



Group Corporate Affairs
Level 22, 100 Queen Street
Melbourne Vic 3000

Phone +61 3 9273 5035
Fax +61 3 9273 5300
www.anz.com

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PACER Plus FTA Section
Department of Foreign Affairs and trade
RG Casey Building
John McEwen crescent
Barton ACT 0221

**Re: Call for public submission on Pacific Agreement on Closer
Economic Relations (PACER) Plus**

Australia and New Zealand Banking Group Ltd (ANZ) welcomes the opportunity to provide a submission on a prospective trade and economic agreement between Australia, New Zealand and Forum Island Countries (FICs).

ANZ is strongly supportive of Australian Government efforts to work with FICs to build the capacity and infrastructure they require to take greater advantage of trade across the region, including through more liberal trade in goods, services and investment. A comprehensive trade pact in the Pacific will assist countries in the region to share in the benefits of increased trade and economic growth.

Notwithstanding, for any trade pact to deliver meaningful outcomes for FICs, both Australia and New Zealand will need to ensure the FICs are provided with assistance to address supply-side constraints in key trade-supporting disciplines such as education and technical assistance.

The following submission provides an outline of ANZ's interests in the region and outlines broadly some of the issues we believe should be considered in the development of PACER Plus.

ANZ in the Pacific

ANZ has been operating in the Pacific for over 130 years, employs over 2000 staff and is the largest bank in the region, operating full service retail and commercial banking in 11 Pacific countries: PNG, Fiji, Solomon Islands, American Samoa, Samoa, Cook Islands, Tonga, Vanuatu, Kiribati, Timor Leste and Guam and a representative office in New Caledonia.

We are committed to expanding our operations in the region. In recent years, we opened a new branch in Aituitaki (Cook Islands), 7 branches in Solomon Islands and 2 branches in PNG; finalised an agreement to acquire

the Citizens Security bank in Guam; and opened a new PNG headquarters in Port Moresby's Harbour City in late July 2009.

Our operations in those FICs that will be parties to PACER Plus (noting that Fiji is currently suspended from attending Forum meetings) are as follows:

- Cook Islands – Commenced operations in 1988, comprising 2 branches, 6 ATMs and 176 EFTPOS units. Provides a range of personal and business deposit and loan facilities as well as international trade finance services. ANZ is the only bank in the Cook Islands to hold an offshore banking licence which allows us to provide banking and payment services to the Offshore Trust Industry operating in the country;
- Kiribati – Commenced operations in 2001, comprising 4 branches, 6 ATMs and 7 EFTPOS units. Provides business banking and related trade finance services, treasury (foreign exchange, balance sheet management, and wholesale deposits/investments) as well as deposit and transaction services;
- Papua New Guinea – Commenced operation in 1910, comprising 12 branches, 41 ATMs and 750 EFTPOS units. One of our largest businesses in the Pacific with over 350 staff. Full range of retail and business banking services including current accounts, deposit and loan facilities, leasing, international trade finance and treasury services, Kina currency credit cards, EFTPOS facilities and local debit cards;
- Samoa – Commenced operations in 1990, comprising 5 branches, 11 ATMs and 330 EFTPOS units. ANZ Bank (Samoa) Limited is a wholly owned subsidiary of ANZ providing a full range of banking products and services including savings and cheque accounts, retail and commercial lending. Corporate and commercial finance is available to companies doing business in Samoa;
- Solomon Islands – Commenced operations in 1966, comprising 13 branches, 16 ATMs and 68 EFTPOS units. Full banking services are offered across all market segments. ANZ also successfully operates four mobile banking units to previously unbanked remote regions;
- Tonga – Commenced operations in 1993, comprising 3 branches, 11 ATMs and 200 EFTPOS units. Full service commercial banking operation, offering a wide range of personal and business deposit and local facilities as well as international trade finance services and mobile banking; and
- Vanuatu – Commenced operations in 1971, comprising 3 branches, 11 ATMs and 230 EFTPOS units. Full banking service operation offering both domestic and international clients a

range of retail and business deposit and loan facilities in all major currencies as well as international trade finance, treasury services, point-of-sale facilities and insurance.

As we grow our operations in the Pacific we recognise the responsibility we have to contribute to the development of the banking sector and the economies of the region more broadly. We are working to deliver basic, affordable and reliable banking services to remote Pacific communities through our 'Banking the Un-banked' program in partnership with the United Nations Development Program (UNDP). Through the partnership we are delivering banking services to some of the most remote and disadvantaged communities in the Pacific. Since launching the program in Fiji in late 2004 we have rolled out the program to a number of other Pacific countries, including Samoa, Tonga, American Samoa, Vanuatu and Solomon Islands. Around 75,000 previously un-banked people in these countries have now opened savings accounts.

We have developed two products specifically for this program:

1. A savings account which is operated with a passbook and earns interest on every dollar;
2. An everyday account which is suitable for salary earners, micro-business owners and those who want to make regular deposits and withdrawals; it has a small monthly fee and is operated with a passbook, although a debit card can be connected to the account.

In addition to 'Banking the un-banked', ANZ also offers micro-loans to regular savers. A micro-loan of \$100 can start a small business which in turn can lead to increased income and better living conditions. Some of ANZ's rural banking customers in a number of countries in the Pacific are now graduating from saving to obtaining micro-loans to regular small business loans. Micro-loans have been used to fund small projects such as new roofs and solar power installations as well as school fees, boats and better living conditions generally.

We also recognise the responsibility we have to contribute towards a range of other social and environmental development outcomes across the region. For example, ANZ is partnering with the World Bank to bring environmentally sustainable energy to villages and businesses in Pacific Island countries. As part of the program, ANZ will distribute \$9.5 million of World Bank funding over the next five years to help local financial institutions provide affordable loans to rural communities for the purchase of renewable energy such as solar energy, hydro energy and biofuels (coconut oils). We will also participate in the program as a lender.

ANZ aims to play a role in assisting the development of governance standards and regulations in the Pacific countries in which we operate. We actively seek involvement in relevant government and industry working groups and support technical 'knowledge-transfer' to the extent possible. For example, through our work to enhance risk management practices of our Pacific operations we have helped 'shape' some of governance standards in the countries in which we operate.

ANZ has also developed a branchless banking model called WING which specifically targets financially excluded communities and is a highly effective way of extending our banking reach to remote communities. WING provides a safe, convenient and inexpensive way to bank and transfer money through mobile phones. We are currently rolling out this product in Cambodia and believe there are opportunities to replicate the model across the Pacific.

In short, these initiatives are delivering improved social, economic and financial inclusion outcomes for our customers and the communities in which we operate. At the same time, they represent sustainable business opportunities which contribute to ANZ's performance in the Pacific.

Impact of PACER Plus on ANZ

In any consideration of whether to invest or establish operations overseas, ANZ looks for transparent regulations and corporate governance based on international standards, the rule of law (and enforcement thereof), clearly defined dispute resolution mechanisms, and a well resourced and independent regulatory structure with established prudential oversight.

While ANZ's businesses in the FICs do not face significant regulatory barriers, PACER Plus offers the opportunity to negotiate a set of commitments that would promote more open and competitive markets regionally. Improved access to markets through more uniform commitments and strengthened institutional capabilities in the FICs would create opportunities for local business to engage more in regional trade and increase appreciation among FICs of trade as an important part of long-term, sustainable economic development.

Notwithstanding, the complex task of building the capacity of FICs to address significant structural and institutional weaknesses, including to improve law and order, decision making transparency, healthcare and education, and infrastructure development, will remain critical to enabling these countries to move to a higher economic growth path. And while these issues require comprehensive, long-term policy responses (including through the delivery of targeted development assistance), PACER Plus has the potential to promote private sector growth and investment over the medium term and allow FICs to share in the benefits of increased trade. Increased private sector activity would help deliver more broad-based economic growth and generate improved employment and income outcomes.

The success of any agreement will be dependent, in part, on the extent to which the Australian and New Zealand Governments are able to deliver trade and development capacity assistance to FICs. Improving trade negotiating capabilities and preparedness for trade-related negotiations among FIC officials and raising awareness among key stakeholders of the importance of trade as a key element in economic development will be important to securing a successful PACER Plus outcome. In particular, Australia and New Zealand will need to be mindful of FICs' needs and constraints, including careful management of their transition (and

associated adjustment costs) to meet the timeframes for any PACER Plus implementation.

From ANZ's perspective, any gains made under PACER Plus could also potentially make decisions to invest further in growing our business in the region more attractive. Increased trade flows among FICs and the further development of the private sector would provide opportunities for ANZ to grow its business and contribute to regional economic development through the facilitation of increased trade flows.

Conclusion

Australian Government assistance to help Pacific island nations become more integrated regionally, including through closer cooperation on trade, would help drive increased investment and trade flows while at the same time promoting more stable economic growth for FICs. More transparent and liberalised regulatory processes and rules would also provide increased certainty for investors more broadly.

In short, the Australian Government's intention to take forward negotiations for PACER Plus is a positive step and one which ANZ strongly supports. Should you require further information about this submission, please contact:

Ms Jane Nash
Head of Government & Regulatory Affairs
ANZ
Level 22, 100 Queen Street
Melbourne VIC 3000
(03) 9273 6323
jane.nash@anz.com