



**ACCC Application for Interim 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 interim authorisation by the Australian Bankers Association on behalf of a number of banks.

1.2 History: FCA's Involvement to Date

December 2010: FCA Report "ATM Fees in Indigenous Communities"

On 1 December 2010, FCA¹ released a report titled "ATM Fees in Indigenous Communities". The report received widespread media coverage at the time, including on television, radio, print and the internet. A copy of the report is enclosed with this submission.

The impetus for the report was the grassroots experience of financial counsellors and money management workers,² working with clients in remote ATSI communities. The clear and strong feedback was that ATM fees were having a significant and detrimental impact on ATSI people in these communities. At the same time however, there was also a strong feeling that no-one had been listening. The issue had been raised in various fora in the past, but despite recommendations and promises, no practical changes had occurred.³

Based on information from money management workers and financial counsellors, the FCA report found that:

- ATSI people living in remote communities were paying significant amounts of money to access their bank accounts via ATMs, and that this was impacting on their ability to afford the necessities of life;
- ATSI consumers could not avoid ATM fees, as in most of these small communities, there are no banks and the only access to money is from privately owned ATM machines. Access to phone and internet banking in many communities is also severely limited or not available at all.

¹ The organisation was previously called the Australian Financial Counselling and Credit Reform Association. The change of name to Financial Counselling Australia occurred in May 2011.

² Money Management Workers provide financial literacy information. They often work in close collaboration with financial counsellors in remote ATSI communities.

³ See ATM Taskforce, *Report on Indigenous ATM Issues*, paragraph 32 and the Senate Economics References Committee, *Competition within the Australian Banking Sector*, June 2011, recommendation 32.

Similarly access to cash via EFT is also not an alternative as many stores charge similar sized fees for cash withdrawals;

- ATSI people in remote communities use ATMs frequently. For example, the majority of ATSI people in very remote communities rely on Centrelink benefits as their sole source of income. On the day a Centrelink payment is due, many people will check their account balance multiple times waiting for the payment to arrive. As well, indigenous consumers are more likely to withdraw small amounts of cash and so incur more fees. This can occur for budgeting reasons, for cultural reasons or because food storage in some remote communities is problematic;
- The ATM fees charged were commonly \$2.00 to \$2.50 per transaction, including both balance inquiries and withdrawals. These fees soon add up, so that some people could be spending \$20 - \$40 on ATM fees alone per week. For people on low fixed incomes such as a Centrelink payment, this may be as much as 20% of their income;
- The report identified one ATM in the APY lands that charged \$10 per transaction. The public scrutiny that followed the release of the report appears to have led to the charges at this ATM being reduced very soon afterwards.

The timing of the FCA report was fortuitous as the government was at the same time putting together a package of reforms for the banking industry, under the banner of a “Competitive and Sustainable Banking System”.⁴

One of the components of that package was the establishment of a joint Treasury/Reserve Bank Taskforce to consider competition within the ATM industry. The Joint Taskforce was required to report to the Government on issues affecting Indigenous communities in relation to ATM access by 28th February 2011.

⁴ Australian Government, *Competitive and Sustainable Banking System*, December 2010.

Late January 2011 – Joint Treasury/Reserve Bank Taskforce

In late January/early February 2011 FCA facilitated a field trip for members of the Joint Taskforce to Alice Springs and surrounds.⁵ The visit was hosted by financial counsellors and money management workers operating from Alice Springs.

The Taskforce met with a number of Aboriginal people in Alice Springs as well as government and community agencies and also visited Tangentyere Council and the Alice Springs town camps.

There were overnight trips to Hermannsburg, Wallace Rockhole and Areyonga (one car) and to Ampilatwatja (other car). These communities were good examples of the problems faced: there were only one (or two) privately owned ATMs (depending on the community), no or limited access to alternatives and the communities are cut off during the rainy season so that roads can be impassable for days, weeks or even months. Areyonga is 245 kilometres from Alice Springs and Ampilatwatja is 325 kilometres from Alice Springs.

This visit helped to inform the Taskforce directly as they saw the problems at first hand.

Subsequent Involvement

FCA welcomed the announcement by the government on 25th May 2012 that the banking industry and two private ATM providers, had reached an agreement in principle, subject to ACCC authorisation, that may lead to fee-free ATMs in a small number of remote ATSI communities.

We recognise the goodwill shown by all parties 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.

⁵ The field trip also included staff from ASIC, the Financial Ombudsman Service and the Department of Families, Housing, Community Services and Indigenous Affairs.

2. Interim Authorisation

This section of the submission addresses each of the factors set out in the letter from the ACCC to FCA in relation to the application from the ABA.⁶

2.1 Harm to the applicant and other people if interim authorisation is not granted

As described in Section 1 above, each week many residents living in remote ATSI communities spend a significant proportion of their incomes on ATM fees. As a result, many suffer the very real detriment of having insufficient money to meet basic living expenses. The problem of course 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.

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.”⁷

In other words, the Joint Taskforce clearly describes the harm. This will continue if the interim authorisation is not allowed.

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

⁶ 31st May 2012.

⁷ Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, excerpts from paragraphs 22, 23 and 29.

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.⁸

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 \$215.⁹

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.

If the interim authorisation is not granted, the applicants will be unable to move ahead with the agreement. This will mean that ATSI people will continue to be harmed by high ATM fees. More emotively, but closer to reality, it means a continuation of poverty. An additional \$40 per fortnight is the difference between being able to provide shoes for a child, meals for a family and keeping the lights on.

2.2 Benefit and detriment to the public in general

There is no discernible detriment to the public in general. The cost of the arrangement will be met by the banks involved - as a portion of overall bank revenues it is not substantial.

It would be simplistic to assert that the costs, even if minimal, will ultimately be borne by other consumers. Individual banks will of course

⁸ 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.

⁹ Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, p 21-2.

choose to meet their financial commitments in different ways, including through the internal re-allocation of resources or re-prioritising of other initiatives.

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.

It is worth pointing out that access to banking services is fundamental to participation in civil society. For example, Centrelink payments are all deposited into bank/credit union accounts and 97% of Australians have a transaction account.¹⁰ Equal access to affordable banking services is something that the majority of Australians take for granted. That this is not the case for people in remote ATSI communities is crying out for remedy.

2.3 Urgency of the request

We have been very concerned at the overall time it has taken to address this issue. The FCA report was released on 1 December 2010. The planned implementation of the agreement, if approved, will occur on 1 December 2012 – a full two years later to the day.

This length of time is concerning itself on its own, but is worse when one considers the history of advocacy about this problem - the issue was first put on the radar of the banking industry and policy makers in 2007 with the publication of “Banking for the Future: A Background Paper on Financial Literacy and Financial Services for Indigenous Australians”.¹¹

In other words, ATSI people have already waited far too long for change.

We understand that the industry needs some time to organise changes to technology, to put in place new contractual arrangements and so on. However it is important that these changes take place as quickly as possible and we implore all the parties involved to provide adequate resources for the task.

The bottom line is that the longer the delay, the longer ATSI people in remote communities continue to be disadvantaged.

¹⁰ The Centre for Social Impact for National Australia Bank, *Measuring Social Exclusion in Australia*, May 2012, p 15.

¹¹ Reconciliation Australia, *Banking for the Future: A Background Paper on Financial Literacy and Financial Services for Indigenous Australians*, A report on the National Indigenous Money Management Agenda, November 2007.

2.4 Whether competition would return to the same level if authorisation was later denied

As the Joint Taskforce notes there are around 600 ATMs located in very remote areas of Australia.¹² This agreement covers a very small proportion – at this stage 76 communities.¹³

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 (eg phone or internet banking) and the behaviour of ATSI people in using ATMs that has led to the current situation.

If authorisation was later denied, the current and unsatisfactory situation would remain. For this reason, it is reasonable to assert that private ATM providers in some of these communities, due to either usage patterns of the ATMs and/or contractual arrangements with store owners, would continue to offer the service.

3. Final Remarks

FCA will also provide a submission in relation to the final authorisation by June 26th. At this point of time the submission is likely to:

- Identify the names/locations of other remote communities that have been overlooked and should be included in the agreement – we are currently collecting verifying information;
- Comment on the criteria used for selecting the communities;
- Comment on the process for adding communities in the future and the ongoing review mechanism.

¹² Joint Treasury and Reserve Bank Taskforce, ATM Taskforce – Report on Indigenous ATM Issues, 28th February 2012, paragraph 6.

¹³ The number of ATMs will be slightly higher as there may be two ATMs in some locations.