

To: Council of Financial Regulators,
Australian Competition and Consumer Commission,
and other interested Parties

Submission: Regulating Cash Distribution in Australia - Consultation

I wish to make a submission about cash distribution services in Australia and the wider implications for the current banking services climate and beyond.

During the COVID-19 outbreak, Australian banks claimed “essential service” status to take advantage of special concessions that allow them to maintain operations while other businesses had to close. The Government and RBA supported broader measures designed to ensure financial stability and credit flow during the pandemic. For example, the RBA implemented a comprehensive set of monetary policy measures, including lowering interest rates, government bond purchases, and a Term Funding Facility (TFF) for the banking system. The TFF, for example, allowed authorised deposit-taking institutions (DTI) to access funding at very low interest rates, with additional allowances for lending to businesses. These measures were designed to lower overall funding costs for Banks and support the supply of credit to the economy. In addition, the Government supported bank lending through schemes like the Small and Medium Enterprise (SME) Guarantee Scheme, which guaranteed a percentage of new small business loans issued by eligible lenders. [Source: RBA's "Supporting the Economy and Financial System in Response to COVID-19," May 3, 2022].

However, while the Banks claimed “essential service” status, they have continued to withdraw ATMs, with approximately 50% of ATM’s withdrawn around Australia in a drive towards online digital-only services. Banks such as Bankwest has only an online presence and no branch structure. Other banks are closing a considerable number of branches, particularly in Rural towns where there are no other banking facilities available, except limited services at the Post office. The latest bank closure of note is in Queenstown, Tasmania, by Bendigo Bank, where customers must drive in difficult conditions to access banking services, 2 hours away in Burnie. The Queenstown branch was the only “bricks and mortar” bank on Tasmania’s West Coast.

While the consultation process is about the retention of cash as a means of exchange, it is a wasted exercise if there is no viable future-proofing infrastructure to facilitate ongoing use of cash. We cannot maintain cash availability and guaranteed access for everyone without Government intervention. We have seen examples of where the digital financial system has broken down, causing chaos. A prime example is in Norway, where they relied mostly on digital currency and suffered major failures, where people were unable to conduct business, and Norway had to bring back cash for systemic reasons. Norway has realised it needed an alternative payment option should it become subject to a cyber-attack. Hence, Norway has written into law that digital-only businesses must also accept

cash as a means of exchange. Since COVID, laws relating to cash were changed under Emergency Powers, so that businesses don't have to accept physical cash due to possible health issues. This must be reversed so that cash remains a lawful means of exchange at any business.

Many other countries are recognising the systemic risks associated with maintaining a digital-only currency, given the occasional network or individual banking network failures. Plus, the risk of cyber-attacks or weather-related risks.

Post Office Banking

Given that banks aren't prepared to provide full services across their networks and shifting preference for an online-only presence, then it becomes imperative that we have a viable and efficient cash distribution network that operates independently of traditional banks. The only viable solution is to convert the Postal system into a banking services operation that can also operate as a cash conduit. Legislative changes are required, along with some infrastructure and staffing. But the network is already there. I'm aware that Post offices used to move cash for banks at a cheaper rate, before groups like Chubb and Armaguard took over at a far higher cost of service.

With a Post Office bank system, this would reduce the systemic risk and give the public equal access to basic banking services. There are already Bank@Post financial services available, but these services are somewhat limited. For example, one cannot make a cash transfer between banks or via the Post Office without a digital card. What is required is for the Post Office to hold a full banking license with DTI facilities. This is not new as there are overseas examples of Post Offices providing banking services, Eg:

GiroBank:

In the UK, in 1968 the Post Office launched National GiroBank, as a publicly owned bank. It aimed to provide a modern, low-cost banking service, particularly appealing to those who didn't have traditional bank accounts. In 1990, Alliance & Leicester acquired National GiroBank. Despite the demise of National GiroBank, the Post Office remains a vital part of the UK banking infrastructure through agreements with most major High-street banks. This meant that customers of participating banks could carry out everyday banking transactions at Post Office branches, much like they would at their own bank's branches. The Post Office has agreements with almost all major UK banks (including Barclays, HSBC, Lloyds, Santander, NatWest/RBS, TSB, Nationwide, Halifax, and many others).

Japan (Japan Post Bank - Yucho Ginko):

This is perhaps the most well-known and largest example globally. Japan Post Bank is a large financial institution, a subsidiary of Japan Post Holdings, offering a full range of

banking services, including savings accounts, current accounts, and even international remittances. It's a key player in Japan's financial landscape.

France (La Banque Postale):

This is a full-service commercial bank that spun off from the French postal service (La Poste) in 2006. While legally separate, it retains strong ties to the Post Office network, leveraging its extensive branch presence.

Germany (Postbank):

Originally the banking arm of Deutsche Post, Postbank was later acquired by Deutsche Bank. While its origins are in postal banking and it still uses Post Office branches for some services, it's now primarily integrated into a private banking group, so it's less of a standalone *postal* bank in the traditional sense, but it originated as one.

India (India Post Payments Bank - IPPB):

Launched in 2018, IPPB is an initiative by India Post to offer banking and financial services to the unbanked and underbanked population, leveraging the vast network of post offices and postmen. It focuses on digital and accessible banking.

Switzerland (Post Finance):

A financial services institution owned by Swiss Post. It provides payment services, savings, investments, and financing solutions, functioning as a full-fledged bank for private and business customers, with a strong focus on digital services and its branch network.

Italy (Poste Italiane / Banco Posta):

Poste Italiane offers a wide range of financial services through its Banco Posta division, including current accounts, savings accounts, and investment products, making it a significant banking provider in Italy.

Brazil (Banco Postal - Operated by Bradesco):

While historically distinct, many postal banking services in Brazil are now operated under agreements with large private banks like, Bradesco. So, while you can do banking at the post office, it's often an agency model rather than a purely standalone postal bank directly offering accounts under its banking license.

Many other countries (e.g., in developing economies) also use their post office networks to provide basic financial inclusion services, which might not be full banking licenses but serve similar purposes for the population.

In Summary

Clearly, there are strategic and systemic reasons for maintaining physical cash as part of the broader payments system. But, it also needs to be diversified so that an efficient payment system can be maintained and accepted by all merchants. If the traditional banks aren't prepared to provide full services to the broader community, then the Government must step in to, either require Banks to form partnerships with the Post Office or legislate for a full banking license for a Post Office bank [aka AusPost Bank].

The aim of the consultation must be to guarantee that every community in Australia has access to full, face-to-face banking services and that includes physical cash.

Thank you for allowing me to be heard

Trevor J Ward

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