related to regional bank branch closures are the difficulties in accessing internet and mobile broadband services. The Australian Communications and Media Authority's (ACMA) report *Communications and media in Australia: How we use the internet*

reported that, in June 2021, **11% of regional households had no home internet access**¹. The report further noted that 99% of regional Australians had accessed the internet in the past 6 months, suggesting that many of those with no home internet access may have access elsewhere, though it is unclear how consistent or reliable this access is. This has implications for the connectivity and productivity of regional small businesses, as many are home-based but may have either no consistent access to internet, or unreliable access.

Reliable connection is also a challenge. The University of Canberra's 2020 *Regional Wellbeing Survey* reported that, of the 1,600 regional Queenslanders surveyed, **26.5% rated their access to high speed, reliable internet as poor**, with 23.3% rating their access to mobile phone reception the same way². This is an important aspect to be aware of when considering any branch closure – although most customer may be able to *access* alternative services like internet and telephone banking, the *reliability* of doing so may be impaired. Experiencing consistent interruptions and significant wait times due to **poor internet or mobile service can significantly inhibit access to these services, and may simply not be a suitable alternative** to face-to-face products or services for many. Video conferencing services, for example, will be not possible without a reliable, high-speed internet connection.

¹ Australian Communications and Media Authority, 'Communications and media in Australia: How we use the internet'. December 2021, www.acma.gov.au/publications/2021-12/report/communications-and-media-australia-how-we-use-internet

² University of Canberra, '2020 Regional Wellbeing Survey data tables', September 2021.

www.canberra.edu.au/research/institutes/health-research-institute/regional-wellbeing-survey/survey-results/data-tables

Summary of Recommendations

Context

- CCIQ recommends the Regional Banking Taskforce establishes a process to continue to monitor and report on consumer preferences for accessing banking products and services.
- In identifying alternatives to bank branch models, ensure all constraints and unique banking needs of regional communities and businesses are considered within a local context.

Impacts

- The potential impacts on regional liveability and mental health for individual experiencing financial distress must be considered when considering alternative service solutions to regional bank branches.
- In identifying alternative models of banking service delivery, the Taskforce should consider alternatives that allow the continued development of specialised regional knowledge, to best meet the needs of regional businesses. This could be achieved through initiatives such as regional business banking hotlines, outreach officers, and satellite facilities in community centres or business hubs.
- In assessing the impacts of bank branch closures, the Taskforce should consider the role bank branches play in regional communities beyond providing financial services, and the void they can leave as a source of sponsorship and support.

Bank support

- Banks should, to the best of their ability, maintain a regional service focus. This could be achieved through initiatives such as regional banking hotlines, outreach officers, education seminars, and satellite facilities in post offices, community centres or business hubs to maintain face-to-face customer service capabilities.
- Solutions that seek to keep in bank facilities in region, whilst reducing overhead costs, should also be explored. The viability of use of government offices, such as Centrelink or Medicare offices, or supporting partnerships with local government, should be explored.

Alternatives to closed bank branches

- The reasonableness, long-term viability and resiliency of alternative banking solutions need to be considered in the context of the user and regional vulnerabilities.
- Broader consultation across regional Australia to identify and monitor regional banking issues and needs.

Response to Consultation Questions

Context

Q1. How are Australians changing the ways they are accessing banking services? What are driving these changes?

The way Australians are accessing banking services has been changing recently and has only been accelerated by the COVID-19 pandemic. Increased digitisation, the effects of lockdowns and the pandemic, and an increase in the number of services accessible through mobile and internet banking has made digital alternatives increasingly popular.

Through consultation with our members and local chambers, it was found that some regional communities feel the change is also being driven by a pressure from banks as regional branches close, and not necessarily by consumer choice. This suggests that, **in regional areas, there is a widening of the gap between demand and service delivery, rather than a shift with consumer preferences to a more online mode of service delivery.**

Recommendation: CCIQ recommends the Regional Banking Taskforce establishes a process to continue to monitor and report on consumer preferences for accessing banking products and services.

Q2. What banking facilities, services and products are used in regional bank branches?

Just like metropolitan-based businesses, regional small businesses have a variety of banking needs. Regional Queensland businesses use a variety of services in regional bank branches, such as opening and closing of accounts, access to cash, paying bills, negotiating loans, and seeking financial and account advice.

Understanding the local context

Importantly, branches allow local small business owners to discuss everyday banking needs with a bank employee who is more likely to **understand the unique challenges and issues businesses face that are specific to that region.** This allows regional small business owners to obtain advice that is tailored to their experience, as the difficulties different regions face vary significantly.

The importance of face-to-face customer service

As explained above, some regional banking customers may lack reliable internet connectivity, which can lead to interruptions in accessing banking service alternatives. Those with connectivity constraints will still require face-to-face solutions. Some customers may also lack the digital literacy to transfer to online alternatives, or to access online services at all.

Q3. 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 regional customers?

Accessing Cash

Although businesses in general are relying less on cash, it is still an important resource for many Queensland small businesses, especially in regional communities. Businesses require cash for their floats, and expenses, as other businesses they work with may prefer or even only accept cash. More specific examples include:

- pubs requiring cash for the operation of poker machines, or
- operators at farmer's markets which can be exclusively cash-based transactions.

Where modes of accessing cash are compromised, businesses ability to operate is impacted.

Regions with cash-based commerce at the heart of the business community, such as tourism and farmers markets, a local branch to access and deposit cash can be needed. While ATMs and Bank@Post options are branch alternatives which allow cash withdrawals, these are not without their limitations: both options have withdrawal limits, are not necessarily available in all regional areas, and many have technical issues and regular maintenance requirements.

CCIQ have heard examples from small business owners in regional Queensland regarding their need to plan out an entire day in order to obtain the cash necessary for them to do business. This presents a huge cost to their business's operations and productivity – not only the driving and petrol costs, but cost in terms of time that could be spent working in their business.

Account signatory services

Not-for-profits and other community groups are also often required to go to a branch in person with the necessary documents to open accounts, or to change signatories on related accounts. If there is no local branch, an entire day may be required to achieve the task, requiring all signatories to coordinate such a time.

Recommendation: In identifying alternatives to bank branch models, ensure all constraints and unique banking needs of regional communities and businesses are considered within a local context.

Impacts

Q4. What are the impacts of regional bank branch closures on the banking needs of individuals?

Bank branch closures in regional Queensland can have significant impacts on the banking needs of individuals. It is critical to note however, **that impacts on the banking needs of individuals are also direct impacts on business. SMEs include sole operators and family-based businesses, and individuals with diverse banking needs. SMEs are a significant part of our communities.**

As has been highlighted, access to reliable internet and mobile phone service in regional Queensland is still an ongoing issue, leaving many individuals either facing frustrating interruptions, or simply unable to access internet, mobile, and telephone banking. Table 1 in the Issues Paper illustrates the

impact of these access issues, with many services becoming unavailable for such individuals if their local bank branch were to close. ATMs failures can also have substantial impacts given the importance cash still has in regional communities. From the same University of Canberra survey mentioned earlier, **24.3% of regional Queenslanders rated their access to bank services as poor.**

As well as access issues, many long-term customers can feel a **sense of abandonment and isolation** when a branch they have used for years closes. Inaccessibility of alternatives in regions that experience a bank branch closure result in individuals experiencing frustration, a lower level of service, or great inconvenience in having to drive to the next closest branch. This can impact on the **liveability** for some regions, and for **individuals experiencing financial distress**, there can be increased challenges to their **mental health**. These potential impacts on health and regional liveability must be considered when considering alternative service solutions to regional bank branches.

Recommendation: The potential impacts on regional liveability and mental health for individual experiencing financial distress must be considered when considering alternative service solutions to regional bank branches.

Q5. What are the impacts on the banking needs of businesses, community organisations and communities?

The ability for businesses and community organisations to access banking services locally supports financial viability and productivity. CCIQ acknowledges that banks themselves, like other businesses, have ongoing operational costs, and that maintaining all branch facilities in some areas is not feasible, leading to a reduction of banking facilities or services or branch closures altogether. However, where there are banking access issues, this impacts a business's ability to self-manage their finances, pay bills, etc. **Alternative models of banking service delivery, must continue to best meet the needs of regional businesses.**

Access to cash is an issue for some regional Queensland businesses, with ATMs and Bank@Post having limitations (as discussed above), resulting in some business owners having to plan an entire day to organise their cash floats. Greater pressure is also being put on regional small businesses to provide change for larger notes, which is difficult when their access to cash is more limited.

Instances where internet infrastructure is down also presents an issue for small businesses, as it disrupts the ability to use EFTPOS and other electronic payment methods, forces cash-only trading, and ultimately negatively impacts their profitability (e.g., where customers or tourists may not have sufficient cash on hand to complete a purchase).

“Reliable service and internet connection is required. In my home office in Biloela, I only receive one bar of reception [to service my business needs], which slows down internet speeds and [therefore] how much work I can get through.”

When a bank has a physical presence in a region, the staff and the bank can develop and maintain specialised knowledge of the needs of individuals and small businesses in that area, as well as the unique challenges associated with doing business there. Bank branch closures risk losing this specialised knowledge and run the risk of adopting a one-size-fits-all approach.

Recommendation: In identifying alternative models of banking service delivery, the Taskforce should consider alternatives that allow the continued development of specialised regional knowledge, to best meet the needs of regional businesses. This could be achieved through initiatives such as regional business banking hotlines, outreach officers, and satellite facilities in community centres or business hubs.

Banks often sponsor community organisations, clubs, and sports teams, as well as providing donations to local not-for-profits and supporting grassroots community initiatives. The absence of a physical presence in that region severely limits these benefits and makes it harder for these community organisations to operate and grow, which impacts the liveability of these regions.

Recommendation: In assessing the impacts of bank branch closures, the Taskforce should consider the role bank branches play in regional communities beyond providing financial services, and the void they can leave as a source of sponsorship and support.

Q6. Are there particular issues in the provision of banking services in regional Australia for specific vulnerable groups?

Vulnerable groups within regional communities often face their own set of challenges across a range of areas, this remains true for access to banking services. **These vulnerable groups also represent the diversity of small business owners and managers.** Vulnerabilities that regional communities and businesses may experience include:

- ongoing challenges with telecommunications and connectivity required to access services
- increased risk of being impacted by natural disasters
- mental health challenges
- as well as diverse needs of vulnerable groups in society, such as: older Australians, those with a disability, Indigenous Australians, or those from diverse cultural backgrounds.

Ongoing challenges with telecommunications and connectivity required to access services

Below are some quotes from regional Queensland businesses regarding the challenges associated with doing business in areas of poor internet connection. These connectivity issues would directly impact the ability to access online-based banking services.

“Analog phone system did not rely on power. The NBN system has backup batteries with finite life. When there was a total grid failure in Mount Isa in April 2021, mobile phones became useless when the towers batteries went flat.”

“There are a number of black spot areas in and around Central Queensland, specifically within the Banana Shire. There are a number of times telecom access has been lost for multiple days interrupting businesses and services and it seems no priority is given to rectify quickly for regional areas.”

“Mobile phone coverage in regional Outback Australia is woefully inadequate especially in rural and remote areas. Mobile phone access is limited to a few centres of population and mine sites.”

“Cyclone Marcia showed us just how vital phone coverage is in a disaster, but also how reliant we are on power for these devices.”

“The issue of consistency - never know when the internet will drop out and in some cases in my travels zilch service for vast expanses.

Increased risk of being impacted by natural disasters

A holistic view of a region’s economic resilience involves understanding the threats of crises or shocks a region may face. For example, a natural disaster such as a cyclone could leave a community with disrupted electricity service, or severely limited internet and mobile phone service for an extended period of time, even for multiple weeks or months in some cases. In such an event, banking through mobile apps, internet banking, or telephone banking may be completely unviable. The need for cash for both consumers and businesses would also increase, as businesses would be unable to use EFTPOS or other electronic payment methods and would require cash to operate.

Such vulnerabilities should be taken into account when assessing alternatives, as to avoid a situation where alternatives put in place are insufficient to meet community and business needs in the event of such a crisis.

Mental health challenges

Often a challenge associated with living in remote locations and isolation, mental health among regional SMEs is a real concern. The impact of externalities such as drought, climate risk, supply chain and logistics challenges, labour force shortages, COVID lockdowns, to name just a few, have an ongoing effect on mental health of business owners and managers. Where these challenges are associated with the financial viability of businesses, banks need to be considerate and compassionate in dealing with their customers.

Other diverse needs of vulnerable groups in our communities

The below vulnerable groups and their needs should also be considered:

- *Older Australians:* Over 19% of small business owners in Australia are over 60 years of age³, and so any issues in the provision of banking services for this group has the potential to significantly impact many of regional economies. For example:
 - Access issues due to transport constraints if bank branch is in another region, as some older Australians may not have access to a car or be able to drive;
 - Generally a lower confidence and capability in using internet or telephone alternatives;
 - Hesitancy to access banking via alternative means. For those customers who may have used a bank branch for several years, they may not have the necessary knowledge to confidently bank online;
 - Cybersecurity concerns. Scammers often target older Australians, and a push to using digital services without proper education on how to safely use these services could leave many older Australians vulnerable to such scams.

³ Australian Small Business and Family Enterprise Ombudsman, ‘*Small Business Counts*’, December 2020. www.asbfeo.gov.au/sites/default/files/ASBFE0%20Small%20Business%20Counts%20Dec%202020%20v2.pdf

- *Australians with a disability.* For those who can take care of banking needs in person, but may struggle online, a bank branch closure could impact the independence of that individual, requiring a greater reliance on support services or carers. For example, many Australians with disabilities may also face transport issues if they need to travel a significant distance to reach their nearest bank branch. There may also be constrained digital literacy, making many suggested banking alternatives inaccessible.
- *Indigenous Australians:* Indigenous Australians also face greater difficulty than the average Australian in accessing digital services. In Telstra's Australian Digital Inclusion Index for 2019, Indigenous Australians' digital inclusion score was 6.8 points below the national average⁴. 1 in 10 Aboriginal or Torres Strait Islander persons also reported having very low access to financial products and services, compared to 1 in 100 for the general population⁵. Access to these financial products and services is essential in achieving entrepreneurship, and increasing the financial resilience of Indigenous Australians, which is why it is so important to ensure that barriers to achieving this are being removed rather than created.
- *Customers of diverse cultural backgrounds:* Appropriately recognising and supporting customers of diverse cultural backgrounds is at risk where local bank branches close. For example, non-English speakers, or communities with a significant presence of ethnic groups, benefit by having a regional branch which over time learns to best service diverse cultural needs.

The particular issues that vulnerable groups in regional communities face in the provision of banking services can amplify the impacts that are felt from a bank branch closure and can result in a reduced level of liveability, independence and inclusion for these groups.

Bank support

Q7. 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?

Even in cases where alternatives to bank branches can sufficiently meet all services, issues still remain regarding accessibility, such as:

- high-speed and reliable internet;
- the tyranny of distance in accessing services, such as the need to travel long distances to access services;
- education, such as financial and digital literacy; and
- servicing and reassurance specific to vulnerable groups.

Considering these challenges, some opportunities to assist customers transition to alternative banking services are outlined below.

Education seminars to aid with transition to new banking methods

⁴ Telstra, 'Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2019', 27 August 2019. www.csi.edu.au/media/2019_ADII_Report.pdf

⁵ Centre for Social Impact, 'Money Stories: Financial resilience among Aboriginal and Torres Strait Islander Australians', May 2019. www.csi.edu.au/media/NAB_IFR_FINAL_May_2019_web.pdf

To help customers transition to alternative banking services, banks could organise seminars or programs aimed at addressing digital literacy or hesitancy in accessing alternative services, as well as transparent information of the transition process.

A regional banking hotline

Banks should be encouraged to establish regional banking hotlines to answer questions and provide information about regional banking accessibility and transition to alternative servicing approaches. This can also assist banks in better understanding and monitoring the regional context and day-to-day challenges being experienced by customers.

Banks should still maintain a regional service focus

It is important that banks understand the unique issues facing a region when considering a branch closure and seek to maintain a regional servicing approach. For example, staff at branches destined for closure may have specialised local knowledge which could be maintained through a regional service team, such as online, telephone banking, or as outreach staff. The knowledge these staff members have of their region could also be captured as part of the transition process and utilised in the design of alternatives.

A regional service focus could also be achieved through satellite facilities at post offices, community centres or business service hubs, with outreach customer service officers providing the opportunity for face-to-face interaction with customers. The best fit for the region should be considered though, as there may be inherent limitations in some of these options.

Recommendation: Banks should, to the best of their ability, maintain a regional service focus. This could be achieved through initiatives such as regional banking hotlines, outreach officers, education seminars, and satellite facilities in post offices, community centres or business hubs to maintain face-to-face customer service capabilities.

Solutions that seek to keep in bank facilities in region, whilst reducing overhead costs, should also be explored. This would allow for the bank staff and functions to maintain services in region, just in an alternate space. There could also be benefits in co-locating banking services with other government or business services. Government offices, such as Centrelink or Medicare offices, for example, could be considered. Partnerships with local government to find suitable spaces – both long-term, temporary, or as regular pop-up service centres – could also be explored.

Recommendation: Solutions that seek to keep in bank facilities in region, whilst reducing overhead costs, should also be explored. The viability of use of government offices, such as Centrelink or Medicare offices, or supporting partnerships with local government, should be explored.

Alternatives to closed bank branches

Q8. 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?

Many facilities, services, and products that are provided in bank branches are available through alternatives services, but due to the accessibility issues, the viability and reasonableness of those alternatives can vary.

A hypothetical example of a regional small business accessing banking services:

Jane, a hypothetical owner and manager of a regional hospitality business, receives the majority of her revenue in cash. Her town no longer has a bank branch, nor are there any Smart ATMs, and she needs to deposit the week's takings in order to pay her bills. The nearest bank branch is in a town that is 2 hours away where she can deposit the cash and pay her bills; alternatively, an hour away is another town that has a Smart ATM, where she can deposit the cash, and then use telephone banking to make the bill payment. In the first scenario, Jane is required to spend nearly 5 hours in driving, waiting in line at the bank, and using the bank services; the second scenario takes half as long, at nearly 2 and a half hours, but when Jane arrives to the Smart ATM she finds it is down for maintenance, and it is now too late to make it to the other town's bank branch.

Further, while a bank branch is one facility that can typically service all banking needs in one place, a combination of alternatives may be required where there is no branch readily available. This additional complexity of process exposes users to increased vulnerability; for example, a mobile reception outage preventing the bill being paid, or an ATM requiring maintenance delaying the cheque deposit.

Recommendation: The reasonableness, long-term viability and resiliency of alternative banking solutions need to be considered in the context of the user and regional vulnerabilities.

Alternatives to Bank Branch Models

A one-size-fits-all approach to optioning alternative service delivery models will likely leave many increasingly isolated and vulnerable. In identifying suitable alternative models for the provision of banking services in the absence of regional bank branches, and assessing the impacts of bank branch closures, a tailored approach to each region is needed.

Recommendation: Broader consultation across regional Australia to identify and monitor regional banking issues and needs.

Further Enquiries

CCIQ would like to thank the Regional Banking Taskforce for the opportunity to make a submission to this important review. If there are any further enquiries in relation to the submission, please contact Michael Merlo, Policy Advisor, at mmerlo@cciq.com.au.