

ATM Industry Reference Group

A submission to the Senate Economics Committee

**Inquiry into the Banking Amendment (Delivering Essential
Financial Services for the Community) Bill 2010**

16 July 2010

The Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra, ACT 2600

Email: economics.sen@aph.gov.au

Dear Secretary,

Thank you for the opportunity to make a submission to the Committee's inquiry into the Banking Amendment (Delivering Essential Financial Services for the Community) Bill 2010.

The ATM Industry Reference Group (AIRG) was established in early 2008 to provide an industry voice for the independent ATM sector. Three organisations are involved, representing close to 50 per cent of all ATMs currently operating across Australia and more than 90 per cent of all independently operated ATMs.

The members are:

- The BANKTECH Group Pty Ltd
- Customers Limited
- First Data International (Cashcard Australia Ltd)

The placement of independently-deployed ATMs relies on revenues generated by ATM 'direct charging' which was introduced in March 2009. The removal or capping of the direct charge would impact device numbers and the continued growth of these networks, resulting in reduced points of presence for cardholders.

As a result, the AIRG does not believe the proposals relating to ATM fees contained in this Bill would offer aggregate benefits to cardholders.

We believe the current structure for charging for ATM services has created a competitive environment for the provision of ATM services which, in turn, has increased transparency for cardholders, driven down aggregate fees paid for accessing cash through ATMs and ultimately increased the number of cash access points for cardholders.

This position is consistent with the Reserve Bank of Australia's (RBA) recent study into direct charging entitled *Reform of the ATM System – One Year On*, in the *RBA Bulletin: June Quarter 2010*.

In the twelve months since direct charging was introduced, the RBA has shown that cardholders have paid \$120 million less in ATM fees, while choice and transparency has been increased. Furthermore, the new charging regime has encouraged ATM networks to expand, including into remote areas that previously would not have been viable as ATM sites, increasing cardholders' access to cash.

The role of ATMs

ATMs fulfil a vital role in providing cash access for cardholders.

The total costs for deploying ATMs can vary significantly and extend far beyond the notional price of processing transactions. These costs include:

- ATM hardware, installation and maintenance
- Compliance and security requirements
- Ongoing software upgrades
- Cash deliveries, armed guards and cash management
- Site rental costs to ensure ATMs are located in convenient locations

The RBA's review of the ATM system

The RBA has recently concluded an in-depth study of the direct charging system entitled *Reform of the ATM System – One Year On*. Direct charging was introduced in March 2009 to increase transparency in the fees charged to cardholders for using ATMs not belonging to their own financial institution. This review found that:

- ATM fees are now more transparent
- This has resulted in a change of cardholder behaviour, with a move towards more 'own bank' transactions
- This has led to an overall reduction in the total amount of ATM fees paid in Australia
- The new system has encouraged an increase in the supply of ATMs
- ATMs are now available in locations and circumstances that previously would not have been possible

As a result, we believe the current system of charging for ATMs provides cardholders with more transparency and increased access to cash, while encouraging the further growth of ATM networks.

We do not believe changing this system would offer cardholders aggregate benefits and may lead to a decrease in the number and geographical spread of ATMs, ultimately decreasing cash access points.

Yours sincerely,



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