COST OF LIVING AND ECONOMICS COMMITTEE

Members present:
Mr LP Power MP—Chair
Mr RA Stevens MP (virtual)
Ms AJ Camm MP
Mr MJ Crandon MP (virtual)
Mrs MF McMahon MP (virtual)
Mr BL O'Rourke MP (virtual)

Staff present:
Mr T Horne—Committee Secretary
Ms M Salisbury—Assistant Committee Secretary

PUBLIC HEARING—INQUIRY INTO THE STATE FINANCIAL INSTITUTIONS AND METWAY MERGER AMENDMENT BILL 2024

TRANSCRIPT OF PROCEEDINGS

Friday, 17 May 2024

Brisbane

FRIDAY, 17 MAY 2024

The committee met at 10.06 am.

CHAIR: Good morning. I declare this public hearing open. I would like to respectfully acknowledge the traditional custodians of the land, the Yagara-speaking people, and pay our respects to elders past and present. I personally feel extraordinarily fortunate that we are in a country that has two of the oldest civilisations on earth whose lands, winds and waters we share. My name is Linus Power. I am the member for Logan and chair of the committee. Other members of the committee, mostly joining via phone, are: Mr Ray Stevens, the member for Mermaid Beach and deputy chair, via teleconference; Mr Michael Crandon, the member for Coomera, who has a small virus so he is joining us via teleconference; Mrs Melissa McMahon, the member for Macalister; and Mr Barry O'Rourke, the member for Rockhampton, who is substituting today for Ms Jessica Pugh, the member for Mount Ommaney, who unfortunately has been called away to another committee.

The purpose of today's hearing is to assist the committee with its examination of the State Financial Institutions and Metway Merger Amendment Bill 2024. The hearing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. The hearing, of course, is open to the public to watch, but only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence.

The proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. I also remind those present that you may be filmed or photographed during the proceedings. Images may appear on the parliament's website and social media pages. Before we proceed, please ensure all mobile phones are switched to silent mode.

CARNEGIE, Mrs Maile, Group Executive, Australia Retail, Australia and New Zealand Banking Group

KING, Mr Daniel, Managing Director Suncorp Integration, Australia and New Zealand Banking Group

CHAIR: Good morning to you both. Thank you for being here today. Would you like to make an opening statement before, I am sure, we will have some questions for you?

Mrs Carnegie: Thank you, Chair. I run the retail bank in Australia for ANZ. I want to thank you for opportunity to let me appear before you today. Before I get started, I also want to pass on my apologies from our chief executive officer, Shayne Elliott, who unfortunately had a prearranged meeting overseas. He is overseas at the moment, but he apologises for not being here today.

ANZ welcomes the introduction of the State Financial Institutions and Metway Merger Amendment Bill 2024 into the Queensland parliament and we strongly support its passage. If the bill passes, ANZ is excited about the prospect of acquiring Suncorp Bank and playing an even bigger role in the Queensland economy than we do today. This acquisition reflects our confidence in the future of Queensland and will allow us to even better serve our customers and also our shareholders by accelerating the growth of our retail and our commercial businesses while also, very importantly, improving the geographic balance of our business across Australia.

We are also really excited about the opportunity to provide Suncorp Bank's customers with access to the benefits of the very significant investment we are making in our services, particularly in our banking technology. Just one example of this is the significant investment we are making to keep our customers safe in our investment in cybersecurity. In just this one component of our investment in technology, this spend that we make in cybersecurity is equal to Suncorp Bank's entire technology annual budget. This investment allows us—you would understand the threats of cyber—to keep our customers safe on an ongoing basis.

We also want to ensure we keep Suncorp Bank's customers happy as well. That is why we are really focused on continuity, both for our customers and for Suncorp Bank employees. Suncorp Bank will initially operate under its existing banking licence. On day one, in order to really make sure we maintain continuity, we want customers to be served in the same branches, in the same locations, by the same employees they are used to having service them. I am pleased to say that we are really encouraged and well underway in that plan. As we sit here today, almost 99 per cent of existing Suncorp Bank employees have already signed on to join ANZ if we are to acquire it.

As you would know, ANZ has made a series of commitments to the Queensland government that will come into effect if this acquisition completes. It should be noted that these are legally binding commitments and really demonstrate our desire to support the Queensland economy. One of the key commitments we are making is the establishment of a technology hub in Brisbane. This will see us hire or place 700 people into technology oriented jobs. As a part of this hub—it is not just ANZ—we are also seeking to partner with Google and two Queensland universities to provide those tech hub employees with very sought-after technology and very contemporary technology skills. The university partnerships that we are looking to make will see ANZ provide $2½ million to each one of those universities both to invest in industry-based learning and to fund chairs in technology. Modelling that has been undertaken in 2023 by an independent consultant indicates that the tech hub is expected to contribute over $620 million in economic activity. I would like to seek leave from the chair to table that independent report.

CHAIR: We might take a copy of the report and we will go through our processes in terms of tabling it. Thank you for giving us that. My understanding is that, thanks to your work in advance, that has been emailed to members.

Mrs Carnegie: Thank you. As you will see in this report when you have a chance to look at it, this technology hub will enhance Queensland's workforce capabilities and really establish a pipeline of talent for the future—as I said, not just via ANZ but also via the partnerships with both Google and those two Queensland universities.

For perspective, again, the consultant's work indicated that Queensland has about 19 per cent of IT students nationally but currently Queensland has only about 13 per cent of the national technology workforce. Really importantly, this ANZ technology hub provides an opportunity for more Queenslanders to get technology jobs locally in Brisbane in the tech hub itself but also, as you will see in the report, in the broader industry that will end up supporting this technology hub. Thank you. I look forward to addressing any questions from the committee.

CHAIR: I was looking at the report. I note that some of the information about the Google partnership has been redacted. Can you give us some background as to the reason for that?

Mrs Carnegie: We have had obviously advanced conversations with a number of potential partners, one of them being Google. We are waiting to really make sure of the passage going forward before Google is comfortable making firm commitments. There is nothing in that report that we are concerned about or that is troubling but, again, they are just waiting until the passage going forward before they actually come out publicly with those firm commitments from Google.

CHAIR: I understand. You are advising that there are advanced negotiations with Google at this stage?

Mrs Carnegie: Yes, we have had a number of conversations and negotiations.

Mr STEVENS: I am sorry I was off air for a moment there and I missed a little of what Mrs Carnegie was saying so my question might be redundant. I refer to the commitment that Mrs Carnegie said was a legally binding commitment towards this tech hub. How long would that commitment be for in terms of years and how much investment is ANZ prepared to make in terms of the budget going forward for that tech hub?

Mrs Carnegie: The commitment we have made in terms of the number of years is five years. When we talked about that with the government, it feels like a long enough commitment to really get it established and up and running. Daniel, do you know the actual dollar amount that we are committed to?

Mr King: It is a good question on the financial commitment. Obviously we have committed already quite publicly the $2½ million per university, so that is up-front. We have not finalised the actual full costings but, as Maile said, there are absolutely firm commitments in terms of the workforce that we think will go into that hub over the five-year period. There have been really good preliminary conversations, as Maile said, with some universities as well as with Google. The only thing that I would add is that, as Maile said, there is a pipeline of talent as 19 per cent of graduates of Australia are tech graduates yet only 13 per cent are actually in the workforce. We feel really confident about being able to build up that workforce over the five-year period.

Mr STEVENS: I am trying to do some rough figures. On 700 staff at an average of $100,000 a pop, that would be around $70 million as I see it. That is a fair amount of labour costs that you are envisaging in terms of the tech hub budget. I could be wrong with my noughts, but I am doing it quickly off the top of my head. That is a serious of amount of money to commit. I think you have promised about $621 million in generating funds for Queensland. Is that the sort of commitment that ANZ is prepared to continue with?

CHAIR: You are also missing the lease and fit-out of the building in Logan. That is not noted there but it is an obvious place to invest in so I am gratuitously suggesting it.

Mr STEVENS: Do you know someone qualified for the chief executive officer position, Linus?

CHAIR: No. There are so many people looking to invest with new families moving into Logan that I thought ANZ would be excited by that.

Mrs Carnegie: You are absolutely correct: this is a very material commitment, but it is one that we are very happy to make because it is actually in our commercial best interests, if I am going to be crude about it. As you are aware, the war for talent, particularly with emerging technology like AI and the cloud, is very material. We are actually looking at the creation of this technology hub as something that is not just going to benefit Queensland and the Queensland economy; it is also going to give ANZ a very significant advantage in terms of our ability to attract and retain the quality talent that we are seeing in Queensland in those university students.

You are right, Deputy Chair: it is a very big commitment. We have made it, as I said, for five years because we feel that is a long enough commitment to show that it is serious and it will allow us to get it up and running. Again, there is a very strong pool of technology talent sitting here in Queensland that we are very excited to try to bring into the ANZ fold.

CHAIR: Mr King, did you have something to add?

Mr King: The only thing that I would add to Maile's statement is that the Queensland government were really very clear when we were negotiating this at the outset of the acquisition of the due diligence, which was that the implementation agreement keeps ANZ very clearly focused on making sure we are not just waiting until the end of year 5 for this commitment to be realised, but each and every year we are obligated to report back on the progress of this tech hub. The Queensland government is definitely holding ANZ to account but, regardless of that, as Maile said, we are really excited about this commitment because of the talent pool that exists in Brisbane and across regional Queensland.

Mr STEVENS: One of the concerns we have with banks generally is basically the closure of branches, particularly in regional areas. A question that I keep getting asked is: why are all the ATMs disappearing? After this merger, what are the plans for ATMs of ANZ and Suncorp, particularly the Suncorp ATMs? They said they are not closing branches but what about the ATMs?

Mrs Carnegie: I can completely understand why you are asking and why you are actually being asked that question, because I think there is a lot of noise at the moment in terms of access to cash. I am sure committee members are aware of some of the issues going on in terms of cash in transit and various bits and pieces.

To answer your question specifically, even though we are the fourth largest, or the smallest of the big four, ANZ actually have the second largest fleet of ATMs that our customers have access to. I think there are 2,611, if I have my numbers correct, ATMs that our customers have access to that are fee-free. They also have access to other banks' ATMs in a fee-free way. At the moment, there are no firm commitments in terms of what is going to happen with ATMs in the agreements that we have with the Queensland government. Obviously we need to make sure we keep cash available. We are committed to that. As I said, we have a very large suite of ATMs available and that would be available immediately also for the Suncorp customers, assuming this transaction goes through.

CHAIR: Building on that, obviously with the insurance of bank accounts there is a corporate responsibility that is different from other parts of the economy. On the provision of cash for people who see that as valuable, does the ANZ have a continuing role in ensuring that form of transaction can still be produced? Do you take that responsibility seriously?

Mrs Carnegie: As per my other comment, this is a very live topic in the community, not just obviously in Queensland but also nationally. Absolutely, we understand that it is important for the community, including our customers, to have access to cash. Absolutely we take that very seriously. As I said, because of that, we have the second largest fleet of ATMs available to our customer base.

The other thing we are aware of from the Suncorp customer base is that they value things like the Australia Post agreement that Suncorp has in place. We have a commitment to keeping that Australia Post agreement in place for at least three years and also a commitment to see whether or not we can create good terms with Australia Post going forward. Yes, we take that very seriously and we understand that for many members of the community cash is still very critical to them.

CHAIR: The other thing that people have a deep concern about, certainly in my community, is that, for example, my bank—it shall remain nameless but it is not ANZ or Suncorp—just closed down our suburban branch. Your submission states that ANZ has made a commitment that there will be no changes to the total number of Suncorp branches in Queensland for at least three years after the transaction. People are rightly going to consider what happens after that. I note that you have a big investment in technology, but for some vulnerable customers that is actually much more difficult to access. I am not suggesting you, Deputy Chair, but others have that issue.

Mrs Carnegie: It is something that, as a bank, we obviously need to and do think very deeply about. Yes, to be frank, there are a relatively small group of customers, at least in the ANZ cohort, that rely on branches. We do not have access to Suncorp but we have to assume that there is a cohort as well of customers who are looking really for face-to-face banking or access to physical banking. It is something that we have thought about. Branches are not just for the customers. As you would be aware, it is also very important for employment so we are thinking about that.

We have a number of commitments around Australia Post. We also have very strong phone banking. There are a lot of vulnerable customers who use phone banking very significantly. We also have mobile bankers. People who want to have particularly quite emotional or difficult conversations, may want to speak to someone in person. Even if there is a branch, they may not be able to access that branch. We have mobile bankers. We have many ways that we can support customers, whether they are vulnerable or otherwise, who want to have an in-person conversation or talk to a person versus a machine for their banking. Again, the employment standpoint is also really important and that is the other reason we have made the commitment that we will have no net job losses because of this acquisition in Queensland.

CHAIR: I was with a constituent who was attempting, on the phone, to find out about payments that they could not find because they did not have printed statements and did not use internet banking. We could not complete that process. I do not know that it was ANZ. Member for Whitsunday, do you have a question?

Ms CAMM: Apologies for my lateness. There was a flight problem. I am happy for you to take this question on notice. I would like to understand the number of branches you have outside of metro South-East Queensland. I am a regional member of parliament. Echoing some of the comments made by the chair, there is a real concern around the transformation of service delivery in the banking sector in regional and rural Queensland. I know that the federal government and other inquiries have looked at that. I would like to understand the number of branches that you have currently. I will be asking the same question of Suncorp. I note that you have made a commitment for the next three years. Does ANZ have a transformation or integration strategy that will look at efficiency across rural or regional or North Queensland in your plans going forward, which I imagine is something that you would be considering?

Mrs Carnegie: I am going to speak for ANZ and not for Suncorp. ANZ has 77 branches in Queensland and about 31 of them are in regional areas. I cannot speak specifically for the geography you are talking about so I will take that on notice and I can come back on that.

Going to your second point, yes, we are on the record that, if you look at this acquisition, fundamentally the big prize for us in terms of hopefully acquiring Suncorp Bank is that 1.2 million customers. One of the things I am very clear about is that the marching orders I have received from my board and my CEO are to support Bruce, who will be running Suncorp Bank, assuming we can acquire it. It is to support him to make sure we are absolutely maintaining as many of those customers as we can. We understand that access to services is a very critical part of keeping those customers happy. I am going to do what I can and we are going to do what we can as an organisation to do that.

We are on the record as saying that as part of this we will see some efficiencies. Whenever you bring two big organisations together there are often efficiencies. Some of the biggest efficiencies we are looking at are things like some of our suppliers. We do have big contracts with technology companies and other things that are very duplicative, so we are looking to get some efficiencies. To specifically answer your question, there are no plans around looking at getting efficiencies in your particular area or in regional areas. As I said, we want to keep these customers happy because that is really the essence of what we are buying, to put it bluntly. We have had no chance to look at the profile of those customers, what services they use. It would be very premature to have specific plans other than really obvious things like overlapping technology suppliers. Until we really get to understand this business, we do not have any plans.

CHAIR: One of the things about Suncorp customers is that they have particular types of accounts with fees—we have heard the discussion about accessibility to branches—but also the types of banking products they have. Are there any changes in the products they have or would there be even better offers? What would be the considerations for your 1.2 million existing Suncorp customers?

Mrs Carnegie: It is a good question, but it is really hard because we cannot get under the hood of this business until we have really acquired it—if it goes through. We are aiming to add more value to customers, not take stuff away. Our bias going in would be to ask how we can provide better services. I cannot talk to what exactly those look like until we are able to look at the customers and see what they are going to value.

Mr King: The only thing I would add is that from day one we are aiming to have a completely seamless customer experience for the existing customers of Suncorp Bank. It is not like we are planning to change their existing service or product suite on day one. We think a really important part of creating continuity for that customer base and making sure we hold those 1.2 million customers is making sure it is a seamless experience from day one.

CHAIR: I do note there is a change in the way people use banking. Fewer people attend their bank and fewer people use cash directly; however, technology does make for greater profits for banks but a more efficient economy in the longer term with hopefully some competition. There is still a desire to interact with people to understand things. Telephone banking, as I said yesterday, is reasonably insufficient. At some point, if there is a branch of Suncorp Bank and a branch of the Bank of Queensland right next door to each other, their customers are going to understand, but in very small places—even in suburban places where they have made those changes—it is difficult. There is still a desire to use technology to put people face to face with their banker so they can present documents and interact with someone with whom they have a connection. Why has technology not been used to help facilitate that?

Mrs Carnegie: It is a great question and one that ANZ is investing very heavily in. In my introductory remarks I talked about our heavy investment in technology. One of the areas we are very much working on at the moment is how to bring more human-to-human connection with our customers in a way that is more accessible in general. One of the things we are building at the moment is more video technology. That is something that, particularly during COVID, most aspects of the community became very used to; for example, getting on a screen and talking about their grandchildren or colleagues. I agree with you: that is an area that banking in general can catch up on. It is something that ANZ is actively working on because we agree with you: it is a very rapidly changing space. Yes, we need to make sure we are looking after customers who are vulnerable, and we are very committed to that. We also want to make sure we look after people who want to have more convenient services, and we have to get the balance of those right.

Ms CAMM: With regard to your commitments to Queensland, under the lending portfolio you outlined, the commitment of $35 billion, I note the detail is probably yet to come around qualifying some of that based on your own frameworks and policies et cetera. Has there been any work done to date around what that funding portfolio may look like, or have there been any interim discussions with government of any detail, in particular around green Olympic infrastructure in that space, and how far along has some of that funding pipeline developed?

Mrs Carnegie: Yes, there are two blocks of funding that we have committed to with the government: one is the $35 billion you are referring to; the other one is a $350 million commitment to housing. That $35 billion is really broken up into three different segments. There is $15 billion which is really aimed at renewable lending, and the specific conversations that we have had with the government are in green Olympic infrastructure. That is a conversation we are having. We also have $10 billion for energy projects; that is, things like hydrocarbon and other bits and pieces. We also have $10 billion for lending for Queensland businesses generally. That is not targeted at a particular industry.

On top of that, we have $350 million for housing. One of the things that we very much hear nationally, but also in Queensland, is the difficulty in accessing affordable housing. We have a $350 million commitment for housing that is really split into three different areas: affordable housing for build to rent and also build to rent to own; we also have a commitment to help older Australians, because elderly individuals have also struggled to get accessible and affordable housing; and we are also targeting housing for the disability sector.

Ms CAMM: For example, with green Olympic infrastructure has there been an identified project already? Is ANZ underway with any due diligence of those particular projects? Have discussions progressed that far with government?

Ms Carnegie: I do not believe they have.

Mr King: I think it is just preliminary at this point.

Ms Carnegie: We obviously have a lot of discussions with the government, and we have agreed these areas that we are going to be targeting. As best I can understand it, we are really waiting until we have a committed deal to get into that next level detail.

CHAIR: Understandably. Having nothing to do with the bill, we are probably not prepared for that.

Ms CAMM: I think it has a lot to do with the bill, Chair. It is a major commitment associated with the bill.

CHAIR: There being no further questions, we will end this session. Thank you for appearing before the committee today and providing your evidence.

JOHNSTON, Mr Steve, Chief Executive Officer, Suncorp Group

CHAIR: Would you like to make a brief opening statement before I turn to members for some questions?

Mr Johnston: My name is Steve Johnston. I was born in Queensland; I went to school in Queensland; I have lived and worked in Queensland all my life. While that is not particularly relevant to the bill, it just demonstrates that I do understand the importance of Suncorp to this state and why it is important that this bill achieves maintaining a strong and purposeful presence.

In my view, this bill sets out a positive and contemporary framework. It will ensure that Suncorp Group will remain headquartered in Queensland and that the trans-Tasman insurance business that emerges from this transaction with ANZ will retain a significant presence in the state. That was a very core part of the discussions we had with ANZ—a core part of any consideration that I had and the board had around moving forward with any proposal but particularly this proposal we are executing at the moment.

It is relevant for me to very briefly outline for the committee the rationale for the sale of our bank. As you know, the growing impacts of climate change and the ongoing natural disasters we have all felt will continue to be a huge issue facing insurers globally. Addressing this, in our view, is best served by having a singular and dedicated focus on insurance. This is particularly the case in Queensland, which is the most disaster impacted state in Australia. We have seen this time and time again, most recently in Cairns and across the south-east of Queensland over Christmas.

Becoming a singularly focused insurance company will allow us to invest in growth opportunities to develop our insurance business without having that fundamental trade-off around capital allocations between our insurance and banking divisions. It means we will be able to continue to develop competitive and compelling insurance product offerings, which is important to deal with availability and affordability issues, and it will be better placed to manage the increasing risks re insurance costs and natural hazard challenges that we face currently in insurance markets. Equally, as Mrs Carnegie outlined, I think Suncorp Bank will benefit from the capital investment that ANZ can deliver and in itself will be better positioned to access capital to compete and grow in Queensland. The passage of the bill is a critical part of enabling the transaction and allowing the resulting benefits to flow to Queenslanders and Australians more broadly.

I put in front of the committee that the board and I are fully committed to the obligations enshrined in this bill and, beyond that, to the role that we play in the economic and social fabric of Queensland. That includes our role as an employer, as a proud partner of the Queensland SES, as the foundation naming rights sponsor of Suncorp Stadium and, of course, as the major general insurer in the state.

This bill is part of a package of measures that have been put in place to record the ongoing commitment of ANZ and Suncorp Group to Queensland. In particular, Suncorp will establish a disaster response centre of excellence which will incorporate state-of-the-art technology to monitor, prepare for and respond to major weather events not only in Queensland but also across Australia and New Zealand. That is being contemplated in our Heritage Lanes headquarters just up the road. There is: design and full fit-out of a functional mobile hub to be deployed in areas affected by natural disasters to assist with community recovery—I have proposals on my desk at the moment around those proposals; the creation of a permanent regional hub in Townsville which will employ more than 120 Suncorp people—in fact, I was in Townsville last week with our team looking at a shortlist of available premises; and the funding of community and educational initiatives related to vocational training. Of course, these commitments are contingent on all approvals in relation to the sale of the bank being received and the completion of the transaction.

Finally, while it is 670 days since we first announced this transaction, I thank the Queensland government, the parliament and, of course, this committee for the expeditious manner in which this bill has been addressed following the judgement of the Australian Competition Tribunal. Chair, I am happy to take questions.

CHAIR: Thank you very much, Mr Johnston.

Mr STEVENS: Thank you, Mr Johnston, for your presentation. Perhaps you could help me in terms of the insurance offerings that will be left post Suncorp Bank being merged into ANZ. The banks have been incredibly profitable over the last number of years and I would assume that Suncorp Bank having that backing, as opposed to be being tied up with Suncorp Insurance company, would to some extent support the ever-increasing insurance claims, particularly, as you mentioned, from natural disasters. I know that my car insurance has just gone through the roof—probably to do with all the youth crime, stealing et cetera. What impact will it have that Suncorp stands alone in terms of longer term insurance costs to Suncorp Insurance customers?

Mr Johnston: Thank you, Deputy Chair. That is a very good question—obviously. I would make the distinction between major banks and regional banks in terms of profitability. They are slightly different in terms of the returns on capital that they achieve. Putting that to one side, we have always run the two enterprises within the Suncorp Group somewhat independently of each other. In my view, having reached the conclusion that divesting the bank was in the best interests of our customers, our people, our shareholders and, obviously, Queensland and the national interest, we took a view that this will allow us to dedicate every single dollar of capital that is available to us to the challenges being faced in insurance that we have seen over the last three or four years but we expect to see over the next three or four.

The easiest way to answer your question is that there will be no diminution of services on the insurance side. In fact, I see this as a real opportunity for us to unlock the opportunity for us to do more and, over time, to become a globally recognised regional insurer, with every single dollar of capital and every single dollar of our management and board attention dedicated to the challenges facing insurers globally.

Mr STEVENS: I get the fact that you are opening up in Townsville—that is a very good move—and that your services will continue and may even improve on what already you are doing, but I am really looking towards the financial impact of the insurance costs without that banking. Even though it is a regional bank, as you mentioned, it would still be a very profitable entity, whereas the insurance side of things has been coming under increasing pressure. Premiums have been going through the roof. Obviously, this adds to the cost of living for everybody. That is on everyone’s lips at the moment. Do you see any financial implication to Suncorp Insurance policy pricing by devolving yourself of a bank as backing?

CHAIR: I think Mr Johnston has addressed that. Is your question: was Suncorp Bank subsidising Suncorp Insurance?

Mr STEVENS: That is basically it. Without the backing of a bank, which is a profitable enterprise, as opposed to the insurance side, which is far riskier and heavier—now that the bank is leaving the Suncorp Insurance side of things—may there be increased premiums, if you like? I would like Mr Johnston to confirm that is not the case, to be honest.

Mr Johnston: I can confirm that is not the case. We do not cross-subsidise. We would not be in a position to do that from a regulatory perspective. Both our bank and our insurance business are stood up independently of each other in terms of the amount of capital we hold and they are supervised and governed independently. Just to give you some comfort, the insurance business is just a bit over two-thirds of the total group as it stands today. The insurance entity is a trans-Tasman insurance company. We are not just a Queensland insurance company. We have brands and activities in other states and also in New Zealand. I do not see any risk of that. Obviously, as you point out, insurance can be volatile, but we hold significant reinsurance cover against that volatility. We hold significant allowances. We are well capitalised. I do see the benefit of this transaction being, as I mentioned, to allow us to exclusively focus on the challenges facing insurers globally.

CHAIR: At the moment, obviously the umbrella of the corporation holds both the bank and the insurance arm. If this legislation were not passed, what would happen in the medium term or long term over those entities?

Mr Johnston: You have to unwind back to the rationale that led us to the view that we were to seek to divest the bank. When I stepped into the role as CEO, it was not something I had contemplated. We have seen a material step up in the cost of insurance globally. Reinsurers have reset pricing for Australian primary insurers. We need reinsurance standing behind our business. I could see over time a very capital-consumptive bank—banking is capital consumptive—and now a very capital-consumptive insurance business.

To the extent that the transaction were not to proceed, I think we would be faced with that very real dilemma around allocating capital into a bank or an insurer and making judgements around both of those entities. Of course, at the moment in banking, as Mrs Carnegie said, there is a big focus on cyber and on scams. There is an evolving technology investment that would need to be made on the insurance side. We need to invest in core systems that will allow us to provide the affordable products that we hope to roll out into the future. Obviously, if the transaction were not to proceed for some reason, we would have to regroup. We would have to look at the capital requirements of both businesses and would have to make some challenging decisions.

Ms CAMM: Mr Johnston, you were here before when I asked ANZ a question around the regional service delivery model and the number of branches. They answered a number of questions with regard to employment, the take-up rate et cetera. What is your view of how this is being received outside of the workforce component—by your customer base, particularly across regional and North Queensland?

CHAIR: Of course, they are your customers at the moment, so you understand better.

Mr Johnston: I have travelled extensively. I have been in most of our branches, particularly our regional branches most recently. It could be a bit prejudicial, looking at the people who are going. I do not see too big a difference between us and an ANZ in terms of the product that we offer to retail customers or the nature of those customers. Obviously, when we considered this transaction we had to have a very clear mind about what impact it would have on our people, but we also looked at what impact it would have on our customers. We tracked that through net promoter scores, customer complaints and inbound queries that we get from customers. There have not been a huge number of them. Sometimes we get very close to these sorts of corporate transactions, but the people out there really are looking for us to deliver good and consistent service and to improve the range of products that are offered. I do not see any particular issues that have emerged over the past two years. I think most of the metrics that we in the bank look at around net promoter scores, customer complaints and the like have held up very well over this two-year period.

CHAIR: In terms of regional areas and investment, we saw some commentary from Townsville Enterprise Ltd which I thought might be a good reference. Is investment in regional Queensland something that you see as valuable to the company?

Mr Johnston: Absolutely. It sort of goes beyond what is heavily prescribed into the legislation and even into our implementation deed. I was up in Townsville last week obviously looking for sites but also up in Cairns just dealing with the outworkings of Cyclone Jasper and the enormous complexity in terms of claims management. It is complex anywhere, but in Northern Australia it is even more so. Obviously, we have committed to this investment which will be in the form of fit-out of premises but, importantly, the 120 people. I believe that over time we can expand that. Obviously, I cannot give a commitment to that today. I really do think that having a workforce living and working in regional Australia, particularly in areas of Northern Australia which are dealing with very significant changes in their insurance needs, is a good thing. We will start that with sales and service—it will be sort of a distribution centre for a start; we have some claims people in Townsville—but over time I see it becoming a Northern Australia hub for all of the things we do in South-East Queensland today and across the country. I really do see the needs of Northern Australians being slightly different from those in the south-east. I think an investment of people up there and capability in Northern Australia will be a good thing.

CHAIR: We can almost take that as a snapshot for other corporations: seeing the maturity of Townsville, Cairns, Rockhampton and other regional centres not just as a tourism destination for people from Sydney and Melbourne but as somewhere where white-collar jobs can be developed. Would that be fair?

Mr Johnston: Absolutely. Historically, the availability of labour has been a big challenge for many industries but particularly in insurance. We have to tool up very quickly. Our workforce is not stable because we have big events that come along and we have to increase our workforce. We have a centre in Toowoomba, for example—

CHAIR: I forgot about Toowoomba—another great example.

Mr Johnston: We have had flexibility in that workforce and, typically, where we have needed that flexibility it has always been easy to get those resources in regional Australia. It is one of those things that happens in corporate activity over time: there is a reduction of services over time because it is seen to be cheaper, scale is important or something like that, but the particular services that are required in those regional centres outside the south-east do tend, in my view, to lead to not only better availability and access to labour but also a better workforce and a workforce that is more in tune with the needs of the local communities. I talk to members of parliament around the Townsville area. The one thing they say to me all the time is, 'Make sure these aren't fly-in fly-out. Make sure they are living in these communities.' I can confirm that that is what we will do.

CHAIR: ANZ got to hear it first in the back of the room! I imagine that technology can help you to overcome that tyranny of distance—to find a great workforce and to incorporate them in your corporate structure, messaging and communications—so that the Townsville jobs are very much connected to others in the corporation. Is that fair to say?

Mr Johnston: Very much so. The nature of work has changed post the pandemic. No matter whether it is regional versus metro or work from home versus work in the office, it is a very flexible workforce that we all are dealing with. I do believe that having a facility, having a connection point and having a centre around which we can mobilise our resources for Northern Australia is very important. With some of the technology that we are looking at—geospatial technology, which will improve the way we manage claims, the connections that we have with the bureau and various other SES activities—we can sort of expand upon that in Northern Australia, because it is a slightly different insurance need than in the south-east.

CHAIR: Thank you very much. Of course, it goes without saying that you are looking at Logan as well! There being no further questions, I thank you very much for the time you have given us this morning. I thank everyone for the information they have provided today. Of course, I thank our Hansard providers. I thank them because they so efficiently will put this report up online. I also thank our broadcast staff for their assistance. As I said, a transcript will be provided on the committee's webpage in due course. I note that no questions were taken on notice. I declare this public hearing closed.

The committee adjourned at 11.01 am.