

Australian Banking Association (cash-in-transit initiatives)

Submission to the ACCC

January 2024

Introduction

The Reserve Bank of Australia ('the Bank') has prepared this submission to the Australian Competition and Consumer Commission (ACCC) in response to the Australian Banking Association's (ABA) application for authorisation to discuss and develop arrangements to facilitate ongoing access to cash across the Australian economy.¹

The Bank supports the application, because it will enable the formulation of industry responses to the significant challenges facing cash-in-transit (CIT) services in Australia. This is in the public interest.

The submission provides a perspective from the Bank based on its role as the sole issuer of banknotes in Australia and the priority it places on ensuring cash remains a viable means of payment for those who need or want it.

Proposed authorisation

The Bank places a high priority on the community continuing to have reasonable access to cash withdrawal and deposit services. For now, the Australian public has good access to cash.

There has been a steady decline in the volume of banknotes being used by the community, and transported and processed in the CIT system. This has put significant financial pressure on private CIT participants and has contributed to significant excess capacity within the distribution network.

As noted in the ABA's application, any suspension or disruption in the supply of CIT services could reduce the availability of cash across the country, particularly in regional and remote areas. Cash remains an important means of payment for some people and is widely held for precautionary and store-of-wealth purposes and as a backup to electronic payment methods.

In June 2023, the ACCC approved the merger of Linfox Armaguard and Prosecur Australia. The merger is subject to a three-year undertaking on pricing and service levels, and both firms agreed to continue supplying CIT services to existing customers until September 2026. Despite the merger having

1 Australian Banking Association (2023), 'Application for interim and final authorisation under s88(1) of the *Competition and Consumer Act 2010 (Cth)*', 30 November 2023.

proceeded as intended, Linfox Armaguard has indicated that its CIT business continues to be unsustainable.²

Given the challenges in the CIT industry, the Bank convened industry roundtables in late 2023. Discussions focused on what actions could be taken to support cash distribution in the immediate future as well as how the system can be made more sustainable and resilient over the medium term. The ACCC's interim authorisation (AA1000654) helped facilitate, *inter alia*, these discussions.

Internationally, other countries are facing similar challenges and a range of policy and legislative responses are being considered. One model that has been considered by some countries is a utility in which a number of organisations that are engaged in cash distribution form a single cooperative entity to carry out cash distribution functions.

Work to better understand how to put the Australian system on a more sustainable footing should consider the merits of cooperative arrangements of this nature. Discussions need to continue to respond effectively to the ongoing challenges facing the system and for all parties to work constructively towards a new, sustainable model for cash distribution in Australia.

Accordingly, the Bank supports the ABA's application to provide the necessary ACCC authorisation for the industry – including commercial banks, CIT companies and other parties involved in the cash system – regulators and the government to work together to develop sustainable arrangements for cash distribution in Australia.

Reserve Bank of Australia
19 January 2024

2 Parliament of Australia (2023), 'Committee Hansard – Senate Rural and Regional Affairs and Transport References Committee – Bank branch closures in regional Australia', 1 December 2023.