



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

27 February 2025

Mr Chris Lyon

Director

Retail Banking and Currency Unit

Banking and Credit Branch

The Treasury

Langton Crescent

Parks ACT 2600

via email: cashacceptanceconsultation@treasury.gov.au

Dear Mr Lyon

Mandating cash acceptance consultation paper

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to provide comments on the Treasury's consultation paper.

While cash is an important payment method for certain groups in Australia, and plays a vital role in their inclusion in the wider economy, there is a significant cost to requiring businesses, particularly small businesses, to hold cash.¹ In seeking to maintain access to cash for essential items, the Australian Government needs to consider how small businesses' access to cash, particularly in regional areas, has become more challenging owing to bank closures and increasing costs to transport cash.

While cash has been largely supplanted by electronic payments, a 2022 Reserve Bank of Australia (RBA) survey found that approximately 7% of Australians were still using cash for more than 80% of in-person transactions.² Additionally, cash provides an essential alternative when natural disasters disrupt telecommunications networks, or digital shutdowns occur (such as the Optus and CrowdStrike outages).

Nonetheless, cash imposes a greater cost on small and medium enterprises (SMEs), with the latest-available RBA data indicating a cost of \$0.66 per transaction for SMEs compared to \$0.28 for large enterprises. This is likely due to costs like back-office processing, fraud prevention and theft which is spread across fewer transactions.³ In 2018, research by Square found that Australian businesses spend an average of 216 hours per year handling, counting and banking cash, which they estimate cost small and medium businesses (SMBs) \$8.7 billion in annual staff wages and that more than two-thirds of SMBs acknowledge that storing cash onsite is security risk for their

¹ The Australian Government, *A Strategic Plan for Australia's Payments System*, Australian Government, June 2023, p 22

² Reserve Bank of Australia, *Bulletin - June 2023, Cash use and Attitudes in Australia*, RBA, 15 June 2023, viewed 21 February 2025

³ C Stewart *et al.*, *The Evolution of Payment Costs in Australia*, Reserve Bank of Australia, research discussion paper, RDP 2014-14, December 2014



business.⁴ Excluding small businesses from the mandate will help to mitigate these costs. However, stakeholders have expressed concern to the ASBFEO that even a limited cash mandate will fuel a strong expectation from consumers that *all* small businesses must accept cash, which in turn may induce many small businesses not formally covered by the mandate to increase their own demand for cash.

The Australian Prudential Regulation Authority (APRA) has reported the number of automated teller machines (ATMs) in regional and remote areas declined by approximately one-half between June 2017 and June 2023.⁵ Similarly, APRA observes that:

The latest statistics show a further decline in bank branches in the year to 30 June 2023, with a reduction of 424 branches across Australia (11%), including 122 branches (7%) in regional and remote areas. This continues a trend that has seen branch numbers decline by 34% in regional and remote areas, and 37% overall, since the end of June 2017.⁶

The combined effect of widespread ATM removal and closure of bank branches is a significant reduction in small businesses' access to cash deposit and withdrawal services, especially in non-metropolitan regions. Consequently, many regional small businesses have had to increase their reliance on other access points, such as Bank@Post, which only provide limited banking services.

We recognise that this consultation paper has a limited scope and excludes credit and debit card surcharging and the shadow economy. However, we maintain that a decision to mandate cash should not be viewed in isolation. It is essential that the decision takes into consideration the RBA's review of merchant card payment costs and surcharging, the Australian Banking Association Limited application for cash in transit sustainability measures, and the closures of banks in regional areas.

We offer the following recommendations:

Recommendation 1. The Australian Government to continue to work with the banks to ensure banking services remain available in regional and remote areas.

Banking is an essential service and important to the vitality of regions. It fosters commercial relationships, creating regional jobs, local liveability, and prosperity. Without local access to cash deposit and withdrawal services, regional cash users must commute to larger centres for these services, which can result in significantly higher transaction costs for regional commerce. This in turn can reduce regional economic activity and decrease the ability of regional small businesses to compete with businesses in larger centres. And while it's often suggested that post offices can fill the void, they often do not offer the full range of services a small, family or farming business needs, and the fees and charges may be higher – if not now, then into the future – for the same service provided by the bank.

The Reserve Bank's January 2025 Bulletin shows that the number of cash-access points have been decreasing in Australia for some time. Since 2011, 3,239 bank branches have closed, with approximately one-quarter of these occurring in regional and remote areas. The clear harms of

⁴ Square, *The Real Cost of Cash for Small Businesses*, Square, Block Inc., 17 September 2018, viewed 25 February 2025.

⁵ Australian Prudential Regulation Authority, *Authorised deposit taking institutions points of presence June 2017 to June 2023 [data set]*, APRA, 18 October 2023

⁶ Australian Prudential Regulation Authority, *APRA releases latest points of presence statistics for authorised deposit-taking institutions, media release*, 23 October 2023



widespread and continuing closures of bank branches and other access points in regional Australia mean that, from both an economic and social perspective, steps should be taken to safeguard regional small businesses' access to cash deposit and withdrawal services. This may require collective action on establishing or retaining bank branches and other access points such as Bank@Post. Expanding the functionality of Bank@Post may help mitigate the impacts of regional bank closures and maintain the access to cash essential for consumers who do not have access to electronic payment options.

We therefore welcome the news that Australia Post has been in discussions with banks to address cost pressures and maintain the infrastructure that underpins the technology and compliance associated with facilitating bank services.⁷ Economic pressures have accelerated the rate at which licensed post offices are handing back licences and closing their doors, particularly in regional areas.⁸ The *Australian Postal Corporation (Performance Standards) Regulations 2019* (Part 3, Section 11) requires Australia Post to maintain a minimum number of retail outlets, including a location requirement such that 'at least 85% of residences not in major cities are located within 7.5 kilometres of retail outlet.'⁹

Finally, we would like to draw the government's attention to the shared banking hubs of New Zealand and the United Kingdom. These hubs consist of banking partnerships in regional areas to provide access to cash withdrawals and deposits, conversion of notes to coin, digital banking and appointments with banking specialists (via videoconference in NZ or in person on selected days in the UK).¹⁰

Recommendation 2. The government should continue to monitor the cash-in-transit industry to ensure cash can be transport from the RBA to banks and retailers.

A cash acceptance mandate requiring businesses that supply essential goods and services to hold cash on their premises, will in turn require a healthy cash-in-transit system to transport cash from the RBA to banks and on to businesses. The Australian Competition and Consumer Commission (ACCC) is currently reviewing an application to allow for an injection of cash to the major cash-in-transit provider over a 12-month period from funding parties, which includes the major banks and supermarkets. The purpose of this injection is to ensure that the current provider can continue to provide cash-in-transit service for the foreseeable future. We emphasise that there is currently only one active Reserve-Bank approved cash-in-transit operator nationwide. This is despite the fact the ACCC has noted there are smaller providers who could, if supported, appropriately provide a competing service.

As a cash acceptance mandate may place increased pressure on the cash-in- transit providers, we encourage the government to consider how the cash acceptance mandate may affect the viability of the cash-in-transit system.

⁷ The Hon Dr Jim Chalmers, MP Treasurer, *Joint Press Conference*, 11 Feb 2025, viewed 12 Feb 2025

⁸ Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA), *Australia Post Modernisation and Long-Term Financial Sustainability Final Impact Analysis*, DITRDCA, Australian Government, October 2023, viewed 12 February 2025

⁹ Australian Government, *Australian Postal Corporation (Performance Standards) Regulations 2019*, Australian Government, updated 17 April 2024

¹⁰ See, for example, Westpac, *Regional banking*, website, viewed 25 February 2025; UK Post Office, *Banking Hubs*, website, viewed 25 February 2025.



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Recommendation 3. The government should engage in an education campaign to promote awareness of the mandate.

As noted above, the proposed cash mandate system is likely to create an expectation among consumers that all businesses, including small businesses not providing the designated essential services, have a legal obligation to accept cash, maintain a ‘float’ for change and potentially provide a ‘cash out’ service.

We encourage the government to consider and implement a coordinated education and awareness campaign for both businesses and consumers. This would not only improve awareness of the mandate for cash acceptance, but which businesses must accept cash, and which business are exempt. The campaign should raise awareness of the exemptions for small businesses and make use of industry associations who can help raise awareness through their members.

For both individuals and small businesses, social media are important communication tools that provide a two-way information sharing network. The University of Canberra’s, *Digital News Report: Australia 2024* found that almost half of Australians use social media to gain access to news.¹¹ We encourage the government to consider the use of social media, including short videos, as part of its education and awareness campaign.

Recommendation 4. If a cash acceptance mandate is enacted, private enforcement should not be recognised as a viable option.

The consultation paper present options for an enforcement model, including giving consumers a right of action to enforce compliance through declarations, injunctions and damages. We would be concerned with a private enforcement mechanism, even if this option were limited to being funded privately. Our strong preference is for a publicly funded regulator to enforce the proposed mandate for cash acceptance. A regulator can provide clear and consistent guidance relating to penalties, compliance obligations and options for remedial action, based on a sound understanding of the requirement.

If you require any further information, please contact the ASBFEO via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

¹¹ University of Canberra, *Digital News Report: Australia 2024*, University of Canberra 2024, p.10