18 February 2025

The Director
Retail Banking & Currency Unit Banking & Credit Branch
The Treasury
Langton Crescent
PARKES ACT 2600

By email: CashAcceptanceConsultation@treasury.gov.au

Dear Sir/Madam,

Mandating Cash Acceptance – Consultation Paper (December 2024).

Attached please find ACAPMA's submission to Australian Treasury's *Mandating Cash Acceptance – Consultation Paper (December 2024)*. This submission is provided in addition to the verbal feedback provided in a meeting with Treasury officials by videoconference on Thursday, 13th of February 2025 and we appreciate the extension of time afforded to our organisation to provide our submission because of that meeting.

As the national peak body representing the Australian Fuel Retail Industry – an industry that processes around 600M transactions per year- the *Australasian Convenience and Petroleum Marketers Association* (ACAPMA) has a strong interest in the operation of Australia's Retail Payment System in terms of both cash and electronic transactions.

ACAPMA recognises the importance of ensuring consumers have access to cash-based transactions, particularly in times of crisis and for vulnerable community members. However, the introduction of a cash mandate must be carefully assessed against the operational realities of fuel retail businesses, particularly for businesses operating in regional and rural Australia – the vast majority of which are small to medium enterprises.

The implementation of a cash mandate poses the greatest risk to businesses operating in 'thinner' regional and rural markets, where access to cash services is becoming increasingly constrained. These areas face significant challenges due to the declining availability of banking services and rising costs of handling cash owing to the progressive withdrawal of banking services in these markets. As a result, a mandated requirement to accept cash in all transactions may contribute to increased product prices, further exacerbating affordability concerns for consumers in regional and remote areas.

Recognising the importance of maintaining cash accessibility without imposing undue financial burdens on businesses (and their customers), ACAPMA believes that the Australian Government should explore solutions to support affordable cash services in regional and

rural areas – either as an alternative to mandating, or as a complementary measure to mitigate the cost risk in regional and rural markets. Potential solutions include:

1. **Shared Banking Services:** ACAPMA encourages consideration of shared banking models, as seen in the United Kingdom, where multiple banks co-locate within regional hubs to provide cash-handling services for businesses and consumers alike.
2. **Cash Recycling Initiatives:** ACAPMA is currently investigating electronically enabled cash recycling solutions, which would allow businesses and consumers to circulate cash more efficiently within regional communities. This approach could help reduce reliance on CIT services while ensuring businesses maintain access to cash as needed.

ACAPMA appreciates the opportunity to contribute to this discussion and urges the Australian Government to carefully consider the practical implications of a cash mandate on the fuel retail sector. While the goal of ensuring continued cash accessibility is commendable, it must be balanced with the operational realities and cost pressures faced by service station operators, particularly in rural and regional areas.

We encourage the government to collaborate with industry stakeholders, including ACAPMA, to explore cost-effective alternatives that maintain cash accessibility while minimising financial burdens on businesses – and ACAPMA is committed to working with policymakers to develop solutions in respect of same.

Thank you for the opportunity to provide feedback on this important consultation.

Should you require clarification of any aspect of our submission, please contact me via email (markm@acapma.com.au) or by mobile (0447 444 011).

Yours sincerely,

Mark McKenzie
Chief Executive Officer

EVENTS | ADVOCACY | EMPLOYMENT | TRAINING | INFORMATION

Submission to The Treasury of Australia
Mandating Cash Payments
(Consultation Paper – December 2024)

18 February 2025

ACAPMA
The Voice of Petrol Convenience

ACAPMA
Australasian Convenience and Petroleum Marketers Association

1. Introduction

This paper constitutes a submission by the *Australasian Convenience and Petroleum Marketers Association (ACAPMA)* to Australian Treasury's Consultation Paper entitled: Mandating Cash Payments (December 2024). This Consultation Paper canvasses stakeholder perspectives on mandating cash payments for businesses providing critical services such as food, fuel and pharmaceuticals. The Paper has been released at a time when:

a) There is heightened community concern about cost-of-living pressures

b) Consumers are growing increasingly concerns about the cost of electronic transactions (both debit and credit card payments) and an apparent reduction in the opportunity to avoid these costs by paying for goods and service with cash

c) Australian businesses, particularly those operating in regional and rural Australia are facing increasing logistical and cost challenges associated with access to cash services because of the progressive closure of bank branches in regional and rural Australia)

ACAPMA recognises the importance of ensuring consumers have access to cash-based transactions, particularly in times of crisis and for vulnerable community members. However, the introduction of a cash mandate must be carefully assessed against the operational realities of fuel retail businesses, particularly in regional and rural Australia.

This submission provides a discussion of the current situation being faced by service station businesses in respect of the maintenance of cash transactions, with an emphasis on the specific challenges being faced by businesses operating in the 'thinner' markets in Regional and Rural Australia.

The paper concludes with some suggestions on some initiatives that could be pursued by the Australian Government, either as an alternative or as complementary actions, to a legislative mandate for cash transactions in the national fuel retail industry.

2. About ACAPMA

The Australasian Convenience and Petroleum Marketers Association (ACAPMA) is the national peak body representing the interests of the petroleum distribution/wholesaling and the petrol-convenience retail industry. These two industry sectors generated estimated annual revenue of $101.5B in FY24 and employed an estimated 51,000 Australians, working in around 4400 businesses.

ACAPMA is first and foremost an employer organisation that is formally recognised under Australian law as the *industrial advocate* for fuel marketing and fuel distribution businesses. First established in 1976, the Association started operations as the Australian Petroleum Agents and Distributors Association (APADA) and subsequently changed its name to ACAPMA in 2007. The name change was accompanied by a change in the Association's Constitution to incorporate national representation of fuel retailers.

Today, the Association directly represents 95% of fuel distributors/wholesalers in the country and directly and indirectly (via franchisees and distributor-owned retailers) around 5700 of the 8100 service stations (i.e. 70%) operating in Australia.

The scope of ACAPMA's membership extends from the 'refinery gate' through to the forecourt of Australia's national network of service stations and petrol convenience outlets – including fuel importation, fuel wholesalers, fuel distributors, fuel retailers, petroleum equipment suppliers, and petroleum service providers.

ACAPMA's member businesses range from Australian-owned subsidiaries of international companies to large Australian-owned businesses, to independently owned mid-cap Australian companies, and small *single retail site* family-owned businesses.

Given the diversity of our membership base, ACAPMA strives to assemble an aggregate *whole-of-industry* perspective on key public policy and market regulation - with a view to providing policymakers and regulators with meaningful industry insights that are directly relevant to issues under consideration.

Given the wide variance in the market propositions (and market presence) of individual market participants, ACAPMA's aggregate *whole-of-industry* perspective should not be taken as necessarily being wholly representative of the position of any individual fuel retailer.

It is therefore possible that one or more of ACAPMA's members may have an individual enterprise position that varies markedly from the one presented in this paper.

3. Significance of cash payments to the fuel retail industry

The Australian Fuel retail industry comprises more than 3700 businesses operating an estimated 8162 retail sites across Australia, with most of these businesses being small to medium business.

These businesses sold an estimated 32 billion litres of fuel (i.e. petrol and diesel) to private households and businesses in FY24. An approximation of the profile of these transactions is provided in the table below:

Market descriptor	Petrol	Diesel
Annual volume sold through retail outlets in Australia	16.2B litres	15.7B litres
Average volume per transaction	47 litres	85 litres
Total no. of transactions per year	344M	184M
Estimated transaction value	$84	$153
Estimated number of ***electronic*** transactions per year (debit, credit and mobile wallet)	238M	104M
Estimated number of ***non-electronic*** transactions (i.e. cash and fuel cards	106M	80M

Note: Data utilised in this table has been extracted from the Australian Petroleum Statistics data sets produced by the Australian Federal Government (Australian Petroleum Statistics 2024 \| energy.gov.au) and information derived from ACAPMA's Monitor of Fuel Consumer Attitudes research series.

As evidenced by the above, ACAPMA estimates that cash (and fuel cards) account for around 31% of petrol transactions and 43% of diesel transactions that occurred in the national market during FY24. It is important to note, however, that a significant portion of these transactions (particularly in terms of diesel purchases) will be fuel-card related transactions.

An analysis of anecdotal feedback from a selection of member businesses reveals that although cash transactions remain an important component of fuel retail businesses, their use is in steady decline. Currently, cash transactions account for an average of 12% to 16% of total transactions in metropolitan service stations, while in regional and rural areas, the proportion is higher, ranging between 25% and 35%.

The implementation of a cash mandate poses the greatest risk to businesses operating in 'thinner' regional and rural markets, where access to cash services is becoming increasingly constrained. These areas face significant challenges due to the declining availability of banking services and rising costs of handling cash. As a result, a mandated requirement to accept cash in all transactions may contribute to increased product prices, further exacerbating affordability concerns for consumers in regional and remote areas.

4. Guiding insights and general statement of Association position

ACAPMA's specific commentary on the specific issues raised in the *Consultation Paper* (see Section 5.0 below) is founded on a series of guiding insights about the nature of cash transactions and cash management services within the national fuel industry. These insights are briefly discussed below.

4.1. Rising Cost of Cash Transactions

Much of ACAPMA's recent advocacy has focused on the rising cost of electronic payment transactions, yet it is equally important to acknowledge the increasing cost of handling cash. Several factors are contributing to the rising cost of cash transactions in the fuel retail sector:

a) **Decreased Availability of Business Banking Services:** The withdrawal of major banks from regional areas has made it increasingly difficult for fuel retailers to access cash services. This often results in significant losses in business productivity, as key staff members are required to travel long distances to deposit or collect cash, increasing operating costs.

b) **Increased Cost of Cash-in-Transit (CIT) Services:** The availability of affordable CIT services in regional areas is declining. Where services do exist, costs have increased substantially, making cash management more expensive for businesses.

c) **Risk of Internal Theft:** Fuel retail businesses operating in high-cash environments face an increased risk of employee theft. The need for stringent cash-handling procedures and loss prevention measures further adds to the cost of managing cash transactions.

4.2. Significance of the Regional Banking Inquiry with any decision to mandate cash

A cash mandate cannot be developed in isolation from broader considerations regarding the availability of business banking services, particularly in regional and rural areas. The Australian Government's response to the Recommendations of the recent Regional Banking Inquiry will have a significant impact on the ability of fuel retailers to manage cash effectively.

Within this context, it is worth noting the numerous multi-site retailers in regional areas of Eastern Australia are *already* forced to hold accounts with multiple banks because no single bank operates across all the regions in which they currently trade.

While the recent partnership between Australia Post and the four major banks provides a partial solution for individual consumers, it does not adequately address the needs of businesses. Service stations require access to cash services at scale, including the ability to manage substantial cash floats and conduct banking activities outside of normal business hours, and therefore the proposed Australia Post partnership in Regional Australia is unlikely to be a suitable solution.

Without solutions tailored to business needs, a cash mandate risks placing an undue burden on fuel retailers operating in these communities.

4.3. Defining Small Business for the Purpose of a Cash Mandate

The definition of a 'small business' within the context of a cash mandate requires careful consideration. While many individual service stations operate with high turnover figures, they often function as small businesses in practical terms, particularly in rural and regional communities.

Exempting these businesses from a cash mandate could undermine the policy's objectives, while failing to recognise their operational constraints may result in unintended financial hardship.

4.4. ACAPMA's Support (Qualified) of the proposed Mandate

ACAPMA supports the underlying objective of ensuring continued access to cash transactions, acknowledging that cash remains essential for fuel and grocery staples (e.g., bread, milk, and ice), particularly in the aftermath of natural disasters when electronic payment systems may be unavailable.

However, ACAPMA's support is qualified by the recognition that mandating cash acceptance will impose additional costs on service station operators, particularly in regional and rural Australia. These increased costs will, in turn, likely be passed on to consumers in the form of higher fuel prices, exacerbating cost-of-living pressures in these communities.

4.5. Exploring Cost-Effective Solutions for Cash Access in Regional Areas

Recognising the importance of maintaining cash accessibility without imposing undue financial burdens on businesses, ACAPMA believes that the Australian Government should explore alternative solutions to support cash availability in regional and rural areas. Potential solutions include:

a) **Shared Banking Services:** ACAPMA encourages consideration of shared banking models, as seen in the United Kingdom, where multiple banks co-locate within regional hubs to provide cash-handling services for businesses and consumers alike.

b) **Cash Recycling Initiatives:** ACAPMA is currently investigating electronically enabled cash recycling solutions, which would allow businesses and consumers to circulate cash more efficiently within regional communities. This approach could help reduce reliance on CIT services while ensuring businesses maintain access to cash as needed.

5. Specific comments on Consultation Paper Questions

The following specific comments are provided in response to the consultation questions presented in the Australian Treasury's Consultation Paper entitled: *Mandating Cash Acceptance (December 2024).*

Question 1: Are there other important reasons for people relying on cash payments?

ACAPMA supports the narrative presented in the Consultation Paper. Specifically, we believe that cash acceptance is critical in the aftermath of natural disasters when digital payment systems may be unavailable due to failures in the national data network or other connectivity issues.

Question 2: Do you support the proposed mandate scope and application as described in Box 3.1? If not, what are alternative approaches?

ACAPMA is generally supportive of the position outlined in the Consultation Paper.

Question 3: Do you support the proposed application of the mandate to "corporations in trade or commerce"? If not, what are alternative approaches?

ACAPMA is generally supportive of the position outlined in the Consultation Paper.

Question 4: Do you support the proposed definition of "essential goods or services"? If not, what are alternative approaches?

ACAPMA is generally supportive of the position outlined in the Consultation Paper.

Question 5: Do you support the proposed classification of "essential goods and services" and "non-essential goods and services" in Table 3.1? If not, what are alternative approaches?

ACAPMA is generally supportive of the position outlined in the Consultation Paper.

Question 6: Do you support the proposed definition of an "in-person payment"? If not, what are alternative approaches?

ACAPMA is generally supportive of the position outlined in the Consultation Paper.

Question 7: Do you support the proposed definition of an "exempt small business," including the treatment of franchise arrangements?

ACAPMA believes the proposed exemption will likely result in many service station businesses in smaller regional and rural centres being exempt, as most are single-site, family-owned enterprises operating below the $10M turnover threshold.

While many of these businesses will continue to accept cash voluntarily, exempting them from a legislative requirement has merit.

Regarding franchise networks, it is important to note that the proposed definition may inadvertently include larger fuel retail networks operating under commission agent arrangements, as these businesses are not technically franchises. Accordingly, it may be necessary to explicitly reference **"commission agent arrangements in the service station industry"** as defined under the *Competition and Consumer (Industry Codes – Oil) Regulation 2017*.

Question 8: Should there be additional exemptions beyond those for small businesses?

ACAPMA does not have additional exemption recommendations beyond those outlined in the Consultation Paper. However, care should be taken to ensure that exemptions are not so broad that they undermine the viability of cash services in regional and rural areas.

Question 9: Should the mandate be subject to a dollar limit, time limit, or a combination of both? If so, what should those limits be? If not, what alternative approaches do you suggest?

From the perspective of the fuel industry—where businesses operate 24/7 and handle a high volume of transactions—ACAPMA does not see merit in setting dollar or time limits on cash transactions.
Instead, cost mitigation should focus on strategies that improve business access to cash and reduce the expense of cash-in-transit (CIT) services.

Question 10: Do you have any additional comments on the mandate's scope and application, particularly its impact on regional, rural, and remote communities?

Please refer to the broader discussion in **Section 4** of this submission.

Question 11: What is the most effective way to educate businesses and consumers about the mandate?

ACAPMA largely supports the education strategies outlined in the Consultation Paper. Additionally, we see an opportunity for collaboration with State/Territory Governments and fuel price app providers to incorporate "cash accepted" as an attribute in service station listings.

Question 12: What measures can help ensure consumers have a consistent experience regarding where and when the mandate applies?

ACAPMA does not have additional recommendations beyond those outlined in the Consultation Paper.

Question 13: How should the mandate be enforced?

ACAPMA is strongly opposed to private enforcement of the mandate. Allowing customer-driven enforcement risks exacerbating already significant tensions between consumers and fuel retailers, particularly regarding petrol prices.

Furthermore, the suggestion of encouraging class action lawsuits against businesses as an enforcement mechanism is entirely inappropriate. Such an approach gives rise to potential vexatious litigation and competitor gaming to distract or damage other market participants.

ACAPMA urges policymakers to ensure that enforcement mechanisms do not further inflame hostility between customers and fuel retailers.

Question 14: Are supporting measures required in the cash-in-transit sector?

The primary challenge facing the CIT sector is one of supply economics. Cash transactions appear to have reached a sub-optimal scale, particularly in regional areas, making the provision of CIT services increasingly costly and unsustainable.

ACAPMA believes it is time to explore alternative solutions, such as cash recycling initiatives, which could improve cash accessibility while reducing reliance on expensive CIT services.

Failure to address this issue may lead to retail staff and management transporting significant sums of cash over long distances—a scenario that raises serious safety concerns.

Question 15: Are supporting measures required to maintain access to cash for businesses and consumers?

A standalone cash mandate is likely to increase the cost of cash transactions for businesses and consumers—especially in smaller regional and rural communities.

To mitigate this risk, ACAPMA recommends targeted initiatives, such as:

- **Shared Banking Services** (similar to the UK model, where multiple banks co-locate in regional hubs).
- **Cash Recycling Initiatives** (as outlined in **Section 4.5**).

Additionally, collaboration with State/Territory Governments and fuel price app providers could enable consumers to easily identify businesses that accept cash.

Question 16: What metrics or data points are important for monitoring a cash acceptance mandate?

Two principal data points should be considered:

1. **Geographic distribution of exempt businesses** – Many service stations in regional areas will likely fall below the $10M turnover threshold. However, due to a lack of available data, ACAPMA cannot determine the exact proportion of exempt businesses.
2. **Cost intensity of cash management services** – Regional businesses likely face higher per-unit costs for CIT services compared to metropolitan businesses. However, new data collection is required to quantify these costs.

Question 17: Can you quantify the potential benefits of the mandate for consumers? Can you quantify the potential costs for businesses?

Consumer benefits are largely intangible, centred on ensuring cash acceptance rather than delivering financial savings.

However, unintended consequences—such as higher costs for businesses and consumers—are likely, particularly in regional and rural areas where reduced demand for cash leads to higher unit costs for cash services.

The implementation of a $10M revenue threshold for liable businesses, combined with the fact that most businesses in rural areas are small, single-site, family-owned enterprises, suggests that rural communities may derive minimal benefit from the mandate.

Question 18: What lead times are appropriate for implementing the legislation? What factors could impact these lead times?

The effectiveness of the mandate will depend on developments in two related policy areas:

a) **The Senate Inquiry on Regional Bank Closures** – Any reforms addressing the decline in regional banking services will influence cash accessibility.

b) **The viability of cash-in-transit services** – The sole national CIT provider has raised concerns about the long-term sustainability of these services.

Although fuel retailers currently continue to accept cash, the timeline for implementing a mandate should align with broader policy developments affecting regional banking and cash management services.

6 Summary

ACAPMA maintains that the cost of supporting cash transactions is already rising for businesses in the fuel industry, both in terms of direct financial costs and productivity losses. This challenge is particularly pronounced in smaller regional centres and rural markets, where banking services are limited—or, in some cases, unavailable altogether.

In this context, imposing a cash mandate is not a cost-neutral initiative. ACAPMA believes that any such legislation must be accompanied by complementary measures to prevent cost pass-through to consumers—especially in high-volume, low-margin industries like fuel retailing, where significant increases in business costs inevitably translate into higher prices for goods and services.

To ensure cash remains accessible without placing undue financial burdens on businesses and consumers, ACAPMA urges the Australian Government to explore solutions that support affordable cash services in regional and rural areas. This could be achieved either as an alternative to mandating cash or as a mitigating measure to offset cost risks in these markets. Potential solutions include:

- **Shared Banking Services:** ACAPMA encourages the consideration of shared banking models, as successfully implemented in the United Kingdom, where multiple banks co-locate within regional hubs to provide cash-handling services for both businesses and consumers.
- **Cash Recycling Initiatives:** ACAPMA is actively investigating electronically enabled cash recycling solutions that allow businesses and consumers to circulate cash more efficiently within regional communities. This approach could reduce reliance on costly cash-in-transit (CIT) services while ensuring businesses maintain necessary cash access.

ACAPMA is committed to collaborating with policymakers to develop solutions that support consumer choice while ensuring the long-term sustainability of fuel retail businesses across Australia. In particular, we are keen to work with the Government on a demonstration project for an innovative **Cash Recycling Initiative**, which is already under active consideration by the Association.

Thank you for the opportunity to provide feedback on this Consultation.

Yours sincerely,

Mark McKenzie
Chief Executive Officer

7 Further information

Further information about this submission can be obtained by contacting the Chief Executive Officer, **Mark McKenzie**, using any of the below details:

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