

Submission to CFR & ACCC Consultation – MR-25-04

Subject: Regulation of Cash Distribution in Australia

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1. Executive Summary

- While digital payments dominate, cash remains essential for vulnerable communities, those in disaster-stricken or remote areas, and during system outages.
- A light-touch, flexible regulatory framework could help maintain equitable access—particularly regionally—without imposing excessive cost burdens.
- The rapid closure of bank branches—often driven by cost-cutting and profit motives—has directly increased the cost and complexity of distributing cash. This is not a neutral trend but the result of deliberate lobbying by the banking industry, and the public interest has suffered as a result.
- **Any regulatory response must recognise that Australia’s cash distribution problem is, in truth, a banking problem in disguise.** Banks remain the best-placed players to provide access, and their withdrawal should not be rewarded with further deregulation or abdication of responsibility.

2. Role and Importance of Cash

Cash supports financial inclusion, particularly for elderly, low-income, and regional users.

It acts as a resilience buffer during outages, disasters, or cyber incidents—ensuring continuity when electronic systems fail.

The decline in branch presence, particularly in regional Australia, has compounded costs by increasing reliance on third-party logistics and standalone ATMs.

3. Options for Regulatory Design

- Voluntary industry-led initiatives (e.g. shared infrastructure, regional cash hubs) offer flexibility, but risk patchy coverage without a minimum service baseline.
- Mandated service standards or license conditions in underserved areas could uphold access while preserving competition.
- A hybrid model—where obligations apply only in failure zones—could work, but must not stifle innovation or entrench inefficiency.
- Avoid broad-based subsidies, which distort market pricing, shield inefficiency, and often fail to deliver durable outcomes. History shows such models increase long-term costs to consumers and lead to misallocated investment.
- Instead, allow space for the free market to respond where viable—e.g. mobile banking solutions, ATM consortia, local co-operative models. Regulation should create guardrails, not become a crutch.

5. Role of Banks in Distribution

Over the past decade, Australia's major banks have systematically lobbied governments to relax branch closure obligations, enabling them to reduce operating costs and boost margins. While this may have served short-term shareholder interests, it has had clear negative consequences for the public, particularly in regional and lower-income communities.

This strategic withdrawal from branch-based banking has directly contributed to:

- Higher cash distribution costs, as specialised logistics firms fill the void
- Reduced financial resilience, especially during outages and natural disasters

– Diminished trust, as basic banking services are removed despite record industry profits

Despite their retreat, banks still remain uniquely capable of supporting affordable, secure, and geographically distributed cash access. They already possess the scale, infrastructure, and regulatory maturity to anchor the cash ecosystem.

Put plainly:

Australia's cash distribution problem is, at its core, a banking policy failure. A network once underpinned by major institutions has been dismantled by design—not inevitability—and regulatory inaction has compounded the issue.

Recommendation:

– Explicitly recognise the role of bank branch closures in degrading national cash infrastructure.

– Introduce obligations or incentive frameworks to ensure major banks contribute meaningfully—either by maintaining service footprints or co-funding alternative models in affected areas.

– Prevent the outsourcing of accountability to smaller players or government agencies, which lack the margins and reach of the big four.

6. Potential Unintended Consequences

- Over-regulation may push small providers out, worsening reach.

- A prescribed approach might lock in legacy distribution models, discouraging innovation (e.g., mobile banking vans, community cash depots).

- Regulators must avoid capturing providers in unneeded compliance regimes where market solutions already exist.

7. Conclusion

I support the Government's objective to maintain equitable, reliable cash access across Australia. But that goal must be pursued with clear-eyed recognition of the causes—especially the profit-driven retreat of the major banks—and with policy tools that correct course without distorting the market.

Key points:

– The cash distribution challenge is a banking problem in disguise, and policy must place responsibility accordingly.

– Regulation should establish transparent, proportionate standards, but avoid subsidies that erode incentives and misprice service delivery.

– The best outcomes will come from a competitive, accountable ecosystem, where the free market is empowered to respond, not sidelined by clumsy intervention.

I urge CFR and ACCC to build a framework that:

– Recognises root causes

– Assigns responsibility where it belongs

– Supports innovation without distortion

– Keeps consumers protected from rising costs due to policy missteps

Thank you for the opportunity to contribute. I would welcome further engagement on this matter.

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