

Secretariat,
Regional Banking Taskforce,
Financial System Division,
The Treasury,
Langton Crescent,
PARKES ACT 2600

15 December 2021, by email only to: regionalbanking@treasury.gov.au

To whom it may concern,

Australian Payments Network (AusPayNet) welcomes the opportunity to respond to the consultation issued by the *Regional Banking Taskforce*.

AusPayNet Membership and Role

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. We manage and develop regulations, procedures, policies and standards governing payments in Australia. Membership of AusPayNet is open to participants in, and operators of, Australian payments systems. AusPayNet currently has over 140 members, including financial institutions, the Reserve Bank of Australia (RBA), merchants, operators of Australian payment systems, and other payments industry stakeholders.

AusPayNet's responsibilities include:

- controlling and managing risk in the Australian payments system;
- coordinating the operation of effective payment systems through facilitating industry collaboration, adherence to rules and system-wide standards; and
- developing industry policies and rules for the regulation of payment systems relating to cheques; direct entry (i.e. direct debit/credit); cards, and accepting devices (i.e. cards used for in-store purchases at Point of Sale (POS) terminals, ATMs, or mobile/online purchases); high-value payments (e.g. between FIs); and the distribution of cash in Australia.

Context: Increased Digitisation, including in Payments

The recently published Australian Government Digital Government Strategy¹ acknowledges *“the private sector also responded to the [COVID-19] pandemic by pivoting even more rapidly to digital delivery. We’ve seen vastly more personalised services from business, as well as more participation and trust in digital services...”*

The Regional Banking Taskforce paper includes a number of references that highlight the increasing use of and reliance upon digital platforms. Some additional data supports this view.

For example, the Australian Digital Inclusion Indexⁱⁱ, using data from the Australian Internet Usage Survey, measures digital inclusion. Its 2021 survey (including data up to June 2021) reports continuing increases in digital inclusion with the regional index score increasing from 62.3 in 2020 to 67.4 in 2021. While this is lower than the metropolitan equivalent, the gap is reducing. In fact, according to OECD researchⁱⁱⁱ the disparity in broadband uptake between urban and rural households in Australia is less than half of the average across a sample of 30 OECD countries surveyed.

The COVID-19 pandemic has also been a catalyst for change in the way Australians pay:

- In 2020 Australia Post^{iv} reported that almost nine million Australian households had made an online purchase, including more than 1.3 million households who purchased online for the first time.
- Australian Bureau of Statistics^v (ABS) Retail Trade Statistics show online spending reaching \$40.3 billion in the year to October 2021, up by a third on the previous year and equivalent to 11% total retail sales. For the month of October this year the share of total online spending was 13.2% and the non-food share had reached 21.2%.
- Older Australians are adapting to this online trend: 93% of Australians over 65 years old went online in 2020 (compared to 68% in 2017), 64% shopped online (compared to 44%), and 77% did their banking online (59% previously)^{vi}.
- The use of digital wallets has also increased rapidly, from 36 million transactions a month in 2020, to 68 million a month in 2021^{vii}, and with 48% of Australians using their mobile phones to make payments^{viii}.
- The use of other payments technology is also increasing, with 8.4 million PayIDs registered for real-time payments, up 59% year-on-year^{ix}.
- Card use in 2021 is up 13.1% year-on-year to \$11.9 billion, while cash usage plummeted (there were 394.7 million ATM withdrawals in FY21, compared to 466 million in FY20 and 572.7 million in FY19), and cheque usage is shrinking at an ever faster pace: 36.9 million cheques were written in FY21, compared to 49.4 million in FY20 and 63.2 million in FY19^x.
- One in 4 businesses are cashless in 2021, compared to one in 12 in 2020^{xi}.

Access to and Acceptance of Cash

In this context of increased digitisation, the role of cash, access to it, and acceptance of it requires careful consideration.

Reserve Bank of Australia (RBA) analysis^{xii} acknowledges *“that Australians generally do not have to travel far to reach their nearest cash access point.”* Such access points include bank branches, Automated Teller Machines (ATMs), debit card cashback at retailer point of sale, and cash withdrawal and deposit facilities at Australia Post Bank@Post outlets. The RBA research confirmed that as of June 2020 95% of the population lived within 4.3km of an identified cash withdrawal point and 5.5km from a cash deposit point and observed that *“despite branch closures, overall cash accessibility was little changed”* over the preceding three years.

Deeper analysis of the data highlights the important role that Australia Post’s Bank@Post service plays for cash withdrawal and deposit, as well as the provision of a range of other general banking services. Australia Post reports^{iv} operating 3,540 Bank@Post outlets across the country, 1,679 in communities with no alternate banking presence and that the service now offers banking facilities for more than 80 financial institutions.

2021 saw two of the four major banks commit to 10-year contract renewals, providing ongoing funding of the service.

ATMs also play a crucial role in providing access to cash and in some cases a means of cash or cheque deposit acceptance. Outside of branch located ATMs, there have been significant shifts in ATM network ownership: over two thirds of the total number of 24,949^{xiii} ATMs in Australia are now operated independently.

Importantly, the newer ATM ownership transfer arrangements typically include provisions for continuing fee free ATM network access for participant cardholders and, coupled with recent RBA amendments to the ATM Access Regime,^{xiv} will support longer term shared access to these important cash access points.

While cash access is currently well catered and the RBA is well placed to monitor it over time, research^{xv} does caution that cash acceptance by retailers and the subsequent convenient and secure banking of retailer cash takings may become more problematic over time, and is also worthy of monitoring. During the pandemic, perceived cash hygiene issues saw significant falls in cash use at point of sale. However, when surveyed, the majority of retailers – especially so in regional areas – agreed *“that it should be up to the business to decide whether to accept cash, and also that customers should be able to pay by cash if they so choose.”* To this end, innovations in cash depositing solutions will play a role, including smart safe solutions, where retailers are able to securely deposit notes and coin on premises and typically receive early settlement value ahead of subsequent – but less frequent – cash-in-transit collections and eventual banking.

Underpinning cash access and acceptance is a robust cash distribution system that ensures the secure, efficient, and cost-effective movement of banknotes and coin to meet consumer demand. We therefore welcome the RBA’s Review of Banknote Distribution Arrangements – under current consultation^{xvi} – and the Bank’s commitment^{xvii} to *“continue to monitor access to cash services and trends in the use and acceptance of cash, including through the Bank’s Consumer Payments Survey.”*

AusPayNet appreciates the opportunity of responding to this call for submission and stands ready to support the Regional Banking Taskforce on the payments related aspects of its work.

If the Taskforce has any further questions in relation to this submission, please contact Siew Lee Seow, Head of Policy (sseow@auspaynet.com.au) in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andy White', with a horizontal line underneath.

Andy White
Chief Executive Officer

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- ⁱ Australian Government Digital Transformation Agency, Digital Government Strategy, December 2021
- ⁱⁱ Australian Digital Inclusion Index 2021, ARC Centre of Excellence for Automated Decision-Making and Society, RMIT University
- ⁱⁱⁱ OECD Going Digital Toolkit, based on OECD ICT Access and Usage by Households and Individuals Database. Disparity in broadband uptake between urban and rural households OECD 30 country average 4.65% in 2020, Australia 2.2% in 2017)
- ^{iv} Australia Post Annual Report 2021 (year ended 30 June 2021)
- ^v Australian Bureau of Statistics, Retail Trade Statistics, October 2021, original terms
- ^{vi} Australian Communications and Media Authority
- ^{vii} Commonwealth Bank of Australia
- ^{viii} Mastercard's State of Pay Report
- ^{ix} NPP Australia, as at 20 September 2021
- ^x Reserve Bank of Australia
- ^{xi} Square
- ^{xii} How Far Do Australians Need to Travel to Access Cash? Reserve Bank of Australia Bulletin – June 2021
- ^{xiii} 24,949 operating ATMs as of September 2021, AusPayNet.
- ^{xiv} Payment Systems (Regulation) Act 1998, Access Regime for the ATM System, Exemption No. 1 of 2021
- ^{xv} Retail Finance Intelligence Limited (RFi Group) research on Cash Usage & Acceptance in Australia for the Australian Payments Council
- ^{xvi} RBA Review of Banknote Distribution Arrangements Issues Paper, November 2021.
- ^{xvii} RBA Payments System Board Update, November 2021 Meeting