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Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

To Whom in May Concern

Submission from ATMIA on the Banking Amendment (Delivering Essential Financial Services for the Community) Bill 2010

1. ATMIA is a global non-profit trade association with over 1,750 members in 50 countries. Our mission is to promote ATM convenience, growth and usage worldwide, protect the ATM industry's assets, interests, good name and public trust; and provide education, best practices, political voice and networking opportunities for member organizations.
2. The Banking Amendment (Delivering Essential Financial Services for the Community) Bill 2010 focuses on delivering essential financial services at reasonable cost. As a non-profit we wish to share information on ATM economics in the independent sector providing primarily off-branch convenience ATMs to the wider Australian public.
3. ATMs installed within Australia have grown from 10,089 in 1999 to around 28,000 in 2010 and independent operators were responsible for the lion's share of this growth, greatly extending ATM services to cardholders in locations close to where they work, live and shop.
4. Since the majority of citizens in today's consumer-orientated economies regard access to their banked cash as an essential part of their daily lives, ATMIA is always mindful of regulation that may have unintended consequences. Whilst ATMIA understands that the Banking Amendment (Delivering Essential Financial Services for the Community) Bill 2010 is not intended to relate or apply to the fees charged for services provided by independent ATM deployers, the association remains concerned about possible unintended consequences which may arise for the ATM convenience sector. For example, this regulation could cause the reduction of the range of convenient ATM locations available to consumers, and therefore ready access to cash, through not taking full cognisance of the nature of the operation of the payments system in Australia as

- well as the fundamental structure and commercial basis underpinning independent ATM deployers providing essential financial services to the Australian population.
5. ATMIA fully supports transparency in disclosing ATM charges to customers so they always know when and what they are going to be charged for, prior to completing a cash withdrawal at an ATM.
 6. Australia currently operates under a highly successful direct charging fee regime (introduced in March 2009) and the notion of reasonable cost and fee for service for ATM transactions needs to be contextualized within this system. The Reserve Bank of Australia report released in June 2010 examining the introduction of the direct charging regime, stands testament to the success of the regime to date. Amongst other matters, the report noted that ATM numbers had increased by around 1,500 terminals since the introduction of the new regime with some of these ATMs being deployed in locations that might otherwise have not been viable – including in rural, regional and remote areas.
 7. The mix of publicity regarding direct charging and full fee disclosure has seen cardholders' behaviour shift back to using own bank ATMs, along with an increase in average withdrawal values. ATM usage at own bank has increased from 55.5% of total transactions in Feb-09, to 62.6% in May-10.
 8. ATM operating costs include: the purchase and transport of ATM hardware; installation and maintenance; Transaction processing and communications; cash deliveries, armed guards, cash management and funding (rising interest rates); Site costs (e.g. merchants receive a high % of the fees).
 9. Direct charge fees enable continued growth and diversity of ATM placement in Australia, and allow choice to be provided for cardholders to access their cash in convenient locations. The removal or capping of fees would impact the ability to deploy in rural or other low volume locations, and dilute consumer choice. Many ATM locations in rural areas may not be economically feasible for banks. These rural ATMs provide safe locations to access cash and are important parts of local economies and communities.
 10. Thousands of Australian retailers and merchants depend on having an ATM within or close to their business premises to maintain current annual sales volumes, given that the majority of Australians choose to purchase low-value, non-luxury items using cash on an on-going basis.
 11. We estimate that the unintended capping or removal of fees could, in fact, reduce ATM locations by as much as 50%, and impact around 10,000 small business merchants, along with the potential closure of some independent ATM operators, slowing consumer spending and increasing unemployment.

For the above reasons, so as to ensure the identified unintended consequences do not occur, we recommend that independent ATM operators be specifically exempted as intended from the provisions of Banking Amendment (Delivering Essential Financial Services for the Community) Bill 2010. Please do not hesitate to email me at mike@atmia.com should you require more information. We appreciate the opportunity to make this submission.

Yours sincerely,

Mike Lee
CEO