



Australian Citizens Party

ABN: 96 864 903 379

National Office: 595 Sydney Rd Coburg VIC 3058 | **Postal address:** PO Box 376 Coburg VIC 3058

Office: 03 9354 0544 | **Fax:** 03 9354 0166 | **Email:** info@citizensparty.org.au

Website: <http://citizensparty.org.au>

27 April 2023

Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
CANBERRA ACT 2601
Attention: Director, Postal Policy—Communications Services and Consumer Division
postalconsultation@infrastructure.gov.au

Dear Director,

RE: Postal Services Modernisation

Please find in the following pages the Australian Citizens Party's submission to the Postal Services Modernisation review.

I would be willing, on behalf of the ACP, to attend any consultation you may have to elaborate on our proposal for a public post office bank.

Yours sincerely,

Robert Barwick
Research Director
Australian Citizens Party



A public post office bank: the win-win solution for essential postal and banking services

Australia Post is required by legislation to provide essential postal services commercially, but also according to specific community service obligations through a minimum number of post offices. In recent years commercial pressures, and the decline in the number of letters being mailed with a postage stamp, have impacted Australia Post's ability to operate at a profit.

Much of the discussion about modernising Australia Post, within the parameters of remaining a commercial operation, assumes some services, staff, and the size of the retail network will need to be cut.

However, cutting services and the number of post offices will have a detrimental effect on the daily lives of many people for which Australia Post is an essential service.

Many Australians and communities are already suffering from the reduction or withdrawal of many other essential services, including reduced healthcare services in any regional communities, and withdrawn banking services in thousands of both metropolitan suburbs and regional towns all over Australia; for those people, Australia Post has been a mainstay, an essential service they could rely on.

There is a much better way to address the sustainability of Australia Post into the future, a win-win approach to expanding both its services and its income.

The solution is for the Commonwealth government, which owns Australian Postal Corporation, to establish a government bank to operate through post offices.

The experience of postal banking around the world shows that it's a win-win relationship: the post office network enables financial services to be provided cheaply; banking services generate extra revenue to fund post offices and postal services.

Former CEO Christine Holgate already demonstrated the benefits to Australia Post of providing banking services, *if those services generated sufficient revenue for Australia Post and licensees*, which her 2018 deal with the banks to pay a \$22 million annual Community Representation Fee was structured to do.

Ms Holgate's deal ensured more of the benefits of the banking services provided through Bank@Post were shared with Australia Post and the small business licensed post offices (LPOs) comprising two-thirds of the network; the deal returned Australia Post to profitability, and made the LPOs financially viable for the first time in many years.

A permanent government post office bank, which reimburses Australia Post and licensees adequately for hosting the service, would ensure the ongoing financial viability of Australia Post while providing essential banking services to all communities.



The clear benefits of a public post office bank include:

1. Financial viability for postal services;
2. Guaranteed banking services for all communities;
3. Real banking competition;
4. Guaranteed access to cash;
5. Fully secure savings;
6. More lending to neglected communities;
7. Investment in infrastructure.

A post office bank's benefits for the viability of banking services has already been mentioned; the other benefits of a post office bank in this list are elaborated below.

Following that, we conclude with a description of the Australian Citizens Party's specific proposal for a public post office bank, which we have drafted into legislation.

Guaranteed branch banking services

The principal asset of a public post office bank is the Australia Post network, which has the largest retail footprint in Australia. According to the 2022 Australia Post Annual Report, Australia Post has 4,310 post offices, of which 2,513 are in rural and remote areas; Australia Post is required, by regulation, to maintain a minimum network of 4,000 post offices, with 2,500 in regional Australia.

The geographical spread of the Australia Post network is impressive, with post offices accessible all throughout Australia.

By contrast, Australian Banking Association figures from December 2022 show there were 4,014 total bank branches in Australia; given the rate of bank branch closures in the month before this inquiry was established, there are likely fewer than 4,000 now.

Fewer than 1,000 of those branches are in regional Australia.

If post offices were branches of a public post office bank, it would serve far more communities than all of the private banks combined, effectively guaranteeing face-to-face banking services for almost every community in Australia.

Currently, bank customers can already bank at post offices through the Bank@Post service, which is an agency service for the private banks.

However, the services available are minimal; for example, in November 2022 Westpac provided Coober Pedy District Council a comparison which showed that of 48 services available at a branch, only eight are available through Bank@Post—it is not a substitute for a branch (see attached).

Moreover, participating in Bank@Post is a commercial decision of the private banks, and there is no legal requirement on the banks to offer, and pay for, their services through Bank@Post; ANZ's refusal to participate in Bank@Post illustrates this reality.



The same banks that are withdrawing their branch services could just as easily decide in the future they don't wish to continue paying Australia Post to participate in Bank@Post; indeed, following the Morrison government's removal of Australia Post CEO Christine Holgate in 2020, CBA, NAB, and Westpac showed the weakness of their commitment to Bank@Post by negotiating down their Community Representation Fee (CRF) to use the service.

The three banks hide what they pay for the CRF behind commercial in confidence, but according to the testimony of NAB executives at the 2 March hearing of this inquiry held in Sale, Victoria, NAB is now paying \$15 million per year for Bank@Post, compared to the \$22 million CRF it had agreed with Christine Holgate in 2018.

This is an almost one third cut, at a time when NAB is closing branches at a record rate and directing thousands more customers to use the Bank@Post service, and at a time when Australia Post is under increased financial pressure.

If NAB is only paying \$15 million for the CRF, it is likely CBA and Westpac are too.

In effect, these banks are being allowed to exploit the taxpayers who own Australia Post, and the licensees who run 2,850 post offices as small businesses, to subsidise their branch services.

They are both undermining the viability of the Bank@Post service, putting its future at risk, and demonstrating their lack of commitment to the service, which shows that the current Bank@Post service cannot be relied upon to always provide banking services.

Given that, on average, every branch closed by the banks saves them more than \$1 million, and that they have closed more than 575 branches in regional Australia alone since 2017, directing those customers to Bank@Post, it is shameful that the government is allowing CBA, NAB, and Westpac to keep all of the financial benefits they enjoy from having their customers served by post offices, by allowing the banks to pay less for Bank@Post, when they should be paying far more.

By contrast, a public postal bank chartered to operate permanently through post offices would guarantee face-to-face banking services for all communities in perpetuity.

Real banking competition

A public post office bank would introduce *real* competition for the Big Four banks, which is sorely lacking in Australia's banking system, 80 per cent of which is controlled by the Big Four banks.

The current branch closure crisis, which has led to a Senate inquiry, illustrates this lack of competition: ask yourself why, if there is real competition between the Big Four banks, they are all closing otherwise profitable branches at the same time, instead of at least one of them breaking from the pack to pick up customers from the other banks by opening branches to compete on service?

If anything, the opposite has happened—ANZ's refusal to participate in Bank@Post shows that they are only competing on serving customers less, not more.

This is cartel-like, oligopolistic business behaviour.



The Bank@Post service does not increase competition, as it is merely an agency for the private banks—the banks involved don't have to worry about losing their customers if they close their branches, because they know they will retain their customers through Bank@Post.

With a dedicated public post office bank that offers full banking services, however, the private banks will be very aware that if they close branches, there is a strong possibility they will lose customers who prefer face-to-face services to the post office bank.

If the banks are right that it is customers who are instigating the move away from branches and into digital banking, they would have nothing to fear from competing with a public postal bank, as the number of customers they would lose would be relatively miniscule.

However, the banks don't seem to want to test that prospect: the September 2022 Final Report of the Regional Banking Taskforce, on which 8 of the 11 members represented banks and banking associations, rejected a postal bank on the grounds that it would “raise significant competitive neutrality concerns (as the new bank would be government backed)” —in other words, the banks which had a say in that report don't think it's fair that they should have to compete with a public bank.

Yet until the Commonwealth Bank was fully privatised in 1996, Australia's private banks had competed with the public Commonwealth Bank for 84 years, and with the state banks for even longer.

At no stage did that competition undermine Australia's banking system; in fact, it enhanced the banking system by ensuring all the banks maintained minimum standards, including standards of service.

It is therefore revealing that the 1982 Campbell Financial System Inquiry report—which recommended the privatisation of Australia's public banks in response to the complaints of the private banks that competing with public banks was “unfair”—forecast that “a more competitive”, i.e. privatised banking system may lead to “a reduction in commercial bank branch representation” and an increase in the need for “post office agency banking facilities”.

With the privatisation in 1996 of the Commonwealth Bank into one of the Big Four private oligopoly banks, and the end of private banks having to compete with a public option, this is exactly what has happened, as evidenced by the timing of the major parliamentary inquiries into bank branch services—the 1999 “Money Too Far Away” inquiry; the 2004 “Money Matters in the Bush” inquiry; and the current Senate inquiry into bank closures in regional Australia.

This experience is a negative proof of the value of making private banks compete with public banks. New Zealand provides an excellent example of the impact of increased competition from a public postal bank on bank branches: in 2002, when NZ established Kiwibank as a public post office bank, the first response of NZ's private banks—which, incidentally, are all owned by Australia's Big Four banks—was to declare a moratorium on any further branch closures.



Guarantee cash

The private banks, driven to maximise profits, are pushing to reduce cash use, regardless of the impact on cash-dependent communities and customers.

Forcing their customers to go cashless reduces the banks' costs associated with cash handling, including staff, and transportation. It also provides new and expanded opportunities for banks to profit—from monetising the data they collect on electronic transactions, and from taking a cut of every transaction through fees.

By contrast, the objective of a public post office bank would be to provide the banking services communities need, not to maximise profit (even though it would make a profit); therefore, a public post office bank would be able to guarantee the availability of cash in the economy, as well as the processing, secure storage, and transportation of cash.

Whatever the private banks continue to do, the public would know they can always source and bank cash at the post office bank.

In terms of the cost of handling and transporting cash, which is often cited as an excuse for reducing cash use, a post office bank could take advantage of operating through the post office network to reduce those costs by utilising Australia Post's transportation infrastructure.

Certainly, when Australia Post did transport cash to regional bank branches, prior to 1996, the cost was much lower than the cost of using armoured car companies thereafter.

According to Parliament's 1999 "Money Too Far Away" report: "The cost of transporting cash has increased from \$10-\$20 per week per branch when Australia Post provided the service to a cost under current arrangements of up to \$600 per week per branch."

It should be noted that thanks to Christine Holgate's work as CEO of Australia Post, post offices have already increased their provision of cash services, including cash floats, with infrastructure funded by the \$20 million annual Community Representation Fee she persuaded the banks to pay in 2018.

In Christine Holgate's 19 March 2021 submission to the Senate Environment and Communications References Committee's Australia Post inquiry, she noted, proudly, how this expansion of cash services enables post offices to support their communities in times of crisis.

"For example, in Cobargo after the [2020] fires, the community lost electricity, the sole remaining bank branch nearby closed, retailers and petrol stations would only take cash, which was only available at the Cobargo Post Office", she recounted.

Given that the three major banks that use Bank@Post have cut back what they pay for the CRF, there is now a question as to whether Australia Post will be able to continue to fund the roll-out of infrastructure, including security infrastructure, to support these cash services.

A public post office bank would generate sufficient revenue to fund cash infrastructure and services in post offices.



Fully secure savings

As a Commonwealth government-owned bank, a public post office bank would guarantee the security of all bank deposits, not just up to the \$250,000 limit of the Financial Claims Scheme.

This guarantee would exist by virtue of the bank being government-owned, and therefore unable to go bankrupt, like the Reserve Bank.

Moreover, the postal bank would be orientated to no-frills savings and loans banking services, not the high-risk, high-profit financial practices in which private banks engage, which would ensure the bank is a safe financial institution that is extremely unlikely to ever need to fall back on its government guarantee anyway.

The public's confidence in its security would make it a clear option for risk-averse consumers to deposit their savings.

Its reputation as a place of safety in the financial system means it would also be ballast for the financial system, a source of stability in times of uncertainty.

More lending to neglected communities

Many communities and businesses, especially small businesses, have suffered from increasingly scarce credit over recent decades, as the Big Four banks have prioritised lending into the housing markets in the major cities, which for each of them now comprises more than 65 per cent of their business.

As a consequence, many communities have stagnated, especially in regional Australia, where whole regions are effectively denied credit.

A public post office bank would lend into the communities it serves, and be able to use the financial benefits of being publicly owned and operating cheaply through post offices to structure low-cost and flexible personal, business, and housing loans that help those communities start to thrive and prosper.

Invest in infrastructure

As a public bank, the proposed post office bank would have the potential to become a very large financial institution, which could also invest its deposits in local, state and national infrastructure projects.

The world's first postal savings bank, established in Great Britain in 1861 by William Gladstone, was used to fund the investment needs of the British government.

Japan Post Bank, founded in 1875, is one of the largest banks in the world, and is credited with driving Japan's post-war economic miracle, by investing its huge pool of Japanese savings in public infrastructure and strategic industries.



France's La Banque Postale, started in 2007, is the 11th largest bank in Europe, and the largest lender to local governments in France.

Australia's Commonwealth Bank started in 1912 as a postal bank, and in its first five years, coinciding with the First World War, it distinguished itself as a crucial lender to local governments all over Australia, for infrastructure projects that drove Australia's economic development.

The ACP's proposal for a public post office bank

The Australian Citizens Party has developed a proposal for a public post office bank, in the form of draft legislation for a Commonwealth Postal Savings Bank (attached).

The draft bill states the purpose of the Act is:

- (a) to establish a new, government-owned savings bank for the deposit of savings;*
- (b) to 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;*
- (c) to provide access to a government-owned savings bank which is highly accessible, with a large nationwide footprint and extended daily opening hours;*
- (d) to provide easily accessible service locations, especially at Australian Post Offices, to make it possible for all Australians to access physical banking locations;*
- (e) to make the Post Office branches, agencies and franchises available for that purpose;*
- (f) to provide Commonwealth security to depositors for repayment of all moneys so deposited with the Bank;*
- (g) to provide affordable, transparent, trustworthy banking services, including bank accounts and real-time payment systems and easily accessible service locations, including Australia's Post Offices;*
- (h) to create a government-owned savings bank to provide all financial products and services, ensuring that the customer's access to the products and the public interest is given significant consideration;*
- (i) to encourage Australians to save money and have access to banking services;*
- (j) to provide easily accessible savings products to all strata of the population;*
- (k) to give small investors a ready means of saving;*
- (l) to provide funds to facilitate efficient, long-term financing of infrastructure projects, business and economic growth, vital aspects of the economy and new job creation in Australia by the investment of the Bank's funds with Government-owned institutions which have access to or control of such projects;*
- (m) to provide such other basic financial services as the Bank determines appropriate in the public interest.*

Briefly, the proposal is for a dedicated public bank, rather than Australia Post receiving a banking licence; however, the public bank would have an agency agreement with Australia Post, like the private banks currently have, except it would be permanent, and exclusive for the bank, i.e. its retail operations would be exclusively through post offices.

The agency agreement with Australia Post would be structured to reimburse Australia Post and its LPOs for the actual cost of providing banking services, including any extra staff required to serve more customers, ensuring it is of financial benefit to Australia Post and the LPOs.



The bank would be owned and guaranteed by the Commonwealth government, and managed and staffed by banking experts. It would be responsible for rolling out whatever extra banking infrastructure is required in post offices, such as computer systems, cash counting machines, and safes and vaults. Post office staff would be able to provide immediate service to bank customers on most banking matters, including assisting them to initiate loan applications, but not approve loans.

The role of post office staff would be to refer customers applying for loans to professional bankers employed by the Commonwealth Postal Savings Bank, who would be based in regional offices that support the post offices in that region.

The bank would be authorised to invest surplus deposits in any national development bank that the government may establish (which the ACP also proposes), and lend to local and state governments and the federal government for infrastructure projects.

In the future, the public postal bank could expand into other essential financial services, such as also being a government insurance office, if future governments decide to establish national or state insurance companies to increase competition in the insurance sector the way the bank would increase competition in the banking sector.

