



Senate Standing Committee on Economics

Matters Relating to Credit Card Interest Rates

Submission of the Independent ATM Industry
Group

10 August 2015



1. Introduction

The Independent ATM Industry Group (IAIG) is pleased to provide a submission to this inquiry for the consideration of the Committee. This submission focuses on the following component of the following Terms of Reference:

- d. the cost to consumers, including those related to:
 - iv. card fees, including ATM and POS fees;

The IAIG believes it is important to provide some clarity on how the ATM network operates as well as the costs of providing its services to consumers.

It calls upon all levels of government to recognise the cost incurred by providers of ATM services when determining government policy.

1.2 About the Independent ATM Industry Group (IAIG)

The IAIG comprises independent automatic telling machine (ATM) providers Banktech, Cashcard and DC Payments.

Together, IAIG members operate more than 85 per cent of all independently-owned ATMs and approximately 55 per cent of all ATMs in Australia.

In gaming venues, IAIG members own and operate more than 95 per cent of ATMs.

IAIG members' core business is to enable cardholders of all financial institutions to access their own cash in convenient, safe and secure locations.

IAIG members are committed to working co-operatively with governments at all levels in Australia on regulatory and compliance issues relating to ATMs.

1.3 About the ATM industry

ATMs deliver a valuable service to consumers by providing convenient access to cash.

An ATM is a machine which allows consumers to access their own cash provided their card issuer (financial institution) authorises the transaction. It is not an electronic gaming machine (EGM), nor is it a short-term credit machine.

ATMs in retail and gaming venues offer convenient, safe and secure environments for the handling of cash for customers, particularly after dark.

The importance of providing safe, secure and reliable access to cash should not be underestimated. In some areas, particularly rural and regional communities, independent ATMs in retail and gaming venues have assumed the role of quasi banking institution as traditional banking facilities have significantly reduced or been withdrawn entirely from communities in recent years.

The ATM industry is highly regulated and operates in a complex legislative and regulatory environment overseen by Federal and state governments.

Over the last five years, IAIG members have had to manage a high degree of regulatory change, uncertainty and duplication in relation to their operations in licensed venues and the introduction of measures to deal with problem gambling. This uncertainty and potential duplication across various levels of government has made it difficult for IAIG members to invest and plan with confidence.

Compounding this issue has been the dramatic change in the ATM industry and significant reduction in the volume of transactions. The introduction of contactless card transactions and cash out facilities offered by most small retailers and major supermarkets has dramatically impacted consumer behaviour towards cash transactions and the need to access cash via ATMs. The volume of cash withdrawals from ATMs provides a measure of the change in spending patterns, with a move from cash to plastic and according to the latest Reserve Bank payment figures, there has been a declining trend in the volume of transactions since 2009. The last twelve months to May 2015 has been the lowest volume of transactions since the twelve month period to May 2003.¹ This shift in consumer behaviour presents considerable challenges for the industry, which IAIG members are currently tackling.

2. Understanding the ATM Network

ATMs are an integral part of the network of access points provided by banks/financial institutions and independent operators to enable bank customers to access cash from their accounts.

The structure of the network is often described as being a “four-party system” because up to four parties are involved in a single transaction:

- The card-holder;
- The issuer of the card-holder’s card (always a financial institution);
- The acquirer of the ATM transactions (most often a financial institution); and
- The ATM owner/operator (deployer).

When the ATM owner/operator, the acquirer and issuer are different entities, technological and contractual links exist in the form of bilateral agreements between parties on funds clearance and settlement, technology platforms and costs.

The three members of the IAIG are not card issuers and one (Cashcard) acquires its own ATM transactions.

2.1 Understanding ATM Fees

The fees charged to consumers are transparent as a result of the direct charging reforms introduced by the Reserve Bank of Australia (RBA) in early 2009.

In simple terms, card issuers or card-holders pay a fee to ATM operators for each transaction, who, in turn, generally pay a fee to acquirers for processing ATM transactions.

¹ Reserve Bank Statistical Tables, Payments Systems, Table c 4 ATM cash withdrawals

In addition to providing a small margin to operators, this fee covers a whole range of costs, including:

- Capital investment (i.e. ATM hardware and software, installation and signage)
- Running costs (i.e. technical maintenance)
- Telecommunication costs
- Transaction processing/ acquiring cost
- Cash services (i.e. delivery, funding and security of cash)
- Site rental (i.e. the fee paid to the 'landlord' or merchant hosting the ATM)
- Software development
- Regulatory compliance
- Insurance
- General overheads

Each of these categories applies to each ATM. It is important to note that as a result of the changing market and the decline in ATM transactions, it is becoming increasingly expensive to offer ATM services across the country; ATM deployers are also required to manage their businesses very carefully to ensure ongoing viability.

3. Recommendation

The IAIG recommends no change to current fee regulations or signage/disclosure requirements.

4. Conclusion

IAIG members are committed to working co-operatively with governments at all levels in Australia on regulatory and compliance issues relating to ATMs.

IAIG members provide a valuable service to consumers by providing convenient access to cash. Providing these services comes at a cost which is fully transparent to the consumer.

IAIG members call upon all levels of government to recognise that this cost burden is reasonably apportioned to consumers as a fee-for-service.

We trust that the above information provides some insight into the ATM industry and also the costs associated with providing this service.