Submission to the Consultations into the Regulation of Cash Distribution in Australia

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1. Introduction

The ‘merger’ of Armaguard and Prosegur was hardly a positive vote for sectoral competition. Many would think that the augmented entity has now become a ‘quasi’ Cash in Transit (CIT) monopoly in Australia. Governments often, having allowed new monopolies or oligopolies to emerge, then try to impose a post facto regulatory framework on them. This often delivers a far from efficient and effective outcome.

This submission is somewhat parallel to the stated regulatory framework terms in this Consultation process. It looks at an alternative distribution network especially focussed on servicing Regional and Remote Official Post Offices and LPOs with an alternative CIT consortia. Why the Postal network? Because such a proposed consortia’s distribution network does actually exist now. A hybrid approach on a State by State basis, with Post’s own resources, along with an existing medium/large non incumbent CIT player could actually be successful. Such a hybrid consortia could generate significant savings for this one specific large national CIT recipient, namely Australia Post. By adopting this approach not only the costs for such a large customer, such as Australia Post could be realized, but the approach could also save costs to the incumbent CIT provider, who now need not service the regional and remote official post offices and LPOs. These postal sites number some 2500 in Australia which the incumbent would now not be required to service, this must be a big saving.

2. A possible but hypothetical distribution network for a very large regional & remote client

Firstly this proposal requires both new technology and a re-think of the existing distribution network. These are the keys to big savings.

The Intelligent Banknote Neutralization System (IBNS) allows for smaller cash deliveries to be carried out with reduced resources. If ,let’s call the IBNS boxes the ‘dye boxes’, these were to be delivered through an existing network servicing: the State Postal hubs, the nominated regional major post offices and the regional and remote LPO networks, could realize significant costs savings. These boxes would also be scanned and GPS tracked. Metal sealed cash bags could be placed within the dye boxes, along with other registered documents. These could be moved through an existing regional and remote Australia Post network to specific postal sites.

The smaller IBNS delivery boxes could be prepared at the Capital City hub by the new Capital City contractor who would service the RBA’s nominated pickup points, and the cash generating centres. (See Figure 1)

3. Who would service what?

Initial discussions with industry players and the LPO group has confirmed that the presented network should be considered as an alternative to the national incumbent CIT provider, and this network structure could be successful. Figure 1 and Table 1 reflects a proposed State based network structure and who would service each level of the individual State network.

Figure 1

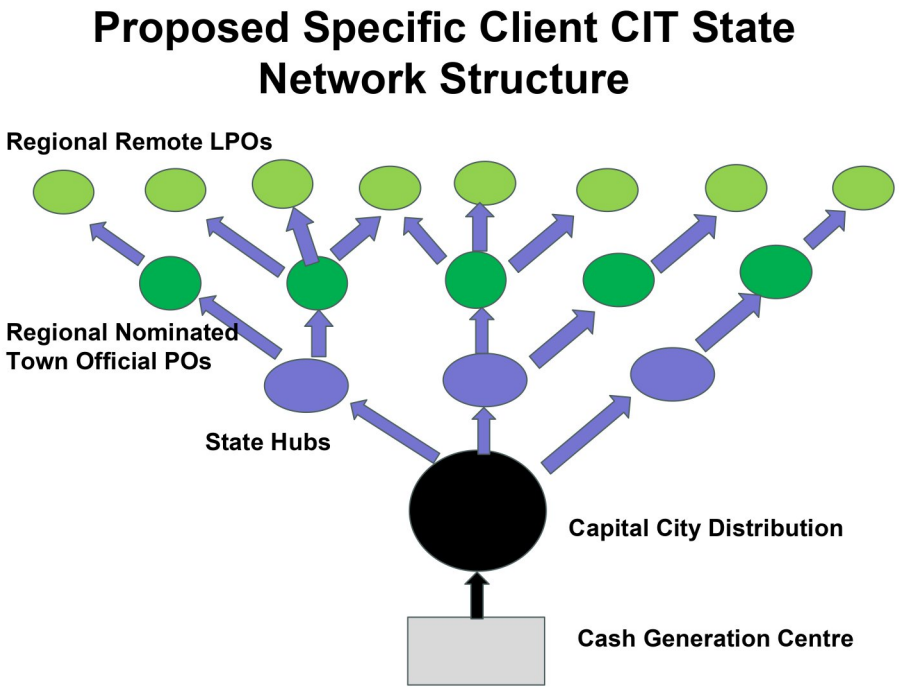


Table 1: Who transports and services the proposed State network levels?

Level	Provider
Capital City	Large new CIT operator
To Postal State Hub	AP and/or Transport contractor
To Regional major post offices	AP and/or Transport contractor
To Regional / Remote LPOs	AP regional/remote contractors

4. Final Observations

- The existing cash in transit arrangement should have been put out to a national tender.
- A 'one size fits all' national distribution contract can often be a lazy purchasing solution to a national problem. A single national contract can be often fraught with risk and inefficiency.
- As much as the narrative that 'cash will disappear' is more the wish of certain entities, this should not happen even from a risk management perspective. An EMP pulse disabling dozens of satellites could cause massive electronic and social disruptions impacting on our financial transactional ability. We will still need cash.
- Australia Post should be declared an essential service for cash. The official post offices and the LPOs were the backbone of small businesses during the COVID pandemic. They performed an essential community service.
- The Postal network could be self-sustaining with the CIT commodity if it were to engage with a competing large CIT contractor and the adoption of GPS tracked IBNS technologies, when utilizing its own State based networks.

APPENDIX A

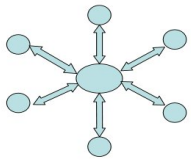
Networks: Road and inter-modal classifications

The following network structures reflects the findings from 30 years of consulting in the road freight and intermodal industries. The classification system has formed the backbone to network planning subjects taught and researched at the University level.

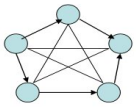
Note: Networks 4,5,9,10 and 12 could be of interest to a new CIT distribution consortia.

1. Networks

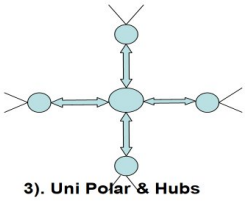
The Least examined Aspect of Urban and Inter-Modal Productivity



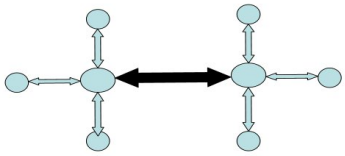
1). Hub & Spoke



2). 5 Mini Centre Star

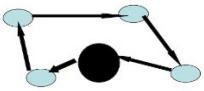


3). Uni Polar & Hubs

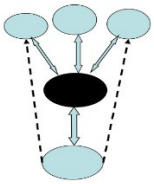


4). Bi-Polar with Hubs

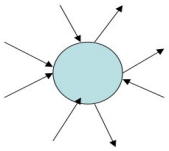
Common Urban Networks (good for consolidation)



6). Hub Sweep ex DC



5). Fan with Central Hub



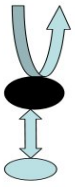
7). Swarm from Central Depot

8). Fork Transformation (Swarm)

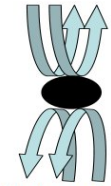
Swarm Networks can be highly inefficient but are common: Courier & Newspapers

"**Fork" Networks** are up to 50% more efficient and can save millions in distribution costs each year. A Fork network can be a simple transformation of a Swarm.

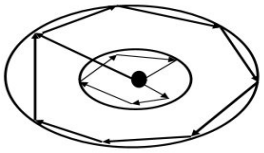
Common Linehaul and Cluster Networks



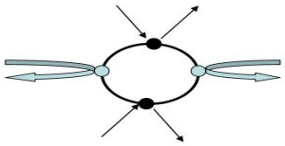
9). Single trip & Loop interchange



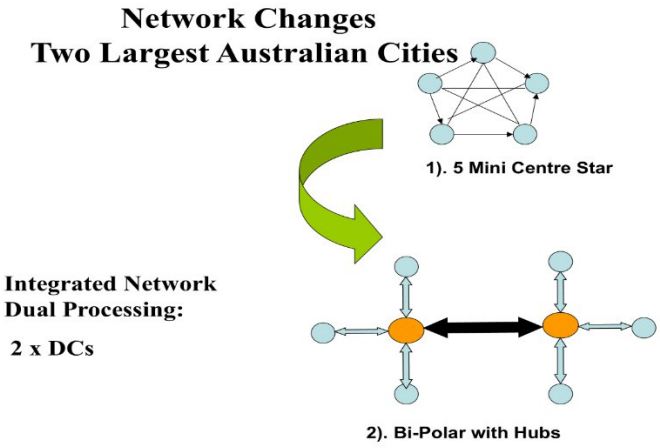
10). Double loop interchange



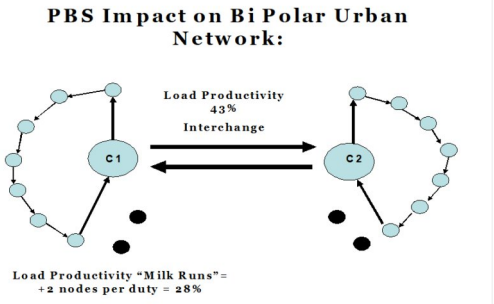
11). Concentric Circle Sweeps



12). Customer & DC Cross-Dock Interchange



The Benefits of Urban Rigid HPVs

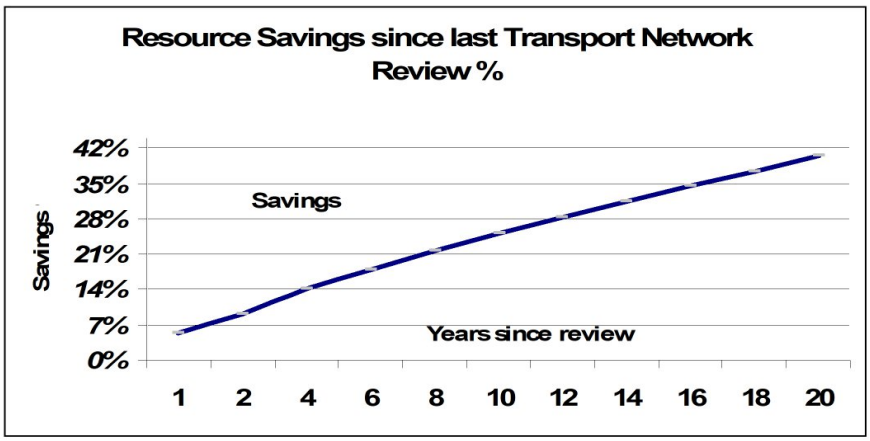


Optimization case studies

Commodity Group	Highest Savings in Group	Group Average	Lowest Savings in Group
Bakery, Grocery, Cakes, Confectionery	48.0%	**37.6%**	27.2%
Bottled Water, Soft Drinks, groceries	19.6%	**15.5%**	11.9%
Hardware, electrical, video, telecommunications	51.1%	**23.8%**	7.5%
Refrigerated: foods, meats, dairy, poultry, Fruit & Vegetables	32.0%	**18.4%**	10.1%
Horse floats, pet care	33.0%	**25%**	17.8%
Bus Operations	49.0%	**24.3%**	10.1%
Furniture, Retail Goods	35.0%	**39.2%**	23.4%
General Transport and Express	33.7%	**17.5%**	5.5%
Across Group Averages	37.7%	**22.4%**	14.2%

Impact of Network Reviews

Fleet Vehicle Types, Network Structures and Inter-Modal + Optimization (regression output)



Savings x% = 2* T + 3 *(H rule)*

Network reviews can generate significant savings if the networks have not been restructured and or reviewed for long periods. As an example, resource savings of 33% could be obtained if the network, the transport fleet, and a degree of optimization have not been undertaken for 15 years.

For your consideration.

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