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Secretariat
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Financial System Division
The Treasury
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I am writing to your Taskforce as an Australian citizen concerned about the demise of essential services throughout Australia, evidenced in particular by the decimation of banking and financial services in rural, regional and remote areas across Australia. Undoubtedly, this trend has resulted from a suite of economic reforms implemented since the 1980's, including the privatization of Government-owned banks and deregulation of the banking sector. Your taskforce now has an opportunity to address the negative consequences of those reforms, by expanding the remit of Australia Post to deliver efficient, secure and cost effective banking products and services to all communities throughout Australia.

As documented in multiple Government enquiries since deregulation, all of the major banks have progressively and inexorably closed local branches throughout Australia, justified to the public with unsubstantiated claims, i.e. that the branches are no longer economically viable, that demand has fallen, that services are being matched through alternative channels, that customer's prefer electronic banking, and so on. But whatever their motivations, the major banks have clearly demonstrated through their own actions and public statements that this trend will not be reversed by the industry. Indeed, in a recent broadcast media interview, the CEO of the Australian Banking Association, Anna Bligh, even asked Australians to re-imagine banking altogether, not so much as a shop front, but more like an App!

Let's be frank about this. These business decisions are driven by industry competition and the profit motive, i.e. the desire to deliver profitable banking products and services to satisfy mainstream sectors of the market at minimal costs. Notably, these business decisions are made by participants in a banking industry that is not required to comply with any universal service obligation.

To be blunt, these decisions are being made by an industry that has been disgraced in recent years by the evidence presented at the Hayne Royal Commission into banking misbehavior. And that Royal Commission was little more than a glimpse into the malpractice (and worse) that has eroded the standing of the industry since the 1980's. In effect, the reputation of the banking and finance sector in Australia has been trashed by the industry itself following deregulation. And that situation is unlikely to change in the foreseeable future, given the ineffectiveness of regulatory bodies to enforce the Law as it applies to businesses and practitioners in the sector.

Since the privatization of Government owned and guaranteed banks, the Australian banking sector has been overwhelmingly dominated by just four major commercial banking institutions, i.e. CBA, NAB, WBC and ANZ. The stability and solvency of these four institutions is absolutely critical in underpinning a functioning economy and securing the funds on deposit.

Perversely, commercial banks operate under very accommodative monetary settings and a 'business friendly' regulatory environment in Australia. As a consequence, all banking institutions in Australia compete aggressively with low interest rates and easy credit, driving up asset prices and reducing affordability throughout the economy. An inevitable market correction is to be expected in the near term, when interest rates rise and confidence is undermined. In these circumstances, the solvency of the commercial banks and the security of depositor funds is threatened (as occurred in similar circumstances in the past, leading up to the market crashes of the early 1890's, 1930, 1987 and 2008).

A government owned saving bank is urgently required to mitigate the risks within the commercial banking sector, to guarantee depositor funds and to recover the economy in the event of a major crash.

As evidenced by its Bank@Post services for a range of major Australian banks, Australia Post is certainly capable of delivering basic banking services via its existing post office network throughout Australia. However, as users of Bank@Post can testify, exorbitant fees are charged by the major banks for basic banking transactions, understood to be far in excess of the service delivery cost.

Undoubtedly, your Taskforce will be provided with multiple submissions that detail the ongoing demand by businesses and communities for local face-to-face service, cash deposit and withdrawals, cheque deposits and the like, notwithstanding the excessive fees charged by the banks on Bank@Post services. And undoubtedly, your Taskforce will be provided with multiple submissions that detail the negative consequences on the businesses, communities and townships, once the local bank branches are closed.

Let's face it. Basic banking is an essential service that must be delivered to all communities, to provide cost effective and convenient deposit, withdrawal and payment facilities that underpin economic activity in these communities.

In the absence of any real alternatives, I strongly urge your Taskforce to recommend the establishment of a Commonwealth Postal Savings Bank (CPSB) in Australia, with its own banking license to operate as an approved deposit taking institution (ADI) throughout Australia. A CPSB would:

- Be Government owned and established under the existing legislative framework of Australia Post (amended as necessary)
- Be restricted to traditional savings bank activities and strictly prohibited from engaging in investment banking activities, directly or indirectly
- Be modelled upon comparable Postal Banks operating successfully and effectively in numerous countries around the world, including New Zealand, Japan, France, India and Switzerland
- Provide the opportunity for all individuals, businesses and organizations in Australia to choose basic CPSB banking products and services, as an alternative to the more comprehensive range of banking products and services provided by the commercial banks
- Guarantee the availability and delivery of savings banking products and services via the business network of Australia Post to communities throughout Australia, including (but not limited to) a Government guarantee for funds on deposits, cash payment facilities and lending to individuals and small businesses in each locality
- Deposit surplus funds with the Australian Government, for investment in the infrastructure required to underpin the economic development of Australia

In summary, a CSPB is needed urgently to address the numerous shortcomings and the elevated risk profile of the commercial banking sector. And a CPSB is absolutely necessary, not only to serve the needs of communities in Regional Australia but to provide essential, guaranteed banking products and services throughout Australia via a Government owned business enterprise. And by employing the existing Australia Post network, CSPB products and services can be implemented efficiently, securely, cost effectively and in a timely manner.

In deciding upon this recommendation, your Taskforce has one very fundamental question to ponder. Should the delivery of this essential service by CSPB throughout Australia be given precedence over the powerful commercial interests of the private banking sector? Your Taskforce will be judged by its response to that question, but in my opinion, there can be no excuse for prioritizing commercial interests over the security and stability of our nation.

In my view, this recommendation really is a 'no-brainer'!