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28 July 2025

Council of Financial Regulators
c/o Note Issue Dept.
Reserve Bank of Australia
GPO Box 3947
Sydney, NSW 2001

RE: Regulating Cash Distribution – Consultation Paper

Introduction

Reference is made to the July 2025 Council of Financial Regulators (CFR) Consultation Paper, entitled “Regulating Cash Distribution”, and its invitation for public submissions on the CFR’s draft regulatory proposal in relation to Australia’s cash distribution system. This submission is made in response to that invitation.

A False Premise

The Consultation Paper neatly summarises the need for cash as an essential and ongoing form of payment in the Australian economy, indicating clearly that the Government has heard the widespread and overwhelming public demands for adequate cash services throughout Australia, i.e. to meet the public demand for both cash deposit services and cash withdrawal services in the economy.

The Consultation Paper sets out a framework for regulating the cash distribution sector, and seeks feedback on 11 specific proposals for regulating cash distribution and its operators. This Consultation Paper is based on the premise that a new regulatory framework is needed to support the long-term sustainability of the cash distribution system in the hands of private sector operators. That premise is not only unsubstantiated, but it is based on the assumption that the private sector is prepared to invest in, and sustainably operate, cash distribution services throughout Australia. That assumption may be considered ‘courageous’, given the ongoing campaign by the private banking sector to end the use of cash altogether as a form of payment.

In particular, the major Australian banks portray the costs for cash handling and distribution as unsustainably high, pointing both to their own high operating costs and the dire financial problems faced by Linfox Armagard (notwithstanding that these private entities are monopoly providers of this essential service). Rather than addressing these cost pressures, the Consultation Paper proposes a new regulatory regime that it acknowledges will result in even higher costs for private cash distribution service providers.

Just how a new regulatory regime will resolve the current industry challenges remains unclear. Yet, as the private banking sector scales back its physical presence, it is Australia Post that maintains access to banking services, including access to cash, for communities in areas abandoned by the banks and cash distribution providers. For example, Australia Post is expending \$90,000 annually to

airfreight cash to Kalgoorlie and Coober Pedy for its Bank@Post services, as a consequence of decisions made by Australian banks to close all bank branches in these areas (Ref: AFR report of Dec 1, 2024).

In pursuing a new regulatory regime for cash distribution services in Australia, it is incumbent upon the CFR to:

1. Acknowledge the inherent conflict of interest of the four major banks in controlling Australia's current cash distribution system, as illustrated in Figure 1 of the Consultation Paper, while simultaneously campaigning to end the cash payments system in Australia.
2. Establish how and why current private sector services for cash distribution are unsustainable, including a full assessment of costs and shortcomings associated with the current cash distribution arrangements.
3. Confirm that the private sector is prepared to invest in sustainable service delivery for cash distribution throughout Australia, and if so, through what operating model, under what conditions and free of any conflicts of interest.
4. Demonstrate that the private sector, operating under a new model and regulatory regime, can deliver more cost effective, reliable and sustainable cash distribution services throughout Australia, compared to public service distribution of cash via Australia Post.
5. Answer the question "Why not employ Australia Post to fulfill these services?"

For the reasons outlined in the above notes, none of the regulatory proposals for cash distribution outlined in the Consultation Paper have my support. Nevertheless, comments are provided below with respect to matters relating to the Consultation Paper.

Cash Distribution by Australia Post

Of most concern, the Consultation Paper ignores the most obvious of all solutions, i.e. cash distribution by Australia Post as an essential service.

Australia Post is a well-established corporate enterprise that is owned by the Australian Government, operating in the public interest and well placed to fulfill the CFR's four policy principles, i.e. access, sustainability, resilience and efficiency in the distribution of cash throughout Australia via its existing network of branches and licensed outlets. In this case, a new regulatory framework for cash distribution becomes entirely unnecessary, with Australia Post taking on the mandate and prime responsibility for the efficient execution of these services directly, or through commercial agreements with private sector operators where appropriate.

May I remind the CFR that the Commonwealth Bank of Australia operated through the Australian Post Office branch network when it was established in the early 1900's. And today, Australia Post provides Australia-wide Bank@Post services for the customers of multiple Australian banks. Quite clearly, Australia Post is well suited and accustomed to 'do banking', if given the mandate by Government.

If cash distribution services were to be provided by Australia Post, instead of the private sector, then much lower costs to Government, businesses and cash users would very likely be realised through:

- Extensive operating and network synergies within Australia Post
- Eliminating the requirement for a separate regulatory regime altogether
- Government dividend on the commercial profit margin from these services

Furthermore, the sustainability of cash distribution services through Australia Post would be backed by an implied Government guarantee, providing far greater stability, reliability, geographic reach and certainty of access for businesses, communities and individuals who choose to use cash for payment.

Interim Support Measures to Maintain Access to Cash

The AFR reported (Dec 1, 2024) that additional support measures are needed in regional and remote areas to ensure that local communities have safe and secure access to both cash deposit facilities and cash withdrawals. With Bank@Post taking over as the dominant provider of cash services in many towns and cities throughout Australia, Australia Post is in need of additional funding to upgrade the level of security for cash holdings at Post Office outlets, as was once provided by regional and remote bank branches.

To ascertain the specific security needs of the Bank@Post network, may I refer you to the final report (including the Australia Post and other relevant submissions) from the 2022-3 Inquiry into Bank Closures in Regional Australia, as undertaken by the Senate Standing Committees on Rural and Regional Affairs and Transport (RARAT).

Australia Post Bank

The 2022-3 Senate (RARAT Committee) inquiry into regional bank closures clearly captured the public demand and expectation for reasonable access to banking services and the preservation of cash in Australia. In particular, I refer the CFR to the first two recommendations of that report, i.e.

1. Designate access to banking and cash an essential service, which puts the legal obligation on both the Government and banks to ensure access to cash and banking.
2. Establish an Expert Panel to investigate the viability of establishing a new government bank, including the model of a public Post Office bank, which could provide full banking services through Australia's network of post offices, guaranteeing access to cash for all communities in Australia.

Importantly, a mandate for Australia Post to distribute cash throughout Australia, as outlined above, is entirely consistent with, and complementary to, the establishment of a public Post Office Bank, operating within the organizational structure and network of Australia Post.

Curiously, the deadline for the Government response to that Senate report expired many months ago, and remains outstanding. Clearly, there is an opportunity for Government to establish that Expert Panel to consider not only the establishment of a public Post Office Bank, but also the distribution of cash throughout Australia by that Post Office Bank.

Access Guarantee

In Australia, public banking services are now no longer available, leaving businesses, organizations and individuals entirely reliant upon the network of private banks for access to banking services, but with no actual 'right' under Law to access these private banking services. In these circumstances, the private banks, at their absolute discretion, dictate the customers for whom access to the banking system is approved, and the customers for whom that access is denied.

In effect, the private banks now dictate who has access to the digital economy in Australia, and who has access to cash through the banking system, i.e. the private banks effectively dictate who can participate in the Australian economy, to the exclusion of others. Such power in the hands of private organizations is utterly unacceptable, and must be corrected as a national priority.

It is incumbent upon the CFR to ensure that all businesses, organizations and individuals have the right to access cash and to transact digitally through the Australian banking system. To the extent that private banks continue to refuse customer requests to access to the banking system, then public banking services must be reinstated to ensure that all customers can exercise their right to access, preferably through the establishment of a Post Office Bank, as outlined above.

Surcharges and Fees

In considering the recent Government announcement to abolish surcharges on the use of digital payment devices, it is incumbent upon the CFR to ensure that a commensurate regime is applied in the use of cash, i.e. to abolish all fees and charges associated with cash withdrawals, cash deposits and cash payments (such as ATM fees, over-the-counter fees, EFTPOS charges and the like).

With the abolition of surcharges on digital payments, the costs associated with the installation and operation of digital payment systems will be borne by the businesses that offer the convenience of digital payments to their customers. In all likelihood, these businesses will pass on the associated costs to customers through higher prices for goods and services. In this case, these price rises will be borne by all customers, including by those who make cash payments.

Similarly, under a commensurate regime to abolish fees and charges on cash access and cash payments, the associated costs will be borne by businesses, and likely reflected in the prices for goods and services charged to customers. In abolishing both cash-related fees/charges and digital surcharges, customers will pay the same total price for goods and services, with no additional costs incurred, irrespective of whether the payments are made digitally or in cash.

For as long as cash and other payment methods are readily available, affordable and accessible in the economy, the marketplace will continue to determine the relative usage of alternative payment methods, as individuals, institutions, businesses and other organizations balance the costs, convenience, security, resilience, reliability, anonymity and other attributes of the cash, digital and cheque payment options, as may be appropriate for city, suburban, regional and remote areas of Australia. This is how it should be.