

Transcript: Shayne Elliott with Neil Mitchell – 3AW – 04/08/20

Neil Mitchell: Okay. We talked about the impact on business and sole traders. The whole future is up in the air and in all sorts of ways. Now, we organised this next interview last week, a lot has moved in the meantime. We talk to him regularly, chief executive of the ANZ Bank, Shayne Elliott, good morning.

Shayne Elliott: Good morning, Neil.

Neil Mitchell: Where the hell are we going?

Shayne Elliott: Well, it's a bit of a rollercoaster, isn't it? We're all getting used to being agile and flexing where there's change and I don't mean to make light of it, but it's actually in a funny way a good thing. And I think what we've shown ourselves is that we are resilient and business has got on with stuff. And I know the banks and lots of other people are just kind of getting on with stuff and doing what we do, which is getting out there and helping customers through a pretty stressful period of time.

Neil Mitchell: It's all sounding pretty ugly, isn't it? By the time we get through this, there'll be businesses that just don't open again.

Shayne Elliott: Look, that's true. But it's interesting that if you're a student of economic history, that sort of happens, you end up with small periods of time when there was lots and lots and lots of change and then there's long periods of time where there's not much. And I think what we're seeing here is some of these well-established trends that were already in place, more digital, more online, more use of credit cards or plastic rather than cash. More working from home, more flexibility. All of those things were trends that were in place actually, they have just accelerated like crazy in a period of a few months. And look, there's obviously going to be severe impact on some, these sort of casualties, and that's dreadful. And what we've got to do is figure out how do we protect those people from harm. But most of those changes are probably good things for the long term and will make Australia and Victoria more productive, more kind of contemporary in terms of skills that we need to create a better future for our children. But we've got to make sure we look after those that are really struggling through this period.

Neil Mitchell: That's a really interesting thought. So you think getting through this, in the end, provided with that caveat that we look after those who are in strife, could, in fact be a positive thing for our economy?

Shayne Elliott: I think. I know you might think I'm a bit Pollyanna on that, but I think so. Again, and with that caveat that we should look after people, yes. This is a great opportunity in many ways for the economy to reimagine that economy ... and again, in our sector in particular, that whole sort of digitisation. I mean, people have moved and sort of voted with their fingers, if you will and their feet and said, hey we kind of like this online, we like this way of dealing with banks digital services, all of that. And so imagine if we can rethink what that economy looks like in the future. And the government's laid the foundations for things like open banking and all that other stuff, which probably doesn't mean a lot to most of your listeners. But the foundation is out there to make it easier for people to deal, get their money, use it wisely, move banks if that's what you want to do or move to new providers. Lower the barriers to entry, so more competition, more entrepreneurial spirit out there, new industries come about. It's interesting Neil we had a board strategy day last week, all online of course. But one of the things I was just reflecting on - it's probably well known by many - is that if you look over history, many, maybe not most, but many great companies and innovations in the world actually came about in a time of crisis, whether that was during periods of war or great recession. Companies like

Microsoft, Apple, Amazon, Uber, all of them were created in a time of economic hardship. Because why? Because the need changes, consumers suddenly have all these new needs that need to get met and entrepreneurs go and fill them.

Neil Mitchell: Yeah but you look at some of the figures, I mean, inflation biggest drop since the Depression, the housing market in Victoria down 3.8 per cent, they say in one quarter I mean that's going to hurt people, surely? Particularly the housing market?

Shayne Elliott: Sure. And housing and remember, as you know, is a big employer because of construction. But you look through it and say down three per cent, some saying it might fall 10, in the scheme of things that just puts prices back to sort of where they were a year ago. So we have to put those things in context. House prices are still extraordinarily high over the last number of years. So the real question here is, okay, what does it mean for what drives all of that; population and, the techy term, household formation – the number of people that decide they want to have a house, starting a family or whatever. Well, okay, migration is down. But then, you know what? Less Australians are leaving. And so there's some evidence to say that'll be reasonably stable. I tell you anecdotally, and there's some evidence to support this. I was talking to some of our customers that are in the business of subdivisions. Now, admittedly this was in Sydney, not here, but in Sydney. His exact terms for their land sales was that sales are 'ballistic'. And there is evidence, again, there's a strong demand; first home buyers' young families who are putting down those deposits. Sometimes based on government support. So there'll be some positives that come out of this.

Neil Mitchell: Victoria specifically, though, Victoria's a problem clearly. I mean for obvious reasons. And I see reports today that people expect Victoria to be well behind the rest of the country for some years. Do you think that's right?

Shayne Elliott: Well, I don't know about the some years. We've clearly have taken a blow. And a lot rests on what happens in this next six weeks. I mean, the optimist says, hey, in six weeks, we can essentially kill this thing. And the New Zealand experience is a positive one on that. So it's a bit early to tell. But, yes, clearly this is going to have a much greater cost to Victoria than any other state, certainly at this point. And, as we know Neil, that has to be paid for at some point. And there are various ways of doing it. But yes, it'll have a blow and it'll have an impact on future growth. It must do.

Neil Mitchell: Grassroots stuff. Banking obviously is exempt from the restrictions. But will you be reducing hours in your banks and your branches?

Shayne Elliott: Oh look, we already have. So we've got about, across the country, I don't know, 550 odd branches or something like that. About 100 of them are closed temporarily just because there's nobody coming to them. And we shouldn't be encouraging people to come to branches. So, look, I think most the banks are just flexing with it and responding to demand. So that might mean temporarily closing some branches, particularly if there's one close by. And I know that people are talking about potentially going to sort of reduced hours, which was something again that worked in New Zealand. So yes, we're going to continue to flex. But again, I think it's really important, Neil. Branches are important, but actually 91 per cent of our transactions are done electronically already today.

Neil Mitchell: Are you working from home by the way?

Shayne Elliott: I am. I'm sitting at home right now.

Neil Mitchell: How long have you been doing that?

Shayne Elliott: Only this week permanently. I tried to put a brave face on go into the office, because we still had a few hundred people in there and I sort of felt it was unfair to ask them to be in there if the leaders weren't there. But with this new lockdown, I think it's important that we also lead by example. We all should, if it's not required. So our number of people in the office have also significantly reduced and ... I've been at home.

Neil Mitchell: Do you reckon that head offices like yours will move to Sydney after this?

Shayne Elliott: No. Categorically, no. Well, I mean, no. We've been here for almost 200 years. And this is our home. Head office is an interesting place. I think the concept of head office is going to change radically as a result of this. I think it'll become more of a touchdown point for people. I think, we've already moved to flexible working, prior to COVID. More and more people work at home, part-time, job sharing, all of that stuff. But we still think there's value in getting people together. And, one of the things that people quite rightly point out, the problem with all the Zoom calls and all the stuff we do online. You don't have the informal running into people. You don't have that creativity that comes from that. That conversation in the hallway that leads to a really good idea. We still believe that's important so we want to have a place to get people together from time to time. But that doesn't mean it needs to be five days a week.

Neil Mitchell: Okay. And any positive cases against staff, amongst the staff?

Shayne Elliott: We've had, we've had a couple of dozen right across the country. All of them were contacted in their home situations, none of them at work. Only one person has been hospitalised, but they're doing okay. So I think on this, and remember we've got 20,000 people employed in Australia. So I think that's not a bad thing. But we keep that really, really close. And the good news is there's been no evidence of any transmission at work.

Neil Mitchell: Final question with what's happening in Victoria, further deferrals likely or possible?

Shayne Elliott: For loan deferrals? Well, we're already going out to March. That's what's agreed with the regulator. I think there'll be a watch and see. I mean, the good news here as both the banks, the regulators, everybody has shown a willingness to flex with the reality. And look if that's what's needed to do, we'll do it I guess. With or without government support. I think the banks, let's not forget, there's this big formal deferral program. Where thousands of people have taken the benefit of and good on them. And if people haven't, you should if that's what you want to do. But then, the banks have always had bespoke arrangements with customers who are in trouble through no fault of their own and need a bit of a helping hand. So I imagine we'll just have to be flexible on that front.

Neil Mitchell: Thanks for your time. Are you wearing a suit?

Shayne Elliott: No, I don't wear a suit at work anyway, in the office, let alone at home.

Neil Mitchell: Thanks for your time. Shayne Elliott, chief executive of ANZ. More in a moment.