

Reference: MA 100020

Proposed amalgamation of BPAY, eftpos and NPPA – proposed undertaking

Contact Officer: Connie Wu

Australian Competition and Consumer Commission

23 Marcus Clarke Street

Canberra ACT 2601

Re: Submission - proposed amalgamation of BPAY, eftpos and NPPA – proposed undertaking.

Attention Merger Investigations Team,

MGA TMA thanks the ACCC, for the opportunity to lodge a submission containing various comments regarding the proposed undertaking in regard to the proposed amalgamation of BPAY, eftpos and NPPA forming a new entity, Australian Payments Plus Ltd (AP+) – proposed undertaking.

MGA TMA offers that the proposed undertaking, does not address the specific concerns that MGA TMA has previously made, in relation to widespread adoption of Least Cost Routing (LCR), transparency in transaction fees and maintaining a competitive card fee transaction environment.

The proposed undertaking contains obligations that Australian Payments Plus Ltd (AP+) will provide that:

- a) eftpos will do all things in its control to make available LCR.
- b) eftpos will maintain its card-based issuing and acceptance infrastructure, its payments scheme and the supply of its card-based issuing and acceptance services to customers and end users.
- c) eftpos and NPPA will develop and make available the Prescribed Services (including, where applicable, APIs) in accordance with the timeframes contained in Schedule 1 of the proposed undertaking.

Some of these Prescribed Services relate to enabling LCR for online and in-app payments.

Others relate to developing and implementing other types of functionalities in relation to eftpos or NPPA.

d) BPAY, eftpos and NPPA will maintain and continue to administer their respective Mandate Frameworks.

e) BPAY, eftpos and NPPA, by the end of June 2022, agree an industry wide standard supporting Pay with a QR Code; and

f) BPAY, eftpos and NPPA explore the feasibility of developing certain services and, if it is feasible, to develop them, to make them available.

Eftpos has developed, demonstrated, and committed to a scope of works that delivers on financial investment, technological investment into online transactions and secure digital initiatives with robust security.

Recently announcing \$100m to be spent on digital upgrades over 5 years, which provides consumer and business confidence to small and family business owners, who are currently faced with exorbitant transaction fees due to the lack of action regarding Least Cost Routing (LCR) from the banks.

Retailers using eftpos in the online environment from November 2022, will start to be protected by state-of-the-art fraud scoring capabilities, as well as the availability of additional security features including eftpos Secure (3D Secure), two factor authentication functionality and eftpos tokenisation services.

MGA TMA recognises that the retail environment is quickly becoming an increasingly digital marketplace, accelerated by a COVID 'click and collect' and 'shopping locally' mindset that consumers are now engaged in on a daily basis.

Eftpos has also made public its digital strategy and 'roadmap' that includes five key elements that addresses small and family-owned business concerns, to provide a card transaction fee that is cost effective, competitive and is on a level playing field with the large corporate retailers which are Acquirers in their own right.

These five key elements are:

- eCommerce
- Mobile Wallet
- Digital Identity – (ConnectID)
- API's and Fintech access
- QR code payments experience infrastructure

MGA TMA understands that eftpos has made a significant investment of \$70m, over the 4 years to develop, build and implement digital initiatives, to enable eftpos 'members' (banks – medium and large scale), to immediately rollout eftpos digital technologies.

If the amalgamation proponents are genuine about addressing the ACCC's competition concerns, the proposed undertaking would include commitments that would make a real difference to ensuring card payment fees are kept to an absolute minimum for small business owners.

MGA TMA requests, that the following points are included in the proposed undertaking and are delivered upon by the Applicant acquirers:

- Ensure that LCR is available and actively promoted to merchants at point of sale and digitally (including online and mobile wallets)
- Upgrade their terminals in designated timeframes; and
- Maintain transparent competitive pricing offerings that support Least Cost Routing (LCR)
- A guaranteed commitment by the Applicant issuers to maintain dual network cards for all their cards, ensuring that Least Cost Routing (LCR) is accessible at point of sale and online.
- Commitment by the Australian Payments Plus Ltd (AP+) that eftpos will retain total managerial discretion over its pricing decisions, operating at arm's length from any non-independent AP+ board members, to drive competition and encourage maximum take-up and use of Least Cost Routing (LCR).
- Commitment by Australian Payments Plus Ltd (AP+) and the Applicants to continue delivering the full array of eftpos' existing and agreed future services in its public digital

strategy and 'Roadmap', and to actively promote those services to merchants and consumers.

- Commitment by Australian Payments Plus Ltd (AP+) and the Applicants to implement in full the Prescribed Services relating to LCR and to actively promote them to merchants in an agreed timeframe, rather than the tacit commitment to make them available for use.
- Commitment by Australian Payments Plus Ltd (AP+) and the Applicants to comply fully with eftpos Mandates in the agreed timeframes to enable timely delivery of the enhancements required.

The proposed ICA Pty Ltd undertaking states an eligible time frame of 3 years. MGA TMA submits that this is too short a time period for the merged entity to carry out and continue the proposed eftpos road map for technological investment works. To ensure maximum competitive advantage is achieved versus the 2 global debit cards, the proposed undertaking should continue for a minimum of 7 years. This 7-year time frame will enable the full implementation of Least Cost Routing (LCR) functionality in the fast-growing digital, mobile wallet and online transaction channels.

MGA TMA members, small and family private businesses which operate supermarkets, bottle shops, timber, and hardware businesses around Australia, request the ACCC, to recognise the significant investment strategy and technological 'roadmap' eftpos has already developed and additionally to ensure that the Australian Payments Plus Ltd (AP+) fully embrace and commit to enhance and maintain this 'roadmap' to enable Least Cost Routing (LCR).

This will be a viable alternative to the 2 exorbitantly costly global debit card providers allowing small businesses to avail themselves of the most cost effective and competitive payment fee option.

MGA TMA offers that the Australian Payments Plus Ltd (AP+) Board must provide continual investment into the eftpos digital strategy and 'roadmap' to deliver on the significant investment already committed to by eftpos.

MGA TMA fully understands the proposed undertaking is a behavioral element, which will only be delivered on, if the Australian Payments Plus Ltd (AP+) board has the desire and commitment to achieve this outcome for the long term.

If Australian Payments Plus Ltd (AP+) reneges on any component of the proposed improved undertaking, they must be named and shamed in the public forum.

MGA TMA recognises that, eftpos has demonstrated a very clear and strategic pathway forward in the digital payment economy, through highly secure online payment capability and does not need a merger to enable these significant investment plans to be realised.

Small businesses and family enterprises simply cannot afford to 'take on trust', that a consolidated payments entity controlled by the banks will have MGA TMA members interests at heart.

Without a clear and deliberate intent to deliver Least Cost Routing (LCR) by Australian Payments Plus Ltd (AP+), we have zero confidence that the consolidation will do anything but allow Visa and Mastercard to further entrench their debit card monopolies, both at point-of-sale and online, with small businesses and family enterprises paying the higher transaction costs to do business.

- In the last 12 months, our industry sector (MGA TMA members) has transacted:
 - \$19 billion in revenue dollars
 - \$17.1 billion via card transactions (based on 90% customer use in store)
 - Over 534 million card transactions
 - Approx - \$88 million in annual merchant fees

In conclusion MGA TMA strongly urges the ACCC to consider strengthening the proposed ICA proposed undertaking to allow and facilitate eftpos to continue unencumbered with its significant short-term and medium-term investment "road map", allowing eftpos to continue to grow its strength as an Australian payment's transaction competitor to the global debit cards, Visa and Mastercard, and being a viable alternative for small and private businesses.

Yours sincerely,



Jos de Bruin
CEO MGA TMA.