

**Submission
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PERFORMANCE OF THE REGIONAL INVESTMENT ACTIVATION FUND AND THE REGIONAL JOB CREATION FUND

Organisation: Finance Sector Union

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Performance of the Regional Investment Activation Fund and the Regional Job Creation Fund

FSU Submission October 2023

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Performance of the Regional Investment Activation Fund and the Regional Job Creation Fund

Background

The Finance Sector Union (FSU) is a registered industrial organisation under the Fair Work (Registered Organisations) Act 2009. FSU represents members in the finance and insurance industry in Australia. The finance industry has been undergoing a period of significant change since the COVID-19 pandemic provided cover for an escalation in bank branch closures. Since January 2020 there have been 276 bank branch closures in NSW. This has resulted in the loss of 1138 jobs. These bank branch closures do not only impact on the lives of the bank workers but impacts on entire communities, particularly those who are more vulnerable and who rely on face-to-face banking services. Bank branch closures disproportionately impact on members of the community who are elderly, have a disability or who are from non English speaking backgrounds.

This submission will explore the impact that a lack of bank branches in regional NSW has on the growth of regional communities.

Terms of Reference

D) Impediments to growth in regional NSW including challenges in the planning system

In the Australian community when a local bank branch closes it has a much broader impact than simply just the removal of an essential service from the local community. The “Money Matters in the Bush: Inquiry into the Level of Banking and Financial Services in Rural, Regional and Remote Areas of Australia” which took place almost 20 years ago (January 2004) noted that:

“Where banks have withdrawn their branches, residents and businesses experience a number of problems such as the trouble, anxiety and costs associated with rearranging or transferring accounts, the uncertainty of having to adapt to new ways of banking and the inconvenience involved in travelling long distances to conduct face-to-face banking.”¹

For both individuals and businesses, there are also safety and security matters arising from the lack of access to a branch. The local community may experience a loss of economic opportunities without a local banker advocating on their behalf. Businesses and the local community may find themselves with limited choice in obtaining professional advice and finance which may include access to venture capital. In some cases where there is no easy access to alternative banking – either due to geography or lack of access to technology there is the potential to be excluded from the financial world. The loss of a bank branch – or the failure to include one when planning new developments - has wide reaching implications for the economic and social life of the community.

¹ Money Matters in the Bush: (2004), Senate Inquiry into the Level of Banking and Financial Services in Rural, Regional and Remote Areas of Australia, Canberra

Some regard the departure of a bank as the beginning of the end for a small town. In the 17 years since the "Money Matters in the Bush" Inquiry took place thousands more local bank branches have closed leaving workers without jobs and has made many more communities vulnerable.

Access to cash is critical in regional and rural communities and new developments. Many small businesses need access to cash and change for their day-to-day operations. Access to cash is especially important when there are natural disasters such as flood or fires. Access to cash is not just a national issue, as part of a recent review, the Reserve Bank considered the experience of a number of other countries facing the consequences of lower volumes of cash in their distribution systems, including New Zealand, the United Kingdom, Canada, and several European countries:

*"Recent survey evidence suggests that the initial acceleration of lower transactional cash use in the early stages of the pandemic is persisting. These behavioural shifts are putting pressure on the economics of cash distribution. Some countries are also experiencing material reductions in the public's ability to access and use cash, due to banks reducing their public access points and, to a lesser extent, fewer merchants accepting cash."*²

Access to use cash should be a planning consideration for new developments in NSW.

Access to banking services is essential for the economic and social well-being of a community. The NSW ALP 2022 platform recognises that:

"Equity in access to banking services and ensuring good quality skilled jobs in communities where Australians need access to banking services".

Today many communities are facing the closure of their local bank branches as banks seek to maximise their profits. There is no obligation for developers to consider this essential service when they are planning new developments.

The provision of face-to-face banking services should become a key consideration for development applications in NSW.

The current Federal Government Inquiry into Regional Bank Branch Closures lifts the curtain on the impact of bank closures on regional communities. It is clear that a lack of face-to-face banking services lead to economic decline in small communities. The NSW Government has an opportunity through the Regional Investment Activation Fund and the Regional Job Creation Fund to understand that the corollary may apply, and that guaranteed face to face banking services may contribute to economic growth and the success of new developments.

The FSU recommends that the NSW Government consider making it a condition of approval that new development applications are required to submit a plan that sets out how they will ensure the provision of face-to-face banking services are available in any new development.

² Reserve Bank of Australia (2022), Review of Banknote Distribution Arrangements: Conclusions Paper Box B: International Experience, Canberra.

Conclusion

Banking is an essential service. The provision of face-to-face banking services is essential for the economic and social wellbeing of a community. Local bankers can create economic opportunities for local businesses and communities as they understand local conditions and can advocate on behalf of these businesses and individuals. Local bankers also play an important role in supporting the most vulnerable members of the community. We have seen Australian banks move away from the provision of face-to-face banking arguing that this is driven by the community while simultaneously enforcing “conversion to digital banking” targets for branch staff to drive down measurable face-to-face transactions. The evidence in numerous Inquiries at Federal level demonstrates that the loss of face-to-face banking services can spell the demise of a local town or community. The NSW Government could mitigate this risk by ensuring that face-to-face banking provisions are included in the planning stages of all new developments.