



ACCC
Application for Authorisation A91312
Agreement to Reduce ATM Fees in Remote Communities

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About Financial Counselling

Financial counsellors assist consumers in financial difficulty. They provide information, support and advocacy to help consumers deal with their immediate financial situation and minimise the risk of future financial problems. The majority of financial counsellors work in community organisations, although some are employed by Government. Their services are free, confidential and independent.

There are over 800 financial counsellors nationally. Some financial counsellors work predominantly with clients in rural and remote Aboriginal and Torres Strait Islander (ATSI) communities.

This submission also refers to money management workers. Money management workers are engaged in financial literacy initiatives. There are over 100 money management workers in Australia with the majority at present working with ATSI clients. A number of these workers are themselves of Aboriginal or Torres Strait Islander background. Money management workers and financial counsellors work closely together particularly in work involving remote communities.

About Financial Counselling Australia

Financial Counselling Australia (FCA) is the peak body for financial counsellors in Australia. FCA is a federated body and its members are the financial counselling associations in each state and territory.

Terminology

In this submission we generally use the abbreviation ATSI, standing for Aboriginal and Torres Strait Islander, rather than “Indigenous”.

This is based on feedback from Aboriginal and Torres Strait Islander people, as a more appropriate terminology to reflect the way they describe themselves.

The issue of the high cost of ATM fees in remote communities is one that affects a number of Torres Strait Islander communities in remote north Queensland, as well as Aboriginal people in other remote areas around Australia.

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1. Introduction

1.1 Overall View

Financial Counselling Australia (FCA) supports the application for authorisation by the Australian Bankers Association on behalf of a number of banks.

1.2 Background

FCA also provided a submission in response to the application for interim authorisation. Some of that information is repeated here for the sake of completeness, rather than by cross-reference.

FCA's involvement and interest in this issue was described in detail in our submission regarding the interim authorisation. In brief, on 1 December 2010, FCA released a report highlighting the significant detriment suffered by ATSI consumers in relation to the cost of ATM fees.

Subsequently, the Government established a Joint Treasury and Reserve Bank Taskforce to investigate this issue (as well as ATM fees more broadly). The Taskforce provided its report to the Government on 28th February, 2011.

The Federal Government released the report of the Taskforce on 25th May 2012 and at the same time also announcing the detail of the arrangement that is now before the ACCC for authorisation.

FCA again recognises the goodwill shown by all parties involved in negotiations to date and specifically the financial commitment by the banking industry to address the very serious problem of high and unavoidable ATM fees in remote ATSI communities.

1.3 Structure of this Submission

Section 2 of this submission addresses the issues the ACCC will consider in relation to weighing up the public benefit and detriment in relation to this application.

Section 3 provides comments on the communities included in the application as well as the criteria for selection.

2. Application for Authorisation

The ACCC assesses an application for authorisation by weighing up public benefits against public detriment. Below we discuss both of these aspects.

Some of the discussion repeats information included in FCA's submission regarding interim authorisation.

2.1 What are the Public Benefits

FCA's 2010 report found that:

- ATM fees are unavoidable in remote communities where the ATM is privately owned;
- there are generally no alternative ways to access the banking system. Internet and phone banking are generally not available and stores also charge for EFT transactions;
- residents living in remote ATSI communities spend a significant proportion of their incomes on ATM fees. Estimates provided by financial counsellors and money management workers suggest that a loss of up to 20% of a person's income in ATM fees each fortnight is not uncommon;
- this high pattern of usage occurs because ATSI people check their account balances frequently. This is often because they are waiting for a Centrelink payment to arrive. They also tend to withdraw smaller amounts of cash more frequently. This is for budgeting reasons or because of the need to buy food more often due to a lack of refrigeration or for cultural reasons.¹

As a result of this combination of factors, many residents of remote communities do not have enough money to meet basic living expenses. The problem becomes a spiral – if a person is short of cash one week because of ATM fees, they will be caught short in subsequent weeks. There is never an opportunity to catch up.

¹ Cultural obligations require that ATSI people share what they have. A person with a large amount of cash may soon find it is all gone for this reason as family members ask for a portion.

The findings of the Joint Reserve Bank/Treasury Taskforce reinforce this:

- “Accessing a bank account is essential for an individual to manage their financial affairs and day-to-day activities in a market economy ...
- The taskforce heard evidence that residents of remote Indigenous communities make frequent use of ATMs for both balance enquiries and small cash withdrawals. In particular, information from selected independent ATMs in remote Indigenous communities showed many more balance enquiries relative to withdrawals than the Australian average ...
- As previous reports have noted, frequent use of ‘foreign’ ATMs means that direct charges can account for a significant proportion of the incomes of residents of remote Indigenous communities.”²

Aboriginal and Torres Strait Islander people are some of the poorest and most disadvantaged in Australia.

For example, in May 2012, the Centre for Social Impact released research into financial exclusion in Australia. They estimated that 43.1% of Indigenous consumers in their sample were severely or full excluded – meaning they lacked access to appropriate and affordable financial services and products. This compared to an equivalent rate for these categories of exclusion in the general population of 17.2%.

Indigenous consumers were also more likely to struggle to raise emergency funds, were more likely to have used a fringe credit provider and more likely to have had difficulty in meeting an everyday bill such as an electricity account.³

The Joint Taskforce also cites a number of relevant statistics from the Australian Bureau of Statistics (as at June 2006):

- 0.8% of the Australian population live in very remote areas - 48% of these people are Indigenous;
- only 11.3% of Indigenous people living in remote areas had completed high school;
- at “least half of these people speak an Indigenous language with a significant minority having poor English language skills”;
- around 60% of Indigenous people in very remote areas earned less than \$250 per week, with the median weekly income being \$215.⁴

² Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, excerpts from paragraphs 22, 23 and 29.

³ The Centre for Social Impact for National Australia Bank, Measuring Social Exclusion in Australia, May 2012, p 26-7. The report notes that the sample size was small.

⁴ Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, p 21-2.

Employment opportunities are limited in remote communities and many people are on Newstart allowance (unemployment benefits) or a government pension. The current Newstart allowance is \$245 per week for a single person. A single person on a Disability Support Pension receives \$347 per week. These amounts are very low and many people would find it hard to live on them.

Access to banking services is fundamental for participation in civil society. For example, Centrelink payments are all deposited into bank/credit union accounts and 97% of Australians have a transaction account.⁵ Equal access to affordable banking services is something that the majority of Australians take for granted. This is not the case for people in remote ATSI communities and is crying out for remedy.

Authorisation of this arrangement will put a stop to ATSI people paying large amounts of money for access to the banking system, via the ATM network.

In summary, the public benefits include reducing:

- poverty and disadvantage in remote ATSI communities as people will have more money to live on;
- financial exclusion by ensuring that ATSI people can also access Australia's banking system on the same terms as others;
- the ability of store owners to take advantage of Indigenous consumers if they withdraw cash through EFTPOS or other alternative payment and money transfer systems (such as 'moneyfax' or 'bookup'), as the ATM system will be a fee-free option.

2.2 Public Detriment

There is no discernible detriment to other members of the public. This agreement covers ATMs in a small number of remote locations and will not impact on how ATMs are deployed or used in other parts of Australia.

The cost of the arrangement will be met by the banks involved - as a portion of overall bank revenues it is not substantial.

⁵ The Centre for Social Impact for National Australia Bank, Measuring Social Exclusion in Australia, May 2012, p 15.

There is also strong public support for meaningful action to “close the gap” on Indigenous disadvantage. This proposal from the banking industry is a tangible demonstration of an action that will do this.

2.4 Impact on competition

There are around 600 ATMs located in very remote areas of Australia.⁶ This agreement covers a very small proportion – at this stage 76 communities and up to 85.⁷ Even as argued later, were additional communities to be included, the overall number will still be very small.

If there were “competition” in this specific, discrete market, the current problem would be unlikely to exist. It is the fact that there is no competition, no real alternatives, such as phone or internet banking, and the way in which ATSI people use ATMs that has led to the current situation.

There is not likely to be any impact on competition.

⁶ Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, paragraph 6. We understand however that because the definition of “remote” is based on postcodes, it includes areas near Darwin and Alice Springs. This may lead to some over-statement.

⁷ The number of ATMs will be slightly higher as there may be two ATMs in some locations.

3. Communities Identified for Inclusion

3.1 Background

The ABA's application for authorisation states that:

"the ATM Taskforce, with input from the industry, other Government agencies and community groups, determined the criteria for identifying a number of ATMs eligible for inclusion in the arrangement."⁸

"The ATM Taskforce has been working with FaHCSIA to ensure community sector input has been taken into account with the determination of the eligibility criteria and the identified ATMs".⁹

To our knowledge, no community groups were consulted along these lines. Certainly FCA was not provided with a copy of the criteria and asked to comment, nor were we given prior notice of the list of communities to be included.

We understand and accept that discussions between the parties involved were confidential and that consultation may not have been possible. However now that the information about the arrangement is publicly available, there is an opportunity to address any issues so that the best possible results are achieved. The issues identified are:

- there are some factual errors in the list of 76 identified communities;
- some communities, which appear to meet the criteria for inclusion, have been overlooked;
- the criteria for assessment are arguably too narrow.

Each of these issues is addressed below.

In making these comments, we are acutely aware that identifying the communities to be included was a very difficult task. It is to be expected

⁸ Page 7 of the application for authorisation.

⁹ Footnote 19 of the application for authorisation.

that there will be some errors and omissions. The important point now is to focus on fixing these problems.

We recognise that some of the points in this Section, are not directly related to the specific decision before the ACCC regarding authorisation. They are however relevant in a broader policy context and it is important they are raised and placed on the public record. One mechanism for doing this will be the multi-party working group that is being established by the Government to assess longer-term solutions (see later comments).

3.2 Factual Errors in the Current List

There are three factual errors in the list of identified communities. These errors should be easily rectified. The relevant changes required are shown in Appendix 1.

As well, there are two ATMs in some communities, but only one has been identified as being included in the agreement. It would be incongruous if this were not rectified. The communities we are aware of where this has occurred are both in the Northern Territory:

- Yuendumu
- Hermannsburg

It is possible that other communities are in this same situation. This will probably come to light once the agreement comes into effect.

3.3 Additional Communities to Include

Using the criteria developed (but see later comments), it seems that a number of communities have been overlooked. As noted above however, we accept that the identification task was a difficult one and it could be expected that this would occur.

Appendix 2 has a list of 41 communities that we believe should be included. This list was prepared based on information provided by financial counsellors and money management workers, with first-hand experience of these communities.

We do not make any claims that this list is 100% accurate, as it was not possible to get the level of data required in the timeframe for this submission. For example, we could not easily obtain data about ownership of the ATMs in various locations.

In summary, the list shows the following:

- only one island in the Torres Strait was included – Badu Island. It is unclear why the other islands, some of them very remote, were excluded. There are an additional 14 ATMs involved;
- Queensland – apart from the Torres Strait, there are five additional communities to include. One of them – Pormpurrav – has two ATMs;
- Western Australia – there are six additional communities to include;
- South Australia – there are an additional four communities to include;
- Northern Territory – there are an additional 17 communities to include.

3.4 Criteria for Inclusion

The eligibility criteria used for including a remote community in the proposal are as follows:

1. each Identified ATM is located in a genuinely very remote community based on indicators of remoteness provided by the ABS;
2. the ATM is located in a community store (and not in a venue that provides alcohol or gambling goods or services); and
3. the residents of these very remote communities lack access to an alternative retail banking service, such as a bank branch, bank ATM, post office (Bank@Post) (but not including a community post agency), or TCU branch (but not including electronic banking services).¹⁰

¹⁰ See page 8 of the ABA application for authorisation.

1. Remoteness

The first criteria in relation to remoteness is reasonable.

We note however that there will be communities, such as Ti Tree (Nturiya) and Amoonguna which will still be excluded, even though the problem with ATMs is exactly the same.

Amoonguna is just 14 kilometres from Alice Springs and will be excluded on that basis. In practice, community members do not always travel to Alice Springs often enough to check account balances and withdrew cash.

Ti Tree is on the Stuart highway, 193 kilometres north of Alice Springs. The community has a large Aboriginal population, but a free ATM would also benefit people travelling through the community.

These examples illustrate that it is hard to find a perfect solution.

2. The ATM must not be in premises with alcohol or gambling services

It is difficult to understand the policy intent behind this requirement. Is it that if an ATM in one of these venues was to be fee-free, that people would have more money to spend on these services or that it would somehow encourage gambling or alcohol consumption?

The assumptions underpinning this criteria seem quite perverse – that people can't be trusted about how they spend their incomes and that instead it would be better that they continue to pay large amounts in ATM fees.

In some communities, the only ATM available is in this type of venue.¹¹ People living in these communities will remain disadvantaged.

3. No alternative banking services

It is perfectly reasonable to exclude communities where there are alternative banking services, however these need to be genuine alternatives. Neither the Traditional Credit Union (TCU) or Bank@Post meet this test.

¹¹ As well, many remote communities impose strict limitations on the sale of alcohol, for example, only allowing it between say 12 pm – 2 pm, selling only mid-strength beer and limiting the amount that can be purchased.

TCU's transaction account has a \$20 per month fee. All of the major banks offer both basic banking accounts with no fees and/or normal transaction accounts with no fees. TCU also charges \$2 for an ATM transaction that is declined because of insufficient funds. No other bank has such a fee.

People living in communities with TCU branches will – assuming they have the financial literacy to do so – need to make a choice about whether they are better off remaining with their current bank or switching. This creates a new dynamic that is not consistent with a competitive market.

In reality, many people of course will not have the capacity to make an informed choice. They may either remain with TCU or with their current bank, when in fact, they may be better off switching between them. It would be preferable for those people who already had accounts with one of the banks involved in the arrangement to not be placed in this position.

There are 11 communities that will have been excluded from the arrangement for this reason: Gunbalanya, Numbulwar, Milingimbi, Gapuwiyak, Galiwinku, Maningrida, Minyerri, Ngukurr, Ramingining, Wadeye and Warruwi.

Bank@Post

Bank@Post fees may also be charged by the issuing bank. Limits apply to deposits and withdrawals. Bank@Post is not yet providing equivalent banking services.

3.5 The Review Mechanism

The review mechanism in the agreement allows for changes to be made to the agreement if circumstances change, including for example, changes in the availability of alternative banking services, changes in population make-up or usage patterns or the development of new technologies or innovations. These are reasonable triggers.¹²

The review mechanism could helpfully also include a process for including additional communities that require assistance. These are likely to come to light over time and as noted in this submission, will have been easily overlooked. Watarru for example is one of the remotest communities in Australia. The community store closed in December 2011, but there are plans for it to be re-opened.

¹² See page 10 of the ABA application for authorisation.

3.6 Where Does This Leave the Process? Next Steps?

The authorisation proposal before the ACCC is for fee-free ATMs in 76 identified remote locations, with the potential to increase the number to 85 ATMs.

We recognise that this process needs to proceed rather than be held up. However, we cannot stress strongly enough the need for further discussions between the Government, the banking industry and the independent ATM deployers.

In our view, the ATM deployers, like the banks, have a responsibility to operate in a socially responsible way. There is a role therefore for these companies to underwrite the cost of ATMs in at least some of the locations above. There is also a continuing role for the banks as well as the Government in ensuring the underlying causes of the problems and challenges facing remote communities are addressed through longer term solutions.

The Government is also setting up a multi-party working group to “assess longer term solutions and develop strategies for addressing ATM usage and related issues”.¹³ This would be one forum in which these issues could be raised.

Discussions need to continue urgently in order to ensure that all of the communities that should benefit from this arrangement in fact do so.

¹³ Hon Wayne Swan and Hon Jenny Macklin, Media Release, *Fairer Deal on ATMs for Remote Indigenous Communities*, 25th May 2012.

Appendix 1 – Factual Errors

No	Site name	Community locality	Post code
6.	Arlparra Community Store	Santa Teresa Utopia	NT
27	Nguru Walalja	Yeundemu # 1	NT
<u>ADD</u>	Yuendumu Social Club Store	Yeundemu # 2	NT
28	Ntaria Supermarket	Hermannsburg # 1	NT
<u>ADD</u>	Finke River Mission Store	Hermannsburg # 2	NT
37.	Watinuma Roadhouse	Fregon via Alice Springs NT	NT SA
62.	Imanpa General Store	Imanpa WA via Alice Springs NT	WA NT

Appendix 2 – Communities Overlooked

	State Territory	Name of the Community	Any other name	Comments
1.	NT	Nganmarriyanga	Palumpa	240km south west of Darwin, by road it is 375km
2.	NT	Peppimenarti		320km south west of Darwin
3.	NT	Daly River	Naiyu	
4.	NT	Haasts Bluff	Ikuntji	223 kms north west Alice Springs
5.	NT	Lajamanu		
6.	NT	Laramba	Napperby Alherampe	205km north west Alice Spings
7.	NT	Manyallaluk	Eva Valley	
8.	NT	Bickerton Island	Milyakburra	13km west of Groote Eylandt & 8km east of mainland Australia
9.	NT	Papunya		240km north west of Alice Springs
10.	NT	Tara Store		243.91kms north of Alice Springs
11.	NT	Wallace Rockhole		117kms west of Alice Springs
12.	NT	Yirrkala		18km south-east of Nhulunbuy
13.	SA	Oak Valley		the only community of Maralinga Tjarutja Aboriginal Council
14.	SA	Watinuma		APY homeland with store that runs as a private business - not a community owned store with longer opening hours & Anangu from Fregon, Ernabella & Umuwa use it a lot
15.	SA	Iwantja	Indulkana	APY lands 195 kms from Umuwa, 575kms south of Alice Springs, 1200km north west of Adelaide, one ATM located in the community store
16.	WA	Nullagine		296km south-east of Port Hedland
17.	WA	Kunawaritji		JJ Store Well 33 Canning Stock Route
18.	WA	Punmu		640km south east of Port Hedland, ATM located at the shop
19.	WA	Parnngurr		380km from Newman, ATM in cotton creek shop
20.	WA	Tjirrkali		140kms to Warbuton (good weather)
21.	WA	Warmun	Turkey Creek	144kms north east of Halls Creek
22.	Qld	Pormpurraw	Edward River Aboriginal Mission	halfway between Karumba & Weipa, 650kms by road from Cairns
23.	Qld	Bamaga		39km from Thursday Island
24.	Qld	Seisa		most northerly deep water port on Cape York and known as gateway to the Torres Strait (north of New Mapoon & west of Bamaga)

25.	Qld	Injinoo		
26.	Qld	Napranum	Weipa South	9km south of Weipa
27.	Qld	Aurukun		100km south of Weipa
28.	Qld - TSI	Hammond Island		
29.	Qld - TSI	Boigu Island		
30.	Qld - TSI	Dauan Island		
31.	Qld - TSI	Saibai Island		
32.	Qld - TSI	Mabuyag Island		
33.	Qld - TSI	Kubin Village - Moa Island		
34.	Qld - TSI	St Pauls Village - Moa Island		
35.	Qld - TSI	Yam Island		
36.	Qld - TSI	Stephen Island		
37.	Qld - TSI	Warraber Island		
38.	Qld - TSI	Coconut Island		
39.	Qld - TSI	Yorke Island		
40.	Qld - TSI	Darnley Island		
41.	Qld - TSI	Murray Island		