

The Inspiring Story of Coleraine's Community Bank

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Imagine for a minute if your local community did not have the services of a traditional bank. If you live in a capital city or large regional centre you would have to travel to the next suburb, which may be a couple of kilometres away. This would no doubt be very annoying and inconvenient. But just imagine if you lived in rural Australia and the next town with a bank was at least thirty kilometres away.

This scenario confronted our community in Coleraine during 2000 and 2001, when the remaining two banks closed and transferred the accounts to Hamilton. During the boom years of the 1950s and 1960s, Coleraine was courted by four banks, all of which were housed in magnificent buildings. Of course, the situation we faced then is not unique, and the loss of the established banks has been fairly devastating for many rural communities. Readers will no doubt have their own views on why the traditional banks have closed so many of their branches and about the consequences for isolated communities. The point of this article, however, is to show that we don't have to be so dependent on the whims of the traditional banks.

When we were left without a bank in Coleraine, we knew that when people travelled to Hamilton, Casterton or Mt Gambier for their banking they would also take the opportunity to do some shopping and fill their petrol tanks. The loss of capital for the town would multiply, and we decided we would just not let this happen.

Getting Started

When we got word in 2000 that one of our two remaining banks would close, the Coleraine and District Development Association (CDDA) called a public meeting to discuss what we could do to secure banking services for future generations, and there was a large attendance. It quickly became clear that most people would not be happy using the Post Office for restricted banking services and that phone or internet banking would disadvantage

many, especially older residents. So the community empowered the CDDA to find the best solution and to implement it as soon as possible.

It soon became apparent to the CDDA that the community banking model developed by the Bendigo Bank – and currently operating in about 185 communities across Australia – was the best option for Coleraine. We were inspired to learn that the very first community bank in rural Australia was set up in Minyip/Rupanyup district in the Wimmera region of Victoria in 1998. Two small and relatively remote towns in this district showed a lot of courage and determination to get their bank going, so we thought that if they could do it then so could we.

The CDDA formed a specialist steering committee to fully investigate what was required to establish our own community bank. We actively recruited the men and women within our community who had the appropriate skills to undertake all the background work and then stay on as founding members of our Board of Directors. At this stage, I must emphasise the very professional assistance given to our committee by Bendigo Bank. They employ some magnificent people and they obviously understand that this venture must be an equal partnership between the two parties. They emphasised the need for mutual respect and trust, and this undoubtedly became the cornerstone for our success.

Overcoming the Challenges

Establishing your own bank branch is obviously a very serious project, and it took us about two years from the time of our public meeting to the official opening of the bank in April 2003. During that time, the steering committee had to gather information from Bendigo Bank and other community banks; circulating pledge cards through the community to gauge the interest in purchasing shares in our company and circulating a questionnaire to see how many people might actually open an account in the new bank. We had to establish a public company – Coleraine & District Financial Services Limited – in order to own and operate a Bendigo Bank franchise, and to do this we had to change our management structure from a committee to a Board of Directors. This involved training and professional advice for the new directors so that we could all discharge our duties properly. We then had to employ a consultant to prepare a business plan and a prospectus to raise \$500,000 in share capital, and then, of course, we had to collect that amount of capital and issue the share certificates. Finally, we had to locate and fit out a suitable building for the bank, recruit and train a bank manager and staff, and actively promote the new business to attract customers.

There was a huge amount of work in all of that, but we were driven by a sense of excitement about what we were doing. For most of the directors and steering committee members this is probably the most important project we have ever undertaken. We knew that what we were doing was critical to our community's long-term survival. Although there was so much to be

done before we could even open the doors of the bank, I could see that most of the people had a great deal of passion for what they were doing; more passion than I had seen in community groups and committees in various country towns in which I have lived. A shared concern for the future of our community was a great basis on which to plan our success. Just one of many examples of what this meant in practice is that the owner of the building in which the bank was established offered it to us rent free for three years.

With all our hard work behind us, we opened our doors on 11 April 2003, and after fifteen months trading we had attracted 1224 accounts and \$15.3 million worth of business. This was indeed a stunning result, and by the start of 2007 the business had grown to a value of \$36 million with about 2200 accounts. My personal estimation is that we can achieve a book of \$50 to \$60 million if we continue to promote the bank effectively over the next six to eight years.

Some Reasons for our Success

I think there are four main reasons why our community bank has been such a remarkable success. Firstly, the community was so angry that the last two banks abandoned them during a pretty tough period for the district that this probably stirred up the community spirit and pride that had been diminished for some time. Suddenly, our community was united in the effort to solve our own problems, and we were just so proud that local people engineered the solution so professionally. This community spirit was on display so beautifully when 120 of our supporters attended our second birthday celebrations on a cold night in April 2005, and what a terrific night it was.

A second reason for our success is that we are the only bank in town (other than the restricted services provided by the Post Office). When we started out, we were looking forward to competing with the remaining bank in town, but it closed its doors six months prior to our opening. Competition between two local banks would have been good for customers, however, our growth would not have been so spectacular.

A third factor is that we are genuinely competitive with the traditional banks in nearby towns. If this was not the case our performance would fall away after the novelty factor wore off. But we have continued to grow. Of course, one bank does not win all the deals all of the time, but we continue to win more than our fair share. Bendigo Bank is much smaller than the four big banks, but it offers more personalised customer service and this is appreciated by people in a rural town. Our town has the only resident bank manager between Hamilton and Mount Gambier – a distance of about 140 kilometres.

The fourth, and most crucial, factor is that the community banking profit sharing arrangements has captured the imagination of people in our community. Most people are still amazed to learn that 50 per cent of our

net profits are returned to the community, either by dividends paid to shareholders or grants given away to non-profit groups who request funding for good projects. The general guideline is that 20 per cent of the 50 per cent profit is allocated to shareholders and the remaining 30 per cent is allocated for community grants. This is a brilliant concept and customers have soon learnt that the more profitable our bank becomes the more our community benefits. One of our slogans is 'When you understand the concept, why wouldn't you bank with us?'

As well as the profit sharing arrangements our community bank has been able to give away almost \$12,000 in sponsorship to local non-profit groups. One criterion for such sponsorships is that the group(s) must have an account with us, and yet we have been able to sponsor every club in town and have not rejected any request for assistance since the bank opened. As our business grows, our level of sponsorship will also grow and our community groups know that we are serious in promoting the message: 'The more profitable our bank becomes, the more our community benefits'.

In view of the success of the bank we are currently working on another proposal to offer telecommunication services – via a Bendigo Bank subsidiary – to our community at very attractive rates. In the deregulated market, there are quite a few companies that offer very competitive telecommunication services, although Telstra continues to install and service the main infrastructure. However, our new service is very likely to proceed because we can offer low telephone and internet costs, while we are also able to return the profits to the district. We have also noted that another community bank is working on a proposal for selling biodiesel, and that may be something else we can look at in the future.

Growth of the Community Banking Sector

It is exciting for us to know that we are part of a growing movement, and the growth of community banks across all the states and territories of Australia has been spectacular. Remembering that the first community bank opened in Minyip/Rupanyup in 1998, there are now over 185 community banks and that number is growing at the rate of about thirty per year. Of course, this growth has occurred at a time when the major banks have been closing their branches and encouraging their customers to use telephone and internet banking services. I think that it is fair to say that an increasing number of people are sick of the big banks with their strong emphasis on looking after their shareholders and that perhaps customers are looking for alternative smaller banks that care more about their needs.

Of course, Bendigo Bank is a business and it must also look after its shareholders. But in our experience its commitment to community partnerships is genuine, and you only have to hear the CEO, Rob Hunt, speak to know that Bendigo Bank is proud of its role in helping local communities.

In my view, the establishment of the Coleraine and District Community Bank has been one of the most significant developments to occur in our district for a very long time. Out of adversity our community has grown stronger and we have regained a community spirit and pride that had gone missing. We have secured banking services for future generations in this district, and people can see that we are here for the long haul. We can facilitate other economic development projects as we accumulate more funds, and the future of this district is far more assured because our bank is retaining capital within our community, not exporting it.

John Kane had a a twenty-five-year career in the Victorian Public Service before he and his family commenced farming at Coleraine twelve years ago. He is currently Chairman of the Board of Directors of the Bendigo Community Bank at Coleraine, President of the Coleraine and District Development Association, Secretary of his local Landcare Group and recipient of a Handbury Fellowship in 2003.