



Strategic Plan for the Payments System: Submission

Executive Summary

ATMIA believes that in any payment system it is critical for cash and electronic payments to co-exist to optimise convenience and choice for all consumers and businesses in their daily transaction cycles. In addition, it is important for all of society to enjoy the benefits of reliable, public, centrally regulated¹ money. This can only be achieved through ensuring cash remains an important part of the payment system.

Background Facts

According to the Reserve Bank, cash remains an essential component of the payment system, being the largest retail payment category by number of transaction for transactions under \$10.² The median size of cash payments has remained stable at \$12 since 2013 and, as of 2016, cash reportedly powered more than 60 percent of transactions valued at \$10 or less.³ The use of cash for small-value transactions is particularly high among smaller businesses in both rural and urban areas.

It is important to understand the underlying drivers of cash's continued popularity in the digital age.

Underlying Advantages of Cash

In the face of anti-cash media coverage, it is imperative to remind ourselves of the reasons why cash continues to be competitive vis-à-vis electronic payment methods and technologies.

¹ Reserve Bank of Australia (2017). *Reserve Bank Bulletin*. Sydney: Reserve Bank, 59.

² Ibid.

³ Ibid, 60.

Cash will always be a critical part of the payment system for four key reasons:

- **Accessibility**
The relatively high costs of using cards makes cash, which is free to use for consumers, a more affordable option; the average cost of using a card is approximately 1.4%, either the merchant will absorb this amount or will pass it on to the cardholders. Looking ahead, it is possible that in the short-term to mid-term card fees will increase due to on-going fraud losses, increases which will be passed on to the merchants who, in turn, will, once again, pass them on to the increasingly frustrated consumers.
- **Security**
There is fraud, identity theft and data and card compromises on a massive scale in the electronic world, in addition to the current privacy issues online, making cash a more attractive payment method for those seeking the privacy of a cash transaction.
- **Practicality**
Cash is regarded as a very successful budgeting tool for households and individuals and is an essential tool for reducing debt levels in society. It can be used by consumers at any time and is universally understood with no technical barriers to entry. Cash in Australia has also adopted numerous features to assist individuals with disabilities in using cash as a payment method including tactile features for the visually impaired.
- **Resilience**
Payment technologies depend on live power sources and systems as well as on a number of interconnected components all working together; these interconnected components, all of which can fail, cost money to run, whereas a cash transaction is independent of electrical power and elaborate electronic systems, providing instant settlement.

Central Bank Support

As a result of recent changes in central bank policy, accessing cash at ATMs is now free, increasing the accessibility of cash for consumers and businesses. In addition, the RBA's investment in a new banknote design to combat counterfeiting indicates that the central bank see cash as a significant payment form for the foreseeable future. To this end, the Bank is issuing an upgraded series of banknotes, starting with the \$5 and followed by the new \$10 note. At the end of June 2017, there were 1.5 billion banknotes, worth \$73.6 billion, in circulation. We believe that this ongoing investment in banknote design and innovation is a demonstration of the long term investment by the RBA in the viability and relevance of cash in Australia's payment system.

Conclusions

Cash is highly relevant in the digital age and its popularity is founded on strong underlying, unique drivers of usage.

Cash and electronic payments must coexist to provide maximum convenience and choice to the consumers of today and tomorrow.

Whilst Australia is collectively moving towards greater use of digital payments, cash continues to be popular among consumers. Even among younger millennials, it is still used to pay for nearly one-third of their transactions, according to the RBA.⁴

Regardless of the trends towards electronic payments, cash has an indispensable role to play in ensuring the resilience and reliability of Australia's payment system. This was a fact most recently highlighted in Treasury's *Review of the Australian Payments System*.⁵ Central to any strategic plan for the Payments System should be measures to safeguard the distribution and availability of cash throughout the economy as a payment method.

⁴ Reserve Bank of Australia (2017). *Reserve Bank Bulletin*. Sydney: Reserve Bank, 60.

⁵ Australian Government, Department of Treasury, *Payments System Review* (June 2021), 89.