



Approved for publication

CFR and ACCC Cash Distribution Consultation Submissions
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By email: CashDistributionRegulationConsultation@cfr.gov.au

15th August 2025

Dear Members

Consultation Paper: Regulating Cash Distribution

The cash distribution system is a key component of the overall cash system and, put simply, critical to the ability for consumers and businesses to access and use cash. We support the intent of the CFR in planning for a more robust cash system in the future.

The CPT Group is a specialist global cash cycle advisory and research firm, founded in Australia. We are experts in all aspects of the cash system. Our work spans advisory for whole-of-system transformation to company-specific tactical activities by cash cycle participants, and ongoing research to understand and improve the performance of cash cycles, particularly in the context of the declining usage of cash.

Since the initial 'crisis' meetings that led to the first Australian Bankers' Association (ABA) application to the ACCC in November 2023 – over 18 months ago – the risks that exist in the cash system have become increasingly well-highlighted. In that period, there has been an exceptional amount of work performed across the industry with the intent of setting the cash system on a stable footing. And yet, it would seem, there have been few substantive changes that contribute to the long-term sustainability of the cash system. The seeming absence of risks crystallising so far should be no comfort to you or others involved in the cash system. Rather, the lack of substantive change should be seen as a relative increase in risk as time continues to progress.

We would welcome the opportunity to discuss the matters we have raised in our submission with you. Please contact either Scott Forster [REDACTED] or Matt Sykes [REDACTED]

Yours sincerely,

Matt Sykes
Director
CPT International Pty Limited

CPT Group Submission to Consultation Paper for Regulating Cash Distribution

Executive Summary

Our response is in two parts:

1. Direct responses to the consultation questions
2. Discussion on future of the Australian cash system, which includes more detailed discussion on matters raised in our responses to the consultation questions

Our priority issues for consideration

Our response and discussion raises a number of issues, which we encourage the CFR to consider. We draw your attention to the highest priority issues:

1. Legislation and an independent pricing mechanism alone **will not fix the challenge**. Pairing this with strong incentivisation to genuine cash system transformation is critical
2. The two-tier designation model should be a **three-tier model**. This recognises the increasingly important role played by other ACCOs. We are mindful that designation is likely to result in levels of financial and potentially regulatory support as well as responsibility, but the need and ability of operators who may be designated is starkly different
3. The independent pricing mechanism or a **regulated pricing model** must have a number of characteristics:
 - a. A baseline cost coverage that is explicitly funded rather than being incorporated into unit prices
 - b. Cost contribution by financial institutions that do not provide cash services, in proportion to their benefit from the cash system (vis customer deposits)
 - c. Inclusion of Tier 2 designated operators but in a way that recognises their lower economies of scale and need for investment to support genuine business continuity and crisis readiness
4. Stronger planning around the **practicalities of any step in rights or business transfer models**. Specifically – how can the business be operated on day 1 after such action
5. Regulation must not entrench the current operating model. A **transformation-first approach** is essential to ensure that any regulatory framework is fit for the future

Need for an advisory body

The cash-in-transit sector is complex in its operation and it crosses multiple areas of expertise. We recommend the creation of an advisory body with industry and functional experts to support the CFR and legislators in the application and implementation of regulation and policy.

Cash as critical national infrastructure and a public good

Cash has always been public money. We are seeing an increasing number of jurisdictions actively recognising that cash goes beyond just being public money, to being a public good. For example, the European Commission stated in 2020 that it “expects Member States to ensure the acceptance and

accessibility of cash as a public good.”¹ Further, the Reserve Bank of New Zealand noted that “because cash is a type of central bank money, the cash system produces benefits that have the characteristics of public goods.”²

Of course, it is difficult to say that cash is a public good without consideration of the system that cash relies on to fulfil its purpose as a public good. Because cash is physical, the cash system is also largely a physical infrastructure. Cash Access UK challenged thinking in its 2019 report: “We need to start considering cash to be a core part of Britain’s national infrastructure, and not just as a commercial issue. If cash is reframed in this way, we can envisage more radical solutions to keep cash viable.”³ The challenge with the national cash infrastructure is that, despite its criticality, it is often, as is the case in Australia, operated by the private sector. And when usage and profitability decline, private commercial considerations can affect the operation of that infrastructure. The Sveriges Riksbank addressed this policy challenge: “For cash to be used, it needs to be able to be transported to and from retail outlets at reasonable prices...Government investigators should make proposals on how banks and the public sector should share responsibility for this, including how cash-in-transit services should be maintained and financed when cash is used less and it becomes more difficult to offer such services on commercial grounds.”⁴

You have suggested four policy principles when considering any regulatory models for the cash distribution system: access, sustainability, resilience, and efficiency. These objectives have some similarities with the Eurosystem Cash Strategy (released in September 2020), in which the key principles identified were availability, access, and acceptance⁵. These two frameworks have different focal points, but the principles of availability and acceptance – which we see as fundamental to a well-functioning cash system – should not be lost on this consultation or any resultant regulation.

Cash is more than just public money, it is a public good that relies on a complex, largely physical system. Getting the balance right between incentive and support to achieve access, sustainability, reliability and efficiency, as well as availability and acceptance, will be key if that system is to continue serving the Australian community effectively.

Purpose of this submission and high-level position

We provide this submission to highlight matters that we do not believe have been adequately considered, or that we believe should be viewed in a different way. Given the CPT Group’s Australian origins we have particular ongoing interest in and care for the Australian cash system, and we would like to see it set for long-term sustainability. We are submitting independently; we are not lobbying any particular position or party’s position. Rather, we are engaging with an interest in the best outcome being achieved for the Australian community.

¹ European Commission. (2020). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Retail Payments Strategy for the EU*. EUR-Lex. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0592&from=EN>

² Reserve Bank of New Zealand. (2021). *The Future of Money – Stewardship (Te Moni Anamata – Kaitiakitanga): An issues paper inviting public feedback*. Reserve Bank of New Zealand. <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/consultations/banks/future-of-money/stewardship-issues-paper.pdf>

³ Access to Cash Review. (2019). *Access to Cash Review: Final Report*. LINK. <https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf>

⁴ Sveriges Riksbank. (2024). *Payments Report 2024*. Sveriges Riksbank. <https://www.riksbank.se/globalassets/media/rapporter/betalningsrapport/2024/engelsk/payments-report-2024.pdf>

⁵ Central Bank of Ireland. (2022). *Access to cash report*. Central Bank of Ireland. <https://assets.gov.ie/static/documents/central-bank-of-ireland-access-to-cash-report.pdf>

In making this submission, we recognise from the consultation paper that it is clear and decided that a regulatory solution will be put in place. Our position is therefore focused on how to make a regulatory model work in an effective manner to ensure the sustainability of the cash system and to ensure the Australian community has access to the benefits that cash provides them.

Responses to Consultation Questions

We provide our responses to the consultation questions in the table below. Please note, these should be read in conjunction with our discussion on the future of the Australian cash system. For ease of use we have included references to relevant consultation questions in each section of this discussion.

Consultation question	Response
2.1. Is the overarching objective for the proposed regulatory framework – to ensure the cash distribution system operates in the public interest – appropriate? If not, why?	We strongly support the view that a well-functioning cash system is in the public interest.
2.2. Are the four policy principles (access, sustainability, resilience and efficiency) for the proposed regulatory framework appropriate? If not, why?	<p>The four policy principles are, broadly, appropriate. However at the definitional level:</p> <ul style="list-style-type: none"> • “Access” must be broader than simply business customers accessing services – access relates to public access to the cash system, and the initial framing should be consumer use of cash as a payment instrument and store of value; • “Sustainability” is a complex question and one that must consider who ultimately carries the cost of the cash system; • “Efficiency” is critical, but is likely to need not just individual participants to innovate but for industry-wide collaborative efforts.
3.1. The proposed framework distinguishes between registration (for general oversight) and designation (that applies more substantial regulatory obligations and powers reflecting the critical cash services being provided). Is this two-tiered approach proportionate to the challenges facing the cash distribution sector? Are there alternative models that should be considered?	<p>We recognise the intent of the two-tier model but see risks. This delineation may unintentionally entrench incumbency, restricting market access for capable non-designated operators and limiting competition. The current ACCO model already creates barriers; the designation model could amplify them. On the flip side, Armaguard has a unique role in the Australian cash system, which is important to recognise. A possible alternative is a three-tier model:</p> <ol style="list-style-type: none"> 1. Tier 1 designated operator 2. Tier 2 designated operator 3. Registered operator <p>We see a tier 2 designation as reflective of a number of current dynamics in the market, including activity and presence of operators, capacity to service major customers, and current role in business continuity planning, including APRA CPS 230 obligations.</p>
3.2. What baseline obligations should apply to all registered entities to support sector transparency? What additional reporting obligations should	<p>It is important that red tape is minimised, and therefore any obligations should provide a clear benefit to support the policy principles. Obligations will vary by tier.</p> <p>Tier 1 designation:</p>

Consultation question	Response
<p>designated entities have, particularly in relation to service continuity, crisis preparedness, performance reporting, and/or compliance with industry codes of practice?</p>	<ul style="list-style-type: none"> • Monthly or quarterly cash flow and solvency reporting. Solvency should be both with support from any parent/investor/debt funder, and independent of that <p>Tier 1 and 2 designation:</p> <ul style="list-style-type: none"> • Annual financial reporting • Annual capacity reporting (number/type vehicle, count of staff with security/firearm licences by state, cash processing equipment schedule) • Location openings/closures – update regulator within 90 days of change <p>All registered entities:</p> <ul style="list-style-type: none"> • Compliance with ASIAL code (please note our separate discussion in relation to the current ASIAL code)
<p>3.3. What factors should be considered when determining whether a cash distribution provider should be designated (e.g., criticality of services provided, market share and/or geographic coverage)? Should designation be the responsibility of a regulator or the Minister? What protections should be in place to ensure the designation process is fair?</p>	<p>We encourage consideration of a classification model for customers. A simple measure of service intensity (number of end points and number of logistical movements) is reflective of a customer’s systemic significance. Our initial suggested classification is:</p> <ul style="list-style-type: none"> • Systemically Significant: Any Funding Party⁶, and any customer with more than 500 end points or who have more than 20,000 logistical movements per year across their network • Significant: Customers with more than 100 end points or who have more than 4,000 logistical movements per year across their network <p>A suggested designation approach in line with our three-tier model is:</p> <ul style="list-style-type: none"> • Tier 1 designation: servicing two or more Systemically Significant customers or servicing ten or more Significant customers • Tier 2 designation: servicing one Systemically Significant Customer or servicing five or more Significant customers, or holds ACCO status <p>We encourage consideration of designation on an “opt-in/opt-up” basis or some other mechanism to avoid incumbency and entrenchment due to regulatory designation.</p>

⁶ ACCC Application for authorisation AA1000664: <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/australian-banking-association-limited-0>

Consultation question	Response
<p>4.1. What key indicators or thresholds should trigger crisis resolution powers, to support the continued operation of cash distribution services critical to the functioning of the cash system?</p>	<p>Crisis step-in powers are significant and should only apply to Tier 1 designated entities. Triggers could include:</p> <ul style="list-style-type: none"> • Solvency risk (as evidenced in mandatory reporting) • Material reduction in service standards • Any withdrawal from regional areas • Protracted industrial action threatening service continuity
<p>4.2. Are the proposed powers and interventions appropriate for the cash distribution sector?</p>	<p>We are broadly supportive of the proposed powers and interventions, though we note:</p> <ul style="list-style-type: none"> • Transfer of a business or shares: Any such action must reflect market value for shareholders. There are many global reference points that can be used to determine market value, including in distressed situations • A transfer of a business or shares will mean a change in the market dynamic, and unfairly penalise any other operators. We specifically advocate that if such an action were taken it must include an offer to all designated operators <p>The focus of the discussion paper is on crisis readiness in relation to an individual operator. We encourage broader consideration of crisis readiness of the cash system as a whole, because this represents similar risks to the financial system, and does not appear to be well-understood. We refer you to the recent <i>Finance (Provision of Access to Cash Infrastructure) Act 2025</i> of the Republic of Ireland, and deliberations around that legislation.</p>
<p>5.1. Under what circumstances should the regulator intervene on price and non-price terms in cash distribution agreements of designated entities to ensure they are in line with the objectives of enabling adequate access and being industry-led, sustainable and efficient?</p>	<p>Intervention is warranted where asymmetric power dynamics threaten access, sustainability, or efficiency. The regulator should focus on long-term industry health and the policy principles, not short-term market pressures.</p>
<p>5.2. In the instance that a regulator applies a pricing model, what is the most appropriate approach for setting prices?</p>	<p>Please consider our detailed discussion, which has the following particular guidance:</p> <ul style="list-style-type: none"> • Include Tier 1 and Tier 2 designated operators, and include mechanisms to recognise relative economies of scale and support for the role in business continuity and crisis readiness that Tier 2 providers could play • Incorporate a flagfall mechanism to cover baseline costs and investment allowance of all designated operators. Contribution to this by systemically significant customers, potentially government, and

Consultation question	Response
	<p>preferably financial institutions that are not providing cash services but benefit from them</p> <ul style="list-style-type: none"> • Flagfall allows less volatile unit pricing • Sensitivity to geographic cost and price considerations • Include an incentive model for service level performance and cost take-out performance
<p>5.3. Should dispute resolution processes for designated entities be regulated by a regulator or a third party?</p>	<p>Same principle as 5.1 — the focus should be on a fair, timely, and transparent process that supports the long-term health of the industry.</p>
<p>6.1. Should a new regulatory framework for the cash distribution sector seek to establish an access regime governing the terms and conditions by which third parties can access critical cash services operated by a designated entity?</p>	<p>Yes. Armaguard specifically plays a unique role in the Australian cash system. On the one hand it is the service provider to the majority of cash logistics customers in the country. But beyond that, even if and as other operators grow, Armaguard’s network is akin to the backhaul of telecoms networks – it is uniquely required for the system to operate. To that end, we believe an access regime would, if appropriately designed, support the policy principles of this consultation.</p>
<p>6.2. What rules would support a third-party access regime to critical cash services operated by a designated entity?</p>	<p>Access must be:</p> <ul style="list-style-type: none"> • At a fair and transparent price for all parties • Contingent on meeting appropriate security standards • Structured to preserve operational efficiency for both provider and user
<p>6.3. How should disputes under such an access regime be settled?</p>	<p>We suggest existing models that are in operation – for example telecommunications (Part XIC of the Competition and Consumer Act) and transport (Part IIIA of the CCA), both for consideration of dispute management and for the access regime more broadly. These examples are much too onerous for the cash distribution system, but the fundamental model has been proven to be effective.</p>
<p>7.1. Do regional business customers require service level standards established through a regulatory framework to ensure they continue to have adequate access to cash on reasonable terms?</p>	<p>Yes, it is reasonable to expect minimum service level standards. However, service level standards always come with costs. Therefore any consideration of service level standards, whether regional or network-wide, should be determined in the context of and with reference to price setting mechanisms.</p> <p>Related to this, we note our comments at 7.2 regarding transformation. Specifically in relation to this question there is strong potential for network-level optimisation</p>

Consultation question	Response
	which can support for effective delivery of services from a cost and reliability perspective.
7.2. What standards are required for cash distribution services, including service frequency? How should this be considered by the Minister?	Asking this question at this point suggests that the current operating model is some combination of (a) the most appropriate, and (b) should be here to stay. We strongly caution against any action or regulation that entrenches the current model, because it is fundamentally flawed and in desperate need of transformation. Such transformation can significantly change the entire frame of reference for service standards. We suggest that it is important to push the industry down the path of transformation first, before considering this.
7.3. What criteria should the Minister use to determine where service level standards should apply?	Criteria should be based on community access to cash services as a whole — the availability of cash end points to dispense the right cash to businesses and consumers, for businesses to be able to accept cash, and for businesses and consumers to return cash.
8.1. What principles should guide the design of penalty and enforcement powers to ensure they are proportionate, transparent and effective in achieving compliance?	<p>Penalty and enforcement powers should principally, if not solely focus on Tier 1 designated operators. Considerations include:</p> <ul style="list-style-type: none"> • Proportionate to the impact/severity of the breach, and relative to repeat breaches vs once-off breaches. • Must be designed to encourage rectification, not to be punitive except after repeated non-conformance without action. • Before any such regime is activated there needs to be the right economics in the industry so that breaches are not simply because the business is losing money and must make decisions on what it prioritises.
8.2. In what circumstances should the regulator be empowered to issue an infringement notice or take court action? In what circumstances would penalties not be appropriate?	From an enforcement perspective, this ties to the considerations we stated at 8.1, specifically that it is related to impact and severity, repeated behaviour, and that the focus is firstly on rectification.

Discussion on the future of the Australian cash system

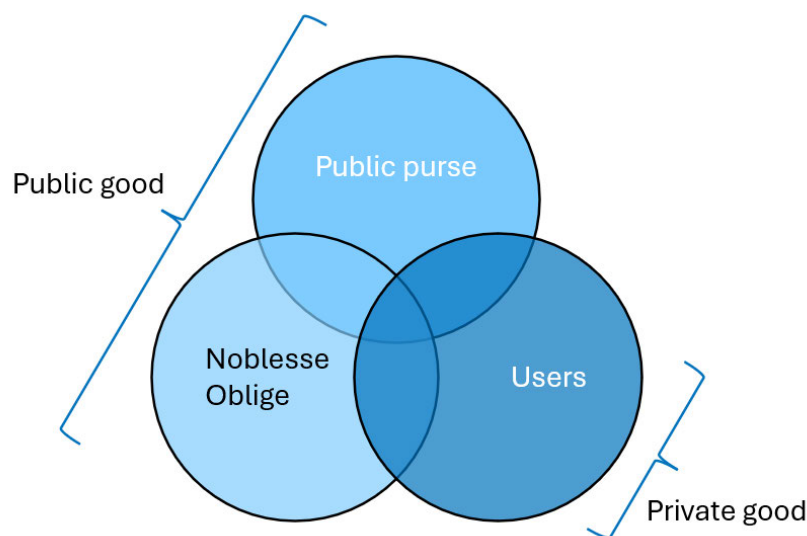
Funding the cash system and the cost burden

Who should pay for the cash system? (consultation question 2.1, 2.2, 5.1)

When usage is growing and the system is expanding, there is rarely debate about who is responsible for the cost of the cash system. Market participants all have sufficient commercial interest to support the system through the payment of fees for access, or by providing services in exchange for fees. However when activity levels flatten and then decline, the question eventually arises – who is responsible for the cost of the cash system?

The initial layer of this question is whether the cash system is seen as a public good or a private good. If it is a private good, then users of the system are responsible for all costs, on whatever commercial dynamic is deemed appropriate by the provider of that good. However if this cash system is a public good, then there is a need for someone to step in to cover any shortfall between what the users of the system are prepared to – or can – pay, and the cost of the system.

In the context of the cash system, there are two avenues of public good cost responsibility. The first, most typical in other public good contexts, is the public purse. The second, particularly related to banking, payments and cash, is the notion of *noblesse oblige*, or ‘the noble obligation.’ Many argue that *noblesse oblige* applies to banking institutions in exchange for their ability to participate in, and benefit from, fundamental aspects of the financial system.



It is of course worth noting that ultimately – regardless of what happens – it is ‘user pays’ where the user is society. Whether this is on a direct usage model; through increased taxes, reduced services or growing public debt; or through higher interest rates, fees, reduced services or lower shareholder returns. Society pays one way or another – the question is, who has direct responsibility.

For the last 18 months cash system costs have been carried by some combination of users and noblesse oblige, along with shareholders of the major cash-in-transit operator. The urgent and substantive response by the Funding Parties (ANZ Bank, Commonwealth Bank, National Australia Bank, Westpac, Australia Post, Coles, Wesfarmers and Woolworths) stabilised the system and was intended to buy time and capacity for long-term solutions. Notwithstanding those long-term solutions not yet crystallising, we are concerned that this has set a pattern and expectation that the

major customer participants in the system, and specifically the banks, have ultimate responsibility for the cost of the cash system. The much-touted independent pricing mechanism could well cement this position. This may be the appropriate setting, but it appears that this is becoming a settled position without appropriate consideration as to what the right position is.

We have made clear that we see cash and the cash system as a public good. We encourage the CFR in its planning and review to properly consider the question of public vs private good and arrive at their own explicit conclusion, and the pros and cons of how the cash system is ultimately paid for.

Minimising the cost of the cash system (consultation question 2.2, 5.2)

While determining who ultimately bears the cost of the cash system is important, the more pressing question is how to minimise that cost while still maintaining service levels that give businesses and consumers meaningful access to and use of cash.

The total cost of Australia's cash system runs to multiple billions of dollars annually. The direct cash-in-transit (CIT) component is a modest fraction of this, but CIT plays a catalytic role. Its performance and efficiency amplify costs (and savings) across the entire system. The CFR's policy principles of access, sustainability, resilience, and efficiency cannot be achieved without a sustained focus on CIT innovation — but that focus must be situated within a broader transformation of the cash cycle.

In our view, real and enduring cost reduction will not come from incremental trimming of CIT costs. It requires a substantive redesign of the entire cash operating model, tackling both:

- the wholesale cash cycle (central bank distribution, the BDF, the ACCO/ACC framework, bulk movements), and
- the retail cash cycle (ATM, branch and merchant supply, deposit processing, and returns).

A credible approach should combine cash cycle transformation, changes to CIT operating models, and whole-of-network optimisation, with coordination at an industry level. An independent utility-style operator could play a central role in planning, monitoring, and driving efficiency — independent of any single CIT provider, not government-owned, and potentially governed by major participants.

Practical levers include:

- **Shared infrastructure:** Cross-provider use of infrastructure on fair and transparent terms to eliminate duplication and under-utilised assets.
- **Technology enablement:** Wider adoption of automated cash processing, route optimisation, and advanced security technology to reduce labour intensity, downtime, and risk costs.
- **Network level optimisation:** centralised optimisation planning to support efficiency in the system, and endpoint KPI management in local areas rather than at individual endpoints.
- **Regulatory streamlining:** Minimising red tape while maintaining strong oversight, to avoid compliance costs becoming a barrier to innovation.
- **Regional cross-subsidy models:** Deliberate pricing structures where high-volume metropolitan routes offset the higher unit costs of regional and remote services.

The goal is a cash system that is cheaper to run, more resilient, and better aligned to future demand — with efficiency gains shared fairly between system-level funders, operators, customers, and end-users.

Market dynamics

Current market tiers and risks of further marginalisation (consultation question 3.1, 3.3)

Our understanding of the present market structure suggests that three tiers have emerged naturally through market dynamics:

- Tier 1: Armaguard, who has a market-dominant position, holds service agreements with all major, most mid-tier, and many smaller customers, who has custody of practically all bank pool cash, and has extensive national presence
- Tier 2: Authentic Security and Streamcorp, who are ACCOs, have continued to invest in technology and infrastructure, hold service agreements with growing numbers of customers, and who have genuine multi-state presence
- Tier 3: Other CIT operators, who generally focus on 'recarry' operations for smaller customers and in limited geographic regions

This emergent tiering is a logical starting point to consider for any regulatory regime. The operational and commercial reality of each tier is distinct.

In contrast, the two-tier model proposed in the consultation paper risks further marginalising the operators shown as tier 2. These operators can provide various combinations of services to major customers in multiple geographies and provide business continuity services where needed. Yet, in the same way that APRA and the CFR has recognised the need for proportionality in banking regulation⁷, there should be proportionality in this context. On the other hand, it is important to recognise those operators who can or are stepping into increasingly substantive roles in the cash system, and ensure that a designation regime does not preclude them from securing commercial opportunities from large customers.

The independent pricing mechanism (consultation question 5.1, 5.2)

The independent pricing mechanism has been positioned as a potential fix for the structural issues facing Australia's cash system. In our view, there is a significant risk that rather than solving the problem it could embed a rule-heavy, brittle economic structure that will fail the moment a systemically significant customer reduces or withdraws services from a designated operator.

Experience from the Armaguard–Prosegur merger illustrates the challenge: even with volume gains in the merged business, achieving cost efficiencies has proven difficult. The nature of CIT is such that when volumes fall — whether due to changes in customer cash operating models or migration to competitors — the cost base cannot be reduced proportionately. This creates a magnifying effect on unit costs, which risks accelerating the move away from cash.

Risks in CIT Pricing Design

- Cost-plus models are unsuitable — they are inherently inflationary, encourage inefficient spending, and remove incentives to innovate.
- If pricing is tied too closely to activity levels, small changes in demand from major customers will destabilise unit pricing. This could come from significant customers changing CIT

⁷ <https://www.apra.gov.au/news-and-publications/apra%E2%80%99s-plans-to-support-small-and-medium-sized-banks>

providers or through significant customers making changes to their internal cash operating model.

- Applying regulated pricing to only one designated operator risks distorting the market and entrenching incumbency.
- Geographic cross-subsidisation is necessary to support regional services, but the mechanism must acknowledge that many customers have purely metropolitan footprints. Expecting these customers to cross-subsidise remote services is problematic and risks further withdrawal.

Design Considerations for a Viable Model

A workable independent pricing framework would:

- Apply across all designated operators (Tier 1 and Tier 2) to ensure neutrality.
- Recognise the baseline cost base of the industry (all designated operators) to provide negligible services to all relevant geographies and to allow for investment in infrastructure and innovation.
- Use a 'flagfall' mechanism for all systemically significant customers, proportionate to their role in the cash system (e.g., largest banks at the top tier, followed by major retailers and Australia Post, and then IADs). The total flagfall should cover the majority of the baseline cost base. Consideration of public funding support in this portion of the cost is important. Consideration of what contribution is made by financial institutions who benefit from customer deposits and lending and yet have minimised or never had cash-related services and costs is important.
- Allocate flagfall fees between designated operators, with a reasonable weighting toward smaller providers to support investment, resilience, and crisis readiness.
- Set unit prices that are less sensitive to volume fluctuations, reducing volatility and pricing shocks.
- Geographic price caps can be coupled with targeted subsidies for high-cost routes.
- Include targeted support for Tier 2 designated operators that do not benefit from the same economies of scale.
- Include an incentive model for service level and cost take-out performance.

Governance and Transparency

- Pricing decisions must be made or reviewed by an independent body insulated from influence by the largest market participants.
- The framework should be transparent, with clear methodologies, periodic review, and consultation to maintain trust.
- Public interest objectives — including network resilience, regional equity, and systemic stability — should be weighted alongside cost minimisation.

Lessons from Other Sectors

There is benefit from looking to other regulated sectors (such as telecommunications, water, and electricity). They have proven models that have worked over extended periods. However while offer lessons, but they are not directly comparable:

- Demand patterns are generally more stable and predictable in example industries, without the flat-to-downward trend observed with cash.
- Cost bases in these sectors are less labour-intensive and more centralised, making scaling up and down less disruptive.
- Service intensity is often concentrated in fixed networks, whereas CIT operations are dispersed and variable.

Cash acceptance mandate and payment system interactions (consultation question 2.1, 2.2)

A cash acceptance mandate is a direct way to give effect to the Access principle, ensuring consumers, particularly in rural, regional, and disadvantaged communities, can continue to use cash.

Access, however, is a whole-of-system question. Mandating acceptance is meaningless if distribution and deposit infrastructure are degraded or uneconomic. The policy must therefore be designed in tandem with measures that sustain the physical cash cycle.

Scope and Carveouts

The proposed carveouts for smaller merchants and non-essential goods are problematic. The experience of GST carveouts 25 years ago shows how complexity creates compliance burdens, confusion, and loopholes. There is also a real risk that exempt merchants will treat exemption as tacit approval to stop accepting cash altogether, accelerating acceptance decline.

If a mandate is pursued, it should:

- Apply broadly, with essentially exemptions.
- Avoid complexity that would increase compliance costs or consumer confusion.
- Be clear on definitions, exemptions, and enforcement to reduce the risk of disputes.

Competition and Consumer Outcomes

A mandate can also support competition between payment instruments by preventing the over-concentration of market power in card schemes and digital providers. It would complement financial inclusion strategies and consumer protection objectives, reinforcing the right to choose payment methods.

It could also bolster the case for maintaining regional banking solutions and Australia Post facilities with cash-handling capabilities — ensuring that acceptance is matched by practical ways to obtain and deposit cash.

Consumer Awareness and Enforcement

Public awareness will be critical. Consumers must:

- Know they have a right to pay with cash.
- Have access to a straightforward complaint mechanism if that right is breached.

Interaction with Payment System Changes

The RBA's *Review of Merchant Card Payment Costs and Surcharging* suggests a likely ban on card surcharging. The implications for cash usage are uncertain but significant:

- Likely decline in cash use – the RBA's *2022 Consumer Payments Survey* found that 45% of consumers would choose a non-surcharged method when faced with a surcharge. Historically, a portion of this choice has flowed to cash; without surcharges, those transactions are likely to revert to card.
- Potential countervailing effect – the need for merchants to absorb card costs will mean reduced margins or higher prices, making cash acceptance more attractive for some to control costs and prices.

While the net impact is unpredictable, it is almost certain that a ban on surcharging will shift cash usage patterns. The CFR should ensure the regulatory framework for cash is adaptive to such changes and capable of sustaining system efficiency and resilience amid shifts in the broader payments landscape.

Security regulation and industry code impacts (consultation question 3.2)

Security regulation is a critical component of the cash distribution system. However, the current regulatory landscape is fragmented and outdated, creating inefficiencies and barriers to innovation. Change to applicable security regulation is outside the scope of the CFR and largely outside the scope of the federal government, but the proposed regulation should be sensitive to it.

Licensing and Operational Constraints

Cash-in-transit (CIT) operators are subject to state-based security and firearms licensing regimes, which vary significantly across jurisdictions. These inconsistencies prevent operators from leveraging existing licences across borders, increasing compliance costs and limit operational flexibility. For example, a CIT staff member licensed in one state must undergo a separate licensing process to operate in another, even if the underlying training and standards are equivalent.

This regulatory fragmentation constrains the ability of operators to optimise their networks and workforce deployment, particularly in regional and cross-border operations. It also risks discouraging investment in innovative service models that could improve efficiency and resilience.

Industry Code Reform

The ASIAL Cash-in-Transit Code of Practice, while a useful reference point, has not been updated since 2018 and does not reflect the current operating environment. It is not mandatory, lacks enforcement mechanisms, and does not undergo regular review. A strengthened, nationally recognised code, ideally developed in consultation with industry and regulators, could help standardise practices, improve transparency, and support compliance across all tiers of operators.

However, any such code must be:

- Clearly scoped to apply proportionately across Tier 1, Tier 2, and registered entities.
- Adaptive to changing market conditions and risk dynamics.
- Focused on practical performance outcomes, not just documentation.

- Integrated with existing obligations under firearms, transport, and occupational health and safety legislation to avoid conflicts or duplication.

Transition Support and Innovation Enablement

As the industry evolves, operating models must change to meet both moral and legislative safety requirements. This will require investment in new equipment, technology, and training. Regulatory frameworks should support the security aspect of this transition. Security regulation should be a facilitator of system resilience, not a barrier to participation or transformation.

Forward scenarios and future-proofing

Future usage thresholds and planning (consultation question 3.3, 4.1, 7.3)

The cash system must be resilient not just to today's conditions but to a range of future usage scenarios. It is important to consider what change mechanisms will be at play if activity shifts (up or down) by 10%, 20%, or 50%. This is not unrealistic, as we have seen both in the period prior to COVID (18% drop in nominal activity from 2008-2019) and through COVID (24% drop in nominal activity from 2019-2021).

It may be that cash is viewed through the same lens as cheques, but those two payment systems are entirely different, and the nature of the infrastructure cost means that if in the future cash were to decline in usage following a similar pattern to cheques, the challenges of managing that decline would be entirely different.

Areas that are important to consider include:

- Regulatory frameworks should build in dynamic adjustment mechanisms so that obligations, standards, and designation criteria can be flexibly scaled up or down in response to usage changes.
- There should be regular system health reviews, ideally every 2–3 years, that assess market trends, infrastructure capacity, and coverage, with powers to adjust standards accordingly.
- Review mechanisms must consider geographic coverage as well as aggregate usage.

The goal is not to solve for every possible scenario today, but to:

- Design frameworks that are sensitive to multiple futures.
- Bake in intentional review points to ensure the system can adapt before crisis points emerge.
- Keep the cash system positioned as a strategic national asset that can flex as demand changes.

Potential for transfer of business (consultation question 4.2)

The transfer of a business or its assets in a crisis scenario is an extraordinary intervention, and if it occurs, it must be executed in a way that protects the continuity, integrity, and competitiveness of the cash system.

We are not opposed to the principle of such powers. If designed with the right safeguards, they could provide a vital safety net in the event of a provider failure. However, their design and execution will determine whether they stabilise the system or introduce new risks.

The most robust approach would be a public-private partnership model involving systemically significant customers and government agencies. This could be either transitional as a short-term arrangement to maintain service continuity until a new commercial owner is secured, or long-term as a joint venture with structured governance to balance commercial efficiency with public interest objectives.

Any transfer arrangement must:

- Include a mechanism whereby other designated operators have the option to acquire the business or relevant parts of it — ensuring an open and competitive process.
- Maintain transparency around valuation, using recognised market benchmarks (including if relevant distressed-asset reference points) to ensure fairness to shareholders.
- Preserve competitive neutrality, avoiding outcomes where one designated operator gains an entrenched market advantage solely through the transfer process.

There are a number of challenges if any such transfer of business were to occur, which must be considered:

- The security function is the most critical aspect as it controls the operations of the business.
- More broadly, day 1 operation across labour management, technology systems, and activity planning – as a start – will be challenging from both a knowledge and an access perspective.
- There is potential for current asset ownership (e.g., depots, vehicles, property) to be separated from the designated operator which, if not planned for, could make any such transfer with continuity difficult or near-impossible.

These challenges can be managed in part by regulation that provides for periodic operational reviews of designated operators, to ensure there is statutory knowledge of the operational framework in case step in or transfer rights are exercised.

Done well, a transfer power could be a stabilising force in a crisis. Done poorly, it risks distorting competition, discouraging investment, and undermining industry confidence. The framework should err on the side of broad optionality and competitive balance.

Crisis readiness and whole-of-system resilience (consultation question 4.1, 4.2)

A resilient cash distribution system requires both operator-level readiness and whole-of-system contingency planning. The policy objective as stated in the consultation paper is “to ensure that the cash distribution system in Australia operates in the public interest.” We note that the consultation paper’s focus, including around crisis readiness, is focused on single operator failure.

In line with the CFR’s role in relation to systemic vulnerabilities, we suggest that the review and any resultant regulation consider system-level risks, not just operator-level risks. This incorporates all other components in the cash system that are required to support distribution of, access to, acceptance of, and return of cash. It is critical to see and plan around the network effect of any part of the cash system staggering or failing.

As we have stated at multiple points in this submission, the best path is not a reactive, crisis/contingency planning approach, but a proactive transformation approach that supports adjustments to the cash system at both individual participants and at a network level.

Transformation pathways before locking in static service standards (consultation question 7.2)

Setting service standards against the current operating model risks locking in inefficiencies, constraining innovation, and baking historical arrangements into the future of the cash system. This would be a huge mistake, because the Australian cash distribution system – once a global reference point – is no longer fit for purpose. This includes policy structures, physical infrastructures, customer planning and coordination, use of technology, and more. Without transformation, service standards will merely enshrine outdated practices at higher cost.

Elements of Transformation

A credible transformation agenda could include:

- Network optimisation – Rationalising routes, re-aligning depot placement, and matching processing capacity to demand.
- Shared infrastructure models – Co-use of depots, vehicles, and processing equipment to reduce duplication and increase asset utilisation.
- Technology adoption – Smart safes to improve deposit efficiency, dynamic routing algorithms for better scheduling, and advanced cash-processing automation to cut handling costs.
- Whole-of-industry coordination – Recognising that piecemeal optimisation by individual providers will yield only marginal benefits compared to coordinated system-wide reform.

Sequencing Standards and Reform

Service standards should be defined after transformation, once the system has a more efficient baseline.

- Regulators can incentivise reform by linking certain compliance obligations or benefits to demonstrable progress on agreed reform pathways.
- A staged approach could allow for transitional standards during the reform period, followed by final benchmarks once the new model is established.

The focus should be on designing for the anticipated cash usage profile of the future, not today's volumes or patterns and certainly not for volumes and patterns from some 15 years ago. Standards set on a forward-looking basis will be more resilient, more affordable, and more aligned with long-term public interest objectives.