

Australian Competition and Consumer Commission

Mergers and Adjudication Branch

Submitted [online](#)

19 January 2024

## Overview

Australia Post supports the ABA's application for authorisation relating to the provision of cash supply in Australia. Cash availability and supply are vital to Australia Post and the communities it serves, both as a retail outlet and in its provision of basic banking services through Bank@Post.

Bank@Post is an agency banking service provided by Australia Post on behalf of 81 banks and other authorised deposit-taking institutions (ADI), allowing customers to make withdrawals, deposits, and balance enquiries. Australia Post welcomes the opportunity to engage with the named parties to determine viable long-term solutions.

While the overall use of cash has declined, including through the Australia Post network, we expect a continued need for cash access and use in communities, particularly regional and remote communities. While Australia Post is open to expanding small business services this expansion will also be contingent on sufficient cash access and agreement and funding through our banking partners. These type of small business services could include an increase in business customers end of day cash deposits, small business cash withdrawals and cash floats. Expansions of this nature would have an impact on the volume of cash required in our network, and therefore introduce increased security risks.

Australia Post relies on Armaguard to provide cash collection, supply, and processing services.

Changes in service timetables can impact cash access, particularly in remote and regional areas. Australia Post is not a viable solution to provide a longer-term alternative to current cash-in-transit (CIT) services. It is therefore essential that authorisation for the proposed conduct set out in AA1000654 be granted to facilitate necessary conversations.

## Background for Bank@Post and cash

Australia Post has been involved in agency banking services for more than 100 years, providing a range of services through the Post Office network. What started as a partnership with the Commonwealth Bank in 1911 has since expanded to become what is known today as Bank@Post, an agency banking service provided by Australia Post on behalf of 81 Authorised Deposit Taking Institutions (ADIs). Bank@Post allows customers to make withdrawals, deposits, and balance enquiries, and is available at more than 3,400 Post Offices across Australia, approximately 1,800 of which are in rural and remote areas.



Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as employees, and recognise their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

Australia Post primarily uses the following types of CIT services:

- 1) Cash collection
- 2) Cash supply – for our Post Office Network (PON) and our self-service terminals
- 3) Cash processing – counting the cash collected from our PON and providing counterfeit detection services.

Australia Post is subject to Community Service Obligations (CSOs), which require it to operate a network of 4,000 Post Offices (with 2,500 in rural and remote areas).<sup>1</sup> The CSOs mean that Australia Post will continue to require cash processing services and this need is further heightened as local bank branches close, with consumers increasingly relying on Australia Post to provide access to cash (and cash services such as deposits and withdrawals).

### **Physical presence and cash in communities**

A physical banking presence (through a bank branch or via Bank@Post) is a key enabler of community trust in banking. As banks continue to review the size of branch networks, the role of Bank@Post services in Australian communities will be important. This will mean a continued need for cash access and use in communities, particularly regional and remote communities.

Cash remains a vital means of payment for some members of the community especially in lower income areas, areas with a high migrant population and older communities; however, maintaining access to cash after a local branch closure can be challenging, particularly when a branch is the last bank in town. Cash services are expensive to maintain, with operating costs, added security and compliance obligations placing increased pressure on costs.

Bank@Post core services have historically supported consumer needs. There is an opportunity to meet broader customer needs, noting that Australia Post is not a bank. Given the appetite from customers, Australia Post is open to expanding its Bank@Post offering, particularly in identified areas of need for small businesses, including facilitating bulk cash deposits, and uplifting the existing business barcode banking deposit solution. Australia Post would welcome the opportunity to explore a bank-assisted financial model that would allow it to provide this in a financially sustainable and customer-friendly way.

### **Cash-In-Transit (CIT) services**

Australia Post relies on Armaguard to provide cash collection, supply, and processing services for the majority of its network – particularly the provision of cash counting and counterfeit note detection services.

While the scope of CIT services has remained consistent for Australia Post, the frequency and route of cash collections and deliveries has changed over recent years. This route and frequency reduction has further accelerated this financial year after the Armaguard Prosegur merger. The volume of cash handled by Australia Post has also materially changed over recent years. We have experienced a

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<sup>1</sup> [https://classic.austlii.edu.au/au/legis/cth/num\\_reg/apcsr2019201900123656/s11.html](https://classic.austlii.edu.au/au/legis/cth/num_reg/apcsr2019201900123656/s11.html)



reduction in the frequency of cash collection services in some locations which is a result of either reduced cash volumes in use at Post Offices, or through a reduction in service by Armaguard.

Australia Post regularly reviews and alters the frequency of collection, and collection routes, to reduce costs associated with CIT services. The changes in collection frequency have also been driven by operational changes by Armaguard.

For example, in response to the impacts of COVID-19 and changes to cash needs, Armaguard rationalised its network of processing depots in early 2022. This meant that some processing depots closed, changed to transportation centres only, or limited cash processing services to certain days of the week. This had implications for the level of CIT services used by some Post Offices and requires some Post Offices to order cash much further in advance (and up to 6 days before the next service in some cases). This can be compared to prior to 2020 where all Post Offices had the ability to order cash one day before service.

### **Business continuity**

Without the ability to determine long-term solutions for CIT and retail cash supply in Australia, Australia Post expects there to be significant community and customer detriment. Further changes in service timetables (including reduction in frequency of service) can impact cash access, particularly in remote and regional areas. This would have an impact on both the revenue potential of our Post Offices (e.g., where they are unable to fulfil a banking transaction request due to a lack of cash), and for communities (e.g., where the absence of cash may impact vulnerable customers, community events, fundraisers, or small business trading).

Australia Post is cognisant that cash logistics providers are a critical participant to optimise cash provision in the future and have been facing ongoing challenges. Australia Post is also aware that, as a high cash user, it is increasingly susceptible to cash logistics providers raising prices or even eliminating service to certain regional/rural areas, with little recourse.

Australia Post's fleet, drivers and network are not a viable solution to any longer-term alternative to current CIT solutions, or able to fill the retail cash needs of Australia in light of any market gaps. The current network is not designed to and therefore not a viable alternative to carry large quantities of cash-in-transit. Australia Post does not have the capacity in its fleet, security, facilities, infrastructure and personnel to provide even a minimum level of viability as an alternative provider of such services.

### *CIT and Australia Post*

The current CIT network is unique and specialised, and not something Australia Post is equipped to manage. Essential elements of CIT services in Australia are:

- Firearm licensing and firearm acquisition and maintenance;
- Modified fleet with enhanced security, armoured vehicles including a 2-driver method;
- Well-trained staff, who are authorised to carry firearms for the transport of cash;
- Specialised monitoring and tracking;
- Processing, reconciliation, settlement and reporting for customers;



- Potential provision of safe equipment and related maintenance to new and existing CIT customers;
- Cash handling technology.

Australia Post is not able to fill market gaps that may arise in the cash supply and processing market for several reasons:

- a higher security risk, including to our people (e.g., theft and robbery due to being known as a high cash transporter);
- the need for specialised facilities, cash counting/processing equipment, vaulting and monitoring;
- time and investment to manage new regulations in critical risk areas;
- impacts to costs including Australia Post Group's insurances;
- the appropriateness of the current fleet to transport cash and the cost of upgrades, and;
- industrial ramifications including the impact to personnel and required training/skill levels.

Australia Post therefore support industry talks on the future of cash supply in Australia to determine an appropriate solution in the longer-term.

### **Regional Banking Taskforce recommendations**

The Treasury's RBT Final Report notes the importance of cash for communities, particularly regional and remote communities and that reduced availability of cash is a challenge as it is important for individuals, businesses, and local community groups.<sup>2</sup>

Recommendation 4 of the report states that Australia Post should consider how the cash float and deposit needs of small businesses and community group customers can be met. It also states that Australia Post and Bank@Post partners should work towards standardising deposit and withdrawal limits.<sup>3</sup> Australia Post is committed to finding solutions to these recommendations, which includes the facilitation of cash access and supply (particularly in remote and regional areas). The volume of cash required through our PON will also be influenced by any potential agreement across our banking partners on standardisation of withdrawal and deposit limits.

Australia Post is currently having bilateral conversations with the banks on what this looks like, but the ability to have multilateral conversations of this nature would greatly improve the efficacy of these efforts.

The ability for Australia Post to have multilateral conversations is integral for the matter relating to cash supply, and to give effect to the recommendations of the RBT. While the ABA's application included proposed conduct of exchanging information about modelling of anticipated customer cash usage to form an understanding of projected short and long-term demand for cash services, its scope would not extend fully to RBT recommendations.<sup>4</sup>

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<sup>2</sup> [Regional Banking Taskforce - Final Report | Treasury.gov.au](#) page 15

<sup>3</sup> [Regional Banking Taskforce - Final Report | Treasury.gov.au](#) page 17

<sup>4</sup> [ABA application](#) page 13



As this current application would require ABA to be present for all meetings, and not all ABA members are Bank@Post partners, it is likely that another application would need to be submitted for discussions on standardisation for Bank@Post deposit and withdrawal limits. Nevertheless, Australia Post supports the ABA's application and being listed as a party for the proposed conduct.

