

Australian Banking Association – Application for Authorisation AA1000664

Submission to ACCC

April 2024

Introduction

The Reserve Bank of Australia (RBA) has prepared this submission to the Australian Competition and Consumer Commission (ACCC) in response to the Australian Banking Association’s (ABA) application for authorisation to discuss and implement business continuity measures in the event of, or in reasonable anticipation of, a disruption to the supply of cash (AA1000664).¹

The RBA supports the ABA’s application, because it will enable discussions, agreements and implementation of business continuity measures in the event of a suspension, disruption or exit of Armaguard’s cash-in-transit (CIT) services. Given the adverse impact that a significant interruption in CIT services could have on the availability of cash in the economy, this is in the public interest.

The submission provides the RBA perspective based on its responsibility as the sole issuer of banknotes in Australia and the priority it places on ensuring cash remains a viable means of payment for those who need or want to use it.

Proposed authorisation

The RBA places a high priority on the community continuing to have reasonable access to cash withdrawal and deposit services. Any suspension or disruption in the supply of CIT services could significantly reduce the availability of cash across the country, particularly in regional and remote areas. Cash remains an important means of payment for some people and is widely held for precautionary and store-of-wealth purposes and as a backup to electronic payment methods.

The decline in transactional use of cash in recent decades has put significant financial pressure on private CIT participants and has contributed to significant excess capacity within the distribution network. In June 2023, the ACCC approved the merger between Linfox Armaguard and Prosecur Australia. The merger is subject to a three-year undertaking regarding pricing and service levels, and both firms agreed to continue supplying CIT services to existing customers until September 2026. Despite the merger having proceeded as intended, Armaguard indicated last year that its CIT business continues to be unsustainable.²

In response to the challenges in the CIT industry, the RBA convened a number of Wholesale Banknote Distribution Roundtables (referred to in the ABA’s application as the RBA Cash Sustainability Working

1 Australian Banking Association (2024), ‘Application for interim and final authorisation under s88(1) of the *Competition and Consumer Act 2010 (Cth)*’, 27 March 2024.

2 Parliament of Australia (2023), ‘Committee Hansard – Senate Rural and Regional Affairs and Transport References Committee – Bank branch closures in regional Australia’, 1 December 2023.

Group) in late 2023 and early 2024. The focus of these discussions has been on what actions could be taken to support cash distribution in the immediate future as well as how the system could be made more sustainable and resilient over the medium term. The December 2023 ACCC Interim Authorisation (AA1000654) – enabling relevant parties to formulate responses to support the viability of wholesale cash distribution and continued access to retail cash services in Australia – has helped facilitate these, and associated, discussions.

The primary role of the RBA has been to facilitate industry discussions in three main areas:

1. **Short-term industry financial relief for Armaguard.** The RBA helped facilitate initial discussions between the major banks and Armaguard on a range of commercial arrangements that could provide short-term financial relief (through the Wholesale Banknote Distribution Roundtable). The RBA also facilitated industry consideration of short-term financial assistance for Armaguard. However, the RBA has not been directly involved in any negotiations between the major banks, Armaguard and/or other parties, regarding commercial arrangements or short-term financial assistance.
2. **Business continuity planning (BCP).** The RBA is chairing a BCP Working Group to consider industry preparedness in the event of a disruption to the supply of CIT services. The focus of this group has been on areas where industry coordination could potentially assist in maintaining access to cash in the economy, including in regional areas. Discussions have been held in line with the first ACCC Interim Authorisation (AA1000654), enabling the formulation, but not implementation, of industry contingency arrangements. The RBA's role is to coordinate discussions as Chair of the Working Group, as well as to participate in these discussions given its role as the sole issuer of banknotes in Australia. The ABA's application (AA1000664) focuses on the further development and implementation of BCP arrangements, under the auspices of the RBA BCP Working Group. The 28 March 2024 ACCC Interim Authorisation (AA1000664) will enable industry participants to both discuss and implement business continuity measures in the event of, or in reasonable anticipation of, a disruption to the supply of cash.
3. **Long-term solutions.** The RBA is also chairing a Long-term Solutions Working Group that is considering options to promote a sustainable model for cash distribution in Australia. The Working Group will consider a range of possible models for banknote distribution. These discussions are occurring in line with the first ACCC Interim Authorisation (AA1000654), and consistent with the subsequent ACCC draft determination.

The ABA has announced that the major banks, retailers and Armaguard could not reach an agreement on short-term financial support.³ Given the concentration in the CIT industry, implementing effective BCP measures will require coordination among relevant parties involved in cash distribution. Accordingly, the RBA supports the ABA's application to provide the necessary ACCC authorisation for the industry – including commercial banks, retailers, Australia Post and other parties involved in the cash system – regulators and the government to work together to discuss contingency arrangements in the event of a disruption to CIT services and, if necessary, to implement these measures.

Reserve Bank of Australia
23 April 2024

3 Australian Banking Association (2024), 'ABA statement on financial support for Linfox Armaguard'. Available at <<https://www.ausbanking.org.au/aba-statement-on-financial-support-for-linfox-armaguard>>.