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Financial System Inquiry  
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Please find attached Australia Post's submission to the Government's  
Financial System Inquiry

Australia Post would be pleased to discuss this submission further if required.

Regards,

Paul Burke

**Australia Post's submission to:  
The Commonwealth Government's  
Financial System Inquiry**

31 March, 2014

## 1. Executive summary

Australia Post welcomes this initiative of the Federal Government to conduct a “root-and-branch” review of Australia’s financial system, with the aim of fostering an efficient, competitive and flexible system that provides the underpinnings of financial stability, prudence, integrity and fairness.

Australia Post plays a unique role in the Australian financial services landscape – acting as a local agent or authorised representative on behalf of nearly all of the major banks and non-bank financial institutions.

With the fundamental and inevitable community shift to online, digital and mobile channels for banking and payments processing, the timing of this inquiry is particularly important. Given these trends, our submission focuses on two clear issues that we believe deserve the focussed attention of the Inquiry panel:

- 1. Innovation, Efficiency & Competition:** How do we ensure that the financial system’s over-arching regulatory regime promotes an environment that enables innovation, efficiency and competition – in the best interests of Australian consumers?
- 2. Accessibility:** As online payments channels become increasingly sophisticated, how do we maintain community-wide access to financial products and services – particularly for disadvantaged Australians; the elderly; rural and remote residents; and people who are “digitally illiterate”?

Australia Post is keen to continue to support Australia’s financial system through its role as an agent and facilitator – connecting consumers with their financial institutions and by developing new, trusted, innovative payments services that enable convenient and secure access to the financial system for all Australians.

## 2. Australia Post's role in the Financial System

Given Australia Post's nationwide retail network of 4,400-plus postal outlets, we play a significant role in the Australian economy as a banking and bill-payment agent and as a payment facilitator.

The accessibility of our Retail networks means we are a particularly vital retail shopfront for financial institutions across regional and rural Australia. Australia Post's broad range of financial products and services include:

- Postbillpay (*accepting payments on behalf of hundreds of organisations*)
- Bank@Post (*conducting simple account transactions on behalf of banks*)
- SecurePay (*one of Australia's leading payment gateways*)
- Identity Services (*identity enrolment and management services*)
- Car Insurance (*authorised rep of A&G*)
- Travel Insurance (*authorised rep of TIP*)
- Load & Go reloadable prepaid cards (*authorised rep of Heritage Bank*)
- Load & Go Travel card (*authorised rep of Heritage Bank*)
- Load & Go Business Portal Load Facility (*authorised rep of Heritage Bank*)
- Cash Passport card (*authorised rep of Heritage Bank*)
- Travellers Cheques
- American Express Global Travel card
- Gift cards
- Super Contribution Service
- Super Consolidation Service

These financial products are collectively referred to as "Agency Services" within Australia Post.

Increasingly, we are enabling online and digital access to our financial services and products to both consumers and business. Key areas of focus for Australia Post are in enabling on-line payments, facilitating eCommerce and delivering on-line trusted identity services.

An important example of Australia Post's shift towards facilitating electronic payments is the MyPost Digital MailBox. The MyPost Digital MailBox is a free online mailbox that not only enables Australians to digitally receive and store their important mail (especially bills and account statements), but also facilitates verification of their digital identity and an online connection to financial institutions enabling the processing of electronic payments.

Australia Post, through our SecurePay subsidiary and Parcels business, continues to develop end to end eCommerce solutions for small to medium businesses to trade online. Today people expect to be able to buy and sell online 24/7, and want payment, identity, lodgement and delivery options that suit their busy lifestyles. Online retailers are growing and need compelling logistics and supply chain solutions to create an excellent customer experience to differentiate themselves from competitors.

Australia Post is dedicated to supporting this trend, and to help consumers and business buy and sell online to support Australians through the digital economy. For example, the Australia Post PostPay product is a secure eCommerce solution that links a customer's payment to the delivery of a parcel thereby providing reassurance to both the customer and the merchant involved in the transaction.

The transition of channel preference by customers from in-person payments to digital payments is driving the growing need for a digital identity and authentication service in the payments industry.

Security and privacy issues in relation to customers' payment information being compromised, remain paramount for their use of the payment system. The need for trust by both parties to a transaction raises the importance for an industry-wide identity and authentication solution for digital commerce.

Australia Post's Identity Services offer a multi-channel, end-to-end solution that fully integrates online, in-person and phone channels for identity management. Such a service could be used in the future to help with account portability and switching, a key driver in ensuring the competitiveness of the Financial Services system. As one of Australia's most trusted brands, Australia Post is well positioned to provide a ubiquitous digital identity service for consumers and businesses wherever they are in Australia, irrespective of their existing financial service relationships.

### **3. Promoting Innovation, Efficiency and Competition**

The emergence of online, digital and mobile technologies has created a completely new landscape for payments and the financial services industry as a whole.

In our opinion the Australian marketplace could have been faster to adopt these technologies and also to agree on standards for electronic funds clearing and settlements.

Despite having one of the soundest banking systems in the world, delays to the introduction of payments, identity and financial services innovation has denied Australia potential productivity benefits and has resulted in a failure to exploit opportunities to position Australia as a leading financial services provider in the broader region..

Reliance on key industry participants to progress and regulate change has been detrimental to the pace of innovation. For example BPay, with its dominant market share and unique ownership arrangements may be impeding competition in the market place. Similarly differing interests (e.g. competitive legacy systems) have also impeded the development of new services that would serve to make our payments system more efficient, connected, customer focussed and globally competitive. The timely development of an integrated mobile payments platform, real-time payments and detailed remittance capabilities are examples.

Whilst we support the idea of industry led discussion, broader inclusion and engagement of payment industry participants (such as Australia Post), irrespective of their market size and existing Financial Services capability, would deliver greater innovation.

A regulatory framework that enables greater competition will inevitably foster innovation and greater efficiency throughout the Australian financial system. Of course, it should go without saying that any new regulatory framework should also include appropriate controls for managing systemic risks.

**Recommendation:** Industry led self-regulatory bodies need to be reviewed to ensure they can equally accommodate and represent the views of all participants irrespective of size and ensure their remit does not protect the interest of particular groups over the interests of the broader Australian economy.

Australia Post's unique position as a provider of trusted services across payments and identity, combined with our leading role in the eCommerce value chain, can bring significant insight and experience to these bodies.

#### **4. Enabling access for all Australians**

As online, digital and mobile channels grow, the relevance of physical products and retail networks for financial institutions will continue to diminish.

Nonetheless, there will still be segments of the community that will remain reliant on “physical” financial services and existing products (eg. cheques, cash and money orders) for many years to come.

Beyond the impact of digital channels, there are also many Australians, who will continue to be excluded from accessing financial services because of a range of factors – including remote residency; financial hardship; or problems with proving their identity.

Australia Post is in a unique position to offer financial services to these segments of the community. We already provide a range of “physical” payment services that are widely available and accessible via our nationwide network of postal outlets. These services include Money Orders, Prepaid Debit Cards (Load & Go) and Travellers Cheques. Additionally, our Bank@Post service remains a vital and convenient point of access for bank customers living in rural and remotes areas of Australia. Australia Post’s extensive regional and rural footprint includes 17 business centres, 2,561 retail outlets, 15 letter/parcel processing centres and 195 country delivery sites/resources.

**Recommendation:** Australia Post’s strong brand, basic product suite and nationwide network can be leveraged to prevent financial exclusion – and ensure all Australians continue to have access to “physical” financial services.

In this way, Australia Post can play an important community role ensuring that all segments of the economy have access to key basic financial services.