

CHAPTER 11

AUTOMATIC TELLER MACHINES AND ELECTRONIC FUNDS TRANSFER AT POINT OF SALE TERMINAL

11.1 The report so far has concentrated on banking services provided over the counter. It now turns to self-service models and looks at this mode of banking to assess its adequacy as a substitute for full branch services. This chapter examines two forms of electronic banking, Automatic Teller Machines (ATMs) and Electronic Funds Transfer at Point of Sale (EFTPOS).

11.2 ATMs and EFTPOS terminals have mushroomed over the last decade. The number of ATMs in the economy has increased since 1990 by over 350 per cent from 4,636 to 21,603 and EFTPOS outlets by almost 2,700 per cent from 15,514 to 433,640 over the same period.

Table 11.1—ATMs and EFTPOS terminals in Australia 1990–2002¹

Points of Access to the Australian Payments System		
	ATMs	EFTPOS terminals
June 1990	4 636	15 514
June 1991	4 956	22 752
June 1992	5 314	26 260
June 1993	5 483	30 486
June 1994	5 910	51 707
June 1995	6 422	88 082
June 1996	7 465	123 984
June 1997	8 670	177 766
June 1998	9 472	230 573
June 1999	10 089	278 238
June 2000	11 819	333 739
June 2001	13 289	375 883
June 2002	16 398	415 167
June 2003	21 603	433 640

1 Reserve Bank of Australia, C05 Points of Access to the Australian Payments System, http://www.rba.gov.au/Statistics/Bulletin/index.html#table_C (updated version, 9 July 2003); Australian Payments Clearing Association Limited, Number of ATMs and EFTPOS terminals, http://www.apca.com.au/Public/apca01_live.nsf/All/B59D1DB6DBB94A256DB... (9 October 2003)

11.3 Concomitantly, the use of ATMs and EFTPOS by Australians has grown substantially. The Australian Payments Clearing Association (APCA) has compiled a table illustrating the increasing popularity of this mode of banking in Australia and overseas. Table 11.2 shows that in 1999 Australia had a higher number of EFTPOS terminals per head of population than any member of the Group of Ten (G10) nations. According to the RBA, Australia now has the highest rate of EFTPOS terminal penetration of all industrialised nations except New Zealand.² In the case of ATMs per head of population, Australia is about average compared with G10 countries.³

Table 11.2—The number of EFTPOS terminals and ATMs in Australia and the G10 Nations⁴

	EFTPOS terminals per million inhabitants		Cash dispensers and ATM terminals per million inhabitants		
	1995	1999		1995	1999
Australia²	4684	13,998	Australia	372	532
G10 nations³			G10 nations		
Belgium	7174	9767	Belgium	360	608
Canada	6448	13,278	Canada	600	874
France	9394	13,529	France	395	549
Germany	856	3658	Germany	436	562
Italy	2683	7542	Italy	378	523
Japan	200	na	Japan	1013	1143
Netherlands	4736	9186	Netherlands	378	423
Sweden	6160	9155	Sweden	267	291
Switzerland	3499	8602	Switzerland	532	655
UK	8647	11,765	UK	358	476
US	2010	8604	US	466	831
Notes					
1. APCA quarterly ATM/EFTPOS terminals statistics collection, June 2001.					
2. <i>Payment Systems in Australia</i> , June 1999, Bank for International Settlements.					
3. <i>Statistics on Payments in the Group of Ten Nations</i> , 1999, Bank for International Settlements.					

2 Reserve Bank of Australia, 'The Changing Australian Retail Payments Landscape', *Reserve Bank of Australia Bulletin*, July 2003, p. 4.

3 APCA, *Payments Monitor*, Fourth Quarter 2001.

4 APCA, *Payments Monitor*, Fourth Quarter 2001.

Background—ATMs and EFTPOS

11.4 Without question, the number of points of access to a banking service has soared in the last few years due largely to the increasing popularity of electronic banking. While bank branch numbers are in decline the use of ATMs and EFTPOS terminals has risen dramatically. Many consumers are attracted by the ease and convenience of using ATMs and EFTPOS.⁵

11.5 ATMs are designed to process transfers between linked accounts, answer balance enquiries, generate statements that include transaction history and cash withdrawals. Although not all ATMs accept deposits, some perform advanced transactions such as cheque deposits and bill payments.

11.6 ATMs are located on the premises of ADIs and are also found as stand alone installations in clubs, hotels, retail outlets and businesses. Customers have ready access outside normal banking hours but not all are accessible 24 hours a day because the trading hours of the business outlet in which they are located may determine access. Authorisation is via a personal identification number (PIN) and access is unassisted. An ADI may own and operate an ATM or customers from one institution may have access to an ATM owned by a third party.

11.7 EFTPOS terminals are located at retail outlets which enables an authorised cardholder to purchase goods and services using either deposit or credit funds and may also withdraw cash using deposit funds. In order to conduct an EFTPOS transaction the cardholder's magnetic stripe card is swiped in an EFTPOS terminal. Cardholder authentication is by signature or PIN. Access is with the assistance of the retailer and is thus restricted to the operating hours of the particular retail outlet.⁶

11.8 There are also hand-held mobile EFTPOS terminals which can be used by trades people and independent business people while on the job.

ATMs and EFTPOS—consumer benefits

11.9 The availability of an ATM or EFTPOS can make the transfer of payments safer and less costly.⁷ They lessen the need for travel to bank premises, reduce the dangers of carrying cash to perform transactions or the need to hoard sums of money.

11.10 The submissions most in praise of EFTPOS were those from people in the outlying areas of Australia who appreciated the convenience in not having to make

5 The growing popularity of ATMs and EFTPOS was discussed in chapter 2 under the headings, 'Technological developments' and 'Changes in consumer preferences', paragraphs 2.24– 2.39.

6 APRA, Form ARF 396.0: Points of Presence.

7 See for example, Report of the Human Rights and Equal Opportunity Commission on a reference from the Attorney-General, *Accessibility of electronic commerce and new service and information technologies for older Australians and people with a disability*, 31 March 2000, p. 9 of 35, http://www.hreoc.gov.au/disability_rights/inquiries/ecom/ecomrep.htm (31 October 2002).

long journeys to conduct a basic banking transaction. The Gulin Gulin & Weemol Community Council Aboriginal Corporation informed the Committee that previously, council had made a weekly run to Katherine for a cash payroll but due to the cost and seasonal problems it had abandoned this practice in favour of paying employees by EFTPOS. It stated ‘every employee now has a bank account, and is able to use their keycard to purchase goods at the store’.⁸ Similarly, the Nauiyu Nambiyu Community Government Council noted that EFTPOS can overcome the problems of distance.⁹

11.11 According to the Laverton Council, most businesses in the town of Laverton operate with EFTPOS facilities. It informed the Committee that the larger percentage of the residents of the shire are aboriginal and many of these people have learnt to operate and purchase goods under the EFTPOS system.

11.12 In noting the proliferation of EFTPOS outlets, the Northern Areas Council observed that they had gone some way to negating the downside of rationalisation within the banking sector. It stated:

Accessing cash and purchasing goods electronically are now much easier although business banking and cash deposits can still be difficult in a town without a bank branch or agency.¹⁰

It suggested further that good EFTPOS facilities change the way most residents go about their business. It noted that there is less need to carry cash and customers tend to favour those businesses offering EFTPOS thereby putting ‘pressure’ on all businesses to participate in the program.¹¹ This form of electronic banking is also cheaper than over-the-counter transactions.

Fees and charges

11.13 A number of studies agree that advances in information technology have reduced the cost of transmitting, processing and storing information which in turn has cut the costs of providing a range of financial services.¹²

11.14 Statistics reveal that the average fee levied across all electronic transactions is significantly less than that of paper-based transactions and over-the-counter services.

8 *Submission 8*, p. 1. APRA, Form ARF 396.0: Points of Presence, also describes similar means of payments—Electronic Funds Transfer at Point of Banking (EFTPOB) and Credit Authorised Transfer (CAT)/CAT with Merchant Data CAPture (CAT/CAP).

9 *Submission 5*, p. 2.

10 *Submission 3*, p. 2.

11 *Submission 34*, p. 2.

12 See for example Christopher Kent and Guy Debelle, *Trends in the Australian Banking System: Implications for Financial System Stability and Monetary Policy*, Research Discussion Paper, Reserve Bank of Australia, March 1999, p. 9. Notes on Bank Fees in Australia, prepared for the information of members of the House of Representatives Standing Committee on Economics, Finance and Public Administration, May 2000.

The table below shows that over-the-counter transactions not only attract a higher fee than a transaction using an ATM or EFTPOS but that fees for paper-based transactions have increased substantially over the last decade.¹³

Table 11.3—Deposit Account Transaction Charges of Major Banks ^{(a) 14}

	1991	1995	1998	1999	2000	2001	2002
Deposit accounts:							
Account-Servicing (per month) ^(b)	0.00	2.00	3.50	3.75	3.75	3.75	5.25
Fees per excess transaction							
- Counter withdrawals	0.50	1.00	2.00	2.15	2.15	2.75	2.50
- Cheques	0.50	0.70	0.65	0.75	0.75	0.90	1.00
- Own bank's ATM	0.30	0.40	0.55	0.60	0.60	0.65	0.60
- Other bank's ATM	0.30	0.40	1.05	1.30	1.40	1.40	1.40
- EFTPOS	0.30	0.40	0.45	0.50	0.50	0.50	0.45
- Telephone	NA	NA	0.30	0.35	0.35	0.45	0.45
- Internet	NA	NA	0.20	0.30	0.30	0.25	0.25
Memo items:							
Number of free transactions (monthly) ^(c)	11	11	8	8	8	8	
Range of minimum balances required to waive account-servicing fees (\$)	0-500	300-500	500	500-2000	500-2000	2000	

- a) Average for four largest banks. Based on public information on selected, widely used accounts. As at June of each year.
- (b) Some banks offer rebates/waivers based on either the transaction account balance or the overall 'relationship' balance.
- (c) All accounts that charge a monthly account-servicing fee allow some fee-free transactions.

Sources: Cannex; RBA

Drawbacks for consumers

11.15 ATMs and EFTPOS clearly answer the immediate and pressing needs of communities without ready access to basic banking services. They offer the

13 See also Tim Noonan, *Accessible E-Commerce in Australia*, A Discussion Paper about the Effects of Electronic Commerce Developments on People with Disabilities, p. 30 of 91 <http://www.softspeak.community.au/ecrep10.htm> (30 October 2002).

14 The Table is a compilation of figures taken from *Reserve Bank of Australia Bulletin*, June 1999, p. 3; July 2001, p. 3; and April 2003, p. 3. There is a discrepancy in the figure given for 2001 for fees on cheques with the 2001 figures recording a fee of \$1.00.

convenience of proximity and extended hours of service. They also lessen the need to travel to bank premises, reduce the hazard of carrying cash to perform transactions and, in the case of ATMs, provide additional information such as account statements. Nonetheless, evidence to this Committee suggests that some consumers are not benefiting fully from this technology.

11.16 The following section looks at some of the barriers that discourage the use of ATMs and EFTPOS in regional, rural and remote Australia which include:

- service not available due to costs involved in installing and maintaining equipment;
- limited range of services; and
- consumer resistance due to:
 - safety and security concerns and
 - competency and confidence in using the facilities.

Distribution of ATMs and EFTPOS terminals

11.17 Despite their sheer number, ATMs and EFTPOS terminals do not meet all the banking needs of country people. To start with some localities such as Nannup and the small town of Yacka do not have access to this technology. In regard to ATMs, the Lockhart Shire Council noted that ‘a principal concern is that none of the existing banks offer ATM facilities’.¹⁵ Clearly, ATMs and EFTPOS are not commercially attractive ventures in some areas.

Costs and security

11.18 The costs involved in installing and servicing the equipment and low turnover are the main obstacles to installing an ATM or EFTPOS in small, particularly remote communities. The Gulin Gulin & Weemol Community Council Aboriginal Corporation explained that they had contacted Electronic Banking Solutions regarding installation of an ATM but noted that managing the cash flow for such a machine is beyond the immediate capacity of council or the shop enterprise. The costs of transporting cash are also significant.¹⁶

11.19 The Nauiyu Nambiyu Community also mentioned the reluctance of banks to provide ATMs especially in isolated districts because of the problems of security of the machine and the high costs of servicing the equipment.¹⁷ Mr Weber from the Rosalie Shire Council pointed to the problem of servicing the equipment and noted

15 *Submission 25*, p. 2.

16 *Submission 8*, p. 2.

17 *Submission 5*, p. 2.

that the ATM in Goombungee spends '90 per cent of its time with an "out of order" sign on it.'¹⁸

11.20 Mr Hugh Harley, Commonwealth Bank, cited the two main issues a bank considers when deciding whether to install an ATM—turnover and the costs involved in servicing the machine. In turning to the costs, he explained that ATMs have to be serviced on a regular basis and that servicing is often separate from the provision of other services.¹⁹

11.21 Similarly, the Swan Hill Rural City Council submitted that the 'costs of installing and maintaining EFTPOS facilities is not attractive for many smaller businesses in smaller towns'. It suggested that if these costs could be reduced, residents within these communities would have access to currently unavailable financial transaction services and their reliance on more traditional methods of payment such as cash and cheque, would be greatly reduced.²⁰

11.22 In the opinion of some witnesses there should be, despite the commercial and logistical obstacles to installing and maintaining such facilities, ready access to ATMs and EFTPOS particularly in very remote areas of Australia. The Shire of Greenough asked that banking and financial institutions install more ATMs in rural and regional Western Australia. It went further to suggest that the installation of these ATMs should be a community service to many isolated communities.²¹ Similarly, the Catholic Women's League (Tasmania) recommended that banks provide zero cost ATM facilities in all regional centres and country towns.²² The Weddin Shire Council suggested that, because there is little chance of a bank installing an ATM in the smaller centres, a joint installation may well be economical.²³

Limited services

11.23 Problems can arise even in towns that do have an ATM or EFTPOS facility. For the ease and convenience offered by ATMs and EFTPOS, they, however, provide only limited services involving cash withdrawals and deposits. There are also restrictions on their use such as thresholds on the amounts to be withdrawn and some do not accept deposits. ATMs do not help local businesses manage their cash flow nor in any way assist people in obtaining financial advice. EFTPOS also does not provide an account statement. This limitation has caused particular difficulties for Indigenous

18 *Committee Hansard*, 22 May 2003, p. 465.

19 *Committee Hansard*, 25 February 2003, p. 130.

20 *Submission* 13, p. 2.

21 *Submission* 35, p. 1. The Swan Hill Rural City Council also suggested that there was merit in considering 'some form of assistance to business in the smaller communities to install and utilise EFTPos facilities within their establishment.' *Submission* 13, p. 2.

22 *Submission* 28, p. 1.

23 *Submission* 64, p. 1.

Australians living in the more remote areas of Australia and is examined in depth in chapter 15.

Safety, security, competency and confidence

11.24 Another concern about the use of ATMs and EFTPOS was the personal safety of the consumer and the integrity of the system. The matter of personal security has two aspects. As noted earlier ATMs and EFTPOS offer consumers the safety of not having to withdraw larger sums of cash. On the other hand, the Post Office Agents Association Ltd noted that concerns for security and lack of confidence or familiarity with the use of certain types of transactions contributes to consumer resistance to the use of new channels. It explained that customers can be happy using ATMs for withdrawals but not for making deposits. Elderly customers in particular are not always comfortable with ATMs and other electronic channels.²⁴ Easy and safe access to equipment has received particular close consideration in recent years.

Physical access and industry standards

11.25 In August 1999, aware of the growing place of modern technology in the delivery of services, the Attorney-General, the Hon. Daryl Williams MP, asked the Human Rights and Equal Opportunity Commission to *inter alia* examine the difficulties and restrictions faced by older Australians and those with a disability in achieving full and equal access to services utilising new technologies. The Commission was also to suggest minimum standards that should be met when introducing new technologies into service provision.

11.26 The report by the Commission drew attention to the inaccessibility of many ATMs and EFTPOS facilities to people with limited vision, manual dexterity difficulties or memory loss, or who are using a wheelchair as well as concerns for safety when using an ATM and security when using an EFTPOS facility.

11.27 Following the release of this report, the ABA worked closely with the financial services industry, technical experts, the Human Rights Commission and representatives from the disability and older Australian communities to develop standards. In April 2002, the Australian banking sector launched a set of industry standards designed to improve accessibility of electronic banking facilities for the elderly and those with a disability.²⁵ The commentary accompanying the standards acknowledged that 18.4 per cent of the Australian population can be categorised as

24 *Submission 77*, p. 8.

25 See Australian Bankers' Association, Media Release, 'Launch of Industry Standards—important steps to help overcome the digital divide for people with disabilities and older Australians, 15 April 2002 and 'Credit where credit is due HREOC welcomes banking standards', Australian Bankers' Association, 15 April 2002, Association Article, www.bankers.asn.au See also Australian Bankers' Association, *Australian Bankers' Association Industry Standard*, for ATMs, *Australian Bankers' Association Industry Standard*, for EFTPOS. Paul Budde Communication Pty Ltd., *Telecommunications and Information Highways, Australia—EFTPOS, ATMs. doc*, 2003.

having a disability with the proportion even higher for older people. It went on to state that while not necessarily defined as disabled, older people may have general reduced ability associated with age such as hidden disabilities including heart impairment, breathing difficulties and psychological dysfunction, such as stress which can make it difficult for them to cope with electronic banking services. It went on to state:

Problems that arise are mainly concerned with getting about, gaining access to buildings and transport, using products and equipment and carrying out the activities of daily life.²⁶

11.28 The standards announced in April 2002 contain detailed descriptions on the design, installation and operation of electronic banking services to ensure they are more accessible. According to the Disability Discrimination Commissioner 'Talking ATMs to assist blind people; clearer, more consistent instructions on telephone transactions and operating features at a height accessible to people who use wheelchairs are examples of things covered by the standards'.²⁷

11.29 Even though formulated to cater specifically to the needs of people with a disability, the implementation of the standards means that all consumers will benefit from equipment designed to make ATMs and EFTPOS easier and safer to use, more secure and more accessible. The Human Rights Commission commended the development of the standards and stated:

These standards reflect best practice and when implemented Australia will be well placed to become a world leader in the area of accessible e-commerce.²⁸

The standards are voluntary and the Commission encouraged all financial institutions to move swiftly to implement them.

11.30 The Committee endorses the work being done by the banking industry to improve access to electronic banking and supports the Human Rights and Equal Opportunity Commission in urging the financial services sector to adopt and implement the standards promptly. The Committee emphasises here that one of the major problems in country Australia is the lack of options in conducting banking business. An ATM or EFTPOS may be the only banking facility available to people in the district. Because of this lack of choice and the other difficulties experienced by country people in carrying out basic banking activities, the Committee therefore makes the following recommendation.

26 Australian Bankers' Association, *Australian Bankers' Association Industry Standard, for ATMs*, April 2002, p. 44.

27 Australian Bankers' Association, Media Release, 'Credit where credit is due HREOC welcomes banking standards', 15 April 2002.

28 Australian Human Rights and Equal Opportunity Commission, Media Release 'Credit where credit is due HREOC welcomes banking standards', 15 April 2002, http://www.hreoc.gov.au/media_releases/2002/18_02html (26 April 2003.)

Recommendation 12

The Committee recommends that all ADIs place a high priority on introducing the industry standards governing ATMs and EFTPOS in the more remote areas of Australia.

The Committee further recommends that the ABA monitor and report on the progress made in implementing these standards in rural, regional and remote Australia.

11.31 The Committee also takes note that some people are loath to use ATMs and EFTPOS because they lack the confidence to use this type of technology. The Committee believes that much of this reluctance can be overcome with careful planning and appropriate education. The Committee accepts that banking and financial service providers could do more to help people adjust to electronic banking and to better promote the new technologies. This matter also relates to telephone and internet banking and is discussed at length in chapter 13.

Foreign ATMs—fees and charges

11.32 In October 2000, the Reserve Bank of Australia and the ACCC in a joint review of bank fees found that cardholders using another institution's ATM were, in many cases, paying 'substantially more' than the cost of the service, raising questions about competition in ATM charging.²⁹ Table 11.3 indicates that the situation remains much the same.

11.33 While the fees charged for the various forms of electronic banking are relatively inexpensive, the Committee notes the discrepancy between fees incurred for using an ATM of one's own bank compared to another bank's ATM. A number of submissions also noted the extra charges placed on foreign ATMs.³⁰ This situation is particularly relevant for people living in regional and remote Australia, where there are few banking alternatives. Thus, because of the limited range of service channels, they may have little choice but to use a foreign ATM where the fee may be well over double that for using their own bank's ATM.

11.34 Indeed, the Victorian Farmers Federation noted that many towns do not have ATMs established by all major banks which results in increased transaction fees for residents using other-institution ATMs.³¹ It recommended that the benefits and costs of establishing no-fee or low-fee ATMs servicing all major banks in rural communities without access to similar services be explored.

29 ATM Industry Steering Group, *Discussion Paper Direct Charging for 'Foreign' Automatic Teller Machine (ATM) Transactions in Australia*, 4 March 2003, p. 3 of 24.

30 New data collected by the Reserve Bank of Australia shows that 'foreign ATM transactions have increased significantly to more than 40 per cent of ATM cash withdrawals in 2002, up from around 30 per cent in 1999'. Reserve Bank of Australia, 'The Changing Australian Retail Payments Landscape'; *Reserve Bank of Australia Bulletin*, July 2003, p. 7.

31 *Submission 104*, p. 8.

11.35 A recent paper released by the ATM Industry Steering Group (AISG) was designed to facilitate discussions around the options for reform of ATM interchange fee arrangements. In setting out its objectives for voluntary reform, the AISG identified eight key objectives to guide the reform process and consideration of charging models. While a number were concerned with promoting retail price competition, and competition amongst industry participants and service providers, it did not mention the particular circumstances in some regional, rural and remote areas where competition to supply ATMs is weak or non-existent.³² The Committee does not believe that any reform to the ATM fee structure should result in increased fees for people living in country Australia. It would like to see the Study Group include in its considerations the matter of competition and the fees and charges incurred in using ATMs in regional, rural and remote Australia especially charges attached to foreign ATMs.

Recommendation 13

In turning to the matter of the additional costs imposed for using a foreign ATM, the Committee recommends that banks implement measures to minimise the penalties imposed on their customers living in areas where they have no choice but to use a foreign ATM.

Recommendation 14

The Committee recommends that the ATM Industry Steering Group include in its considerations on the reform of ATM interchange fee arrangements the special circumstances of fees and charges associated with the use of foreign ATMs in rural, regional and remote Australia. The focus of the group would be on building into any proposed reform of the ATM fee structure safeguards that would ensure that people living in country towns and remote communities do not incur significantly higher fees or charges for using a foreign ATM and that an unreasonable or unwarranted differential in fees and charges between those in rural and remote areas and those in metropolitan areas does not develop.

11.36 Having made this recommendation, the Committee nonetheless decided that further inquiry was necessary to highlight the importance of ensuring that those living in regional, rural and remote Australia reap the benefits of any proposed reform to the ATM fee structure. The Committee held a public hearing devoted to this matter and has produced a supplementary report.

11.37 The Committee acknowledges that banks have wisely adopted new technology and are promoting its use. It notes, however, that ADIs should remain cognizant of the limitations of the new technology and accept that electronic banking at the moment complements but does not substitute for the full range of banking services offered through the traditional bank branch.

32 ATM Industry Steering Group, *Discussion Paper Direct Charging for 'Foreign' Automatic Teller Machine (ATM) Transactions in Australia*, 4 March 2003, p. 16 of 24.

11.38 The following chapter continues the Committee's examination of the role of modern technology in providing banking and financial services to country Australia.