ARA SUBMISSION
CASH MANDATE CONSULTATION
FEBRUARY 2025

The Australian Retailers Association (ARA) welcomes the opportunity to provide feedback to Treasury on the Cash Mandate Consultation Paper.

The ARA is the oldest, largest and most diverse national retail body, representing a $430 billion sector that employs 1.4 million Australians – making retail the largest private sector employer in the country. As Australia's peak retail body, representing more than 120,000 retail shop fronts and online stores, the ARA informs, advocates, educates, protects and unifies our independent, national and international retail community.

We represent the full spectrum of Australian retail, from our largest national and international retailers to our small and medium sized members, who make up 95% of our membership. Our members operate in all states and across all categories - from food to fashion, hairdressing to hardware, and everything in between.

EXECUTIVE SUMMARY

Following extensive consultation with key members and stakeholders from across the sector, the ARA recognizes the continued use of cash in certain sectors of the community, particularly by vulnerable community members such as older customers and those without access to banking products. The ARA agrees that a cash mandate needs to consider the needs of such customers. However, the ARA does not support the introduction of the proposed mandate in its current form as it would impose burdens on businesses which serve those same customers, leading to the pass through of additional costs to customers and/or impacting the ability to continue to provide essential goods and services. In our view, a number of amendments and considerations need to be taken into consideration before this mandate would be 'fit for purpose'. Key concerns include:

- **Misalignment with Market Trends:** Cash usage continues to decline rapidly, with cash accounting for only 13 per cent of all payments, falling from 70 per cent in 2007.
- **Operational Challenges:** Implementing the mandate could impose significant costs on businesses, including retrofitting point-of-sale (POS) systems and increasing security measures.
- **Lack of Supporting Infrastructure:** The mandate's success is contingent on robust cash-in-transit (CIT) and banking infrastructure, which is already under strain in many areas.
- **Lack of regulatory clarity:** The proposed mandate will likely see consumers and businesses experience uncertainty around the goods, services and entities within scope, the application of the mandate, and non-compliance when beyond an entity's control (i.e. if a third party did not deliver on its obligations, there is an unforecasted and isolated increase in demand for cash or during times of natural disaster where delivery routes are disrupted).

Key Recommendations:

1. **Address Cash Lifecycle Issues First:** Prioritise resolving cash movement and access issues, focusing on the role of banks and cash-in-transit services, before imposing mandates on retailers.

2. **Deferral of Implementation:** If the mandate proceeds, defer implementation by 12 months to allow time to address systemic challenges within the sector and refine enforcement mechanisms.
3. **Mandate Scope and Review Mechanisms:** Introduce clear review triggers tied to cash usage metrics (e.g., RBA reviews when cash usage falls below specific thresholds) and ensure annual reviews to adapt to evolving payment landscapes.
4. **Broader Cash Policy Integration:** Integrate the cash mandate within a comprehensive national cash policy that supports sustainable distribution networks, especially in regional and remote areas.
5. **Business Impact Mitigation:** Define clear, practical compliance expectations for businesses, including small business exemptions, transaction limits, and flexibility in point-of-sale requirements.
6. **Competitive Neutrality:** Ensure a consistent and coherent approach to cash acceptance across both government and industry. The mandate should not impose requirements on businesses that government agencies themselves do not meet. For example, several Service NSW centres and Australian passport offices do not accept cash payments, creating a regulatory inconsistency.
7. **Exemptions:** Businesses subject to the mandate must not face adverse compliance actions to situations outside their control which mean they cannot meet the mandate.

CASH LIFECYCLE AND ACCESS

Feedback from ARA members underscores that cash lifecycle issues – specifically cash movement (via CIT services) and access (bank branches, ATMs, retailer withdrawal facilities) - must be addressed as a foundational step. The ability for retailers to accept cash as a form of payment is dependent on the ability for businesses to access, replenish and deposit their cash float. The European Union's 2023 proposal similarly highlights that mandates on cash acceptance are only viable where reliable cash movement and access infrastructure exist.

Recommendations:

- Solve for cash movement and access before regulating retailers' roles in the cash lifecycle.
- Establish clear obligations for banks to support cash circulation and withdrawal facilities, particularly in regional and remote areas. If banks cannot meet these obligations, the government should provide alternative mechanisms.
- Ensure regulatory frameworks for cash services are fit for purpose in an evolving economy, recognising that trends are accelerating more rapidly than predicted.
- Balance the cost of required technology change against the potential short life cycle of cash. Balance the technology cost against the likely quick adoption of other technologies being promoted by the Reserve Bank of Australia such as Pay To.

MANDATE SCOPE AND DEFINITIONS

Essential Goods and Services: Definitions must be precise to avoid confusion and ensure fairness. Ambiguities around what constitutes "essential" could lead to inconsistent application and competitive imbalances. Businesses should not be defined as “essential” using the wide definition used during COVID as it would unintentionally capture too many businesses (e.g., bottle shops were defined as “essential” during COVID). The definition should also focus on the goods and services being supplied, rather than categories of business (e.g., in relation to pharmacies, prescriptions and medicinal products could be defined as “essential” but beauty products sold by pharmacies should not be subject to the same requirements).

Acceptance versus giving change / refunds: Businesses have two concerns in relation to cash: (1) receiving cash as payment for goods and services which then has to be kept securely or banked and (2) being required to provide cash as change or a refund at times when there are limited notes or coins on hand to provide the correct amount. The proposed mandate should be clear that it is to protect the customer's right to pay cash to access essential goods and services, rather than to receive cash as change or a refund.
Small Business Exemptions: While intended to reduce burdens, exemptions may inadvertently shift consumer behaviour away from small businesses due to confusion over cash acceptance, undermining their competitiveness.

Recommendations:

- Refine definitions of "essential goods and services" and "inconsequential transactions" with clear criteria. For example, clarify the status of items like children's clothing and essential postal services.
- Ensure exemptions for small businesses strike the right balance without disadvantaging them in the marketplace.
- Clarify whether the mandate applies to all POS systems within a business or if a single cash-accepting register suffices.
- Clarify that the mandate applies to protect the customer's right to pay cash, rather than to receive cash as change or a refund. Allow change and refunds to be given in the form of credit where cash is not available or needs to be conserved (such as in smaller or remote communities).
- Ensure that definitions do not have unintentional adverse impacts on vulnerable community services, such as pharmacies and regional healthcare providers.
- Provide clarity on whether the cash mandate applies only to "essential goods and services" or all items, including those beyond scope, sold by a designated retailers (i.e. will an entire department store where the sale of children's clothes may only represent two per cent of total sales be captured).

BUSINESS AND CONSUMER IMPACTS

Mandating cash acceptance imposes operational costs on businesses, including expenses related to security, insurance, staff training, cash handling infrastructure, and CIT services. Many of these costs are fixed or have high base costs. As cash usage declines, these costs cannot be fractionalised and will become disproportionately burdensome. In regional and remote areas, CIT services are already uneconomic due to transport costs and a broad cash mandate adds to the risk of withdrawal of goods and services in those areas.

Security Concerns: Many businesses are already reducing cash options to manage increasing crime in store. The proposed mandate risks re-introducing these risks to businesses. In addition, concentrating cash transactions in defined locations increases security risks, both in-store and during transit. Team safety is a key issue, particularly if staff roles involving cash handling become easily identifiable.
Cost Implications: Businesses face fixed or high base costs for maintaining cash-handling infrastructure regardless of transaction volumes. This includes safes, secure transport, and additional administrative overhead.
Competitive Impacts: Smaller retailers may face competitive disadvantages as cash-using consumers gravitate towards larger retailers mandated, and therefore known, to accept cash. This could consolidate market share with major retailers, undermining small businesses.

Regulatory Inconsistencies: While businesses may be required to accept cash, various government agencies do not uniformly accept cash payments. This creates an unfair double standard, raising concerns about the practical feasibility and consistency of the policy.

Recommendations:

- Introduce individual cash transaction limits, for example $200, to manage risk and operational costs.
- Limit the mandate to require at least one cash-accepting register per store, rather than every POS terminal.
- Include provisions that shield businesses from penalties when cash acceptance failures are beyond their control (eg. CIT disruptions).
- Align cash acceptance requirements with the individual retailer's regular trading hours falling between the hours of 6 AM to 9 PM to mitigate security risks.
- Explore cost-sharing initiatives to offset increased CIT costs for businesses.
- Create an exemption for stores open to team members. Major retailers often have stores located in their support offices which are often cashless. These are stores which are open for the convenience of team members and do not service vulnerable customers/cohorts.

ENFORCEMENT AND REVIEW MECHANISMS

Given the rapidly changing payment landscape, static mandates risk becoming outdated quickly.

Recommendations:

- Implement regular reviews, with annual RBA assessments to determine if the mandate remains appropriate or necessary.
- Introduce sunset clauses or triggers for automatic reviews if cash usage falls below specific thresholds (e.g. 5% of total transactions).
- Ensure enforcement mechanisms are proportionate and do not impose undue penalties on businesses, particularly in circumstances beyond their control.
- Develop clear enforcement guidelines to ensure consistency and fairness.
- Introduce liability exemptions for businesses affected by external factors, such as cash delivery failures.

ALTERNATIVE APPROACHES

The ARA supports alternative strategies to achieve the Government's policy intent without imposing undue burdens on retailers. These include:

- **Voluntary Guidelines:** Encourage voluntary cash acceptance rather than mandating it.
- **Targeted Support:** Provide support for cash infrastructure in regional and remote areas where cash remains more important.
- **Digital Inclusion Programs:** Expand initiatives to increase digital literacy and payment accessibility for vulnerable populations.
- **Reciprocal Obligations:** Implement reciprocal obligations on banks and CIT providers to maintain robust cash access infrastructure.

CONCLUSION

The ARA supports the government's goal of ensuring equitable access to payment options for all Australians. However, the proposed cash mandate requires significant refinement and detailing to balance consumer needs with business realities. Addressing cash lifecycle issues, defining clear mandate parameters, and mitigating business impacts are critical to the policy's success.

For this policy to be effective and equitable, a consistent approach to cash acceptance across both government and industry is necessary to avoid policy contradictions and ensure fair compliance burdens on businesses.

Thank you again for the opportunity to contribute to this consultation and welcome further engagement with Treasury to refine the approach.

Any queries in relation to this submission can be directed to our policy team at policy@retail.org.au.