



6 May 2021

Ms Connie Wu
Assistant Director, Mergers Exemptions and Digital
Australian Competition & Consumer Commission
Level 5, 1 William Street
Perth 6000

Dear Ms Wu,

Re: Proposed merger of BPAY, Eftpos and NPP Australia

Thank you for your email dated 30 April 2021 in which you refer to our submission to assist the ACCC's assessment of ICA's merger authorisation application for the proposed amalgamation of BPAY, eftpos and NPPA.

In your email, you ask two questions which we reply as follows:

Question 1

Could you please clarify the extent to which the concerns you have raised about LCR might apply regardless of the proposed amalgamation, and whether – and if so how – the proposed amalgamation would increase those concerns. More specifically, how would the proposed amalgamation change the incentives of the banks (and separately, NewCo) with regards to the implementation of LCR?

Answer to question 1

If the proposed amalgamation does not proceed, there will remain a greater amount of intra-bank competition which will likely result in higher levels of adoption of LCR by banks. On the other hand, if the amalgamation does proceed, as a direct result of the reduced competition between banks and the subsequent dependency by merchants and therefore consumers, we believe that there will be a significant reduction in support for LCR by the banks. This is because, given the significant amount of merchant fees which accrue to banks from the more expensive non-LCR payment options (including Debit Mastercard or Visa Debit LCR options), the banks, in their efforts to generate greater profits, will choose to support such more expensive options if the proposed amalgamation occurs.

Question 2

We note that your submission suggests that the banks may currently have an incentive to favour processing of dual-network debit card payments via VISA and Mastercard instead of eftpos. If this is the case, how would the proposed amalgamation affect those incentives?

Answer to question 2


As alluded to in our answer to your first question, the issue relates to the existence of competition and how the existence/continuation of such competition keeps costs down. Eftpos is a cheaper cost option for merchants and therefore consumers, compared to debit card payments via VISA and MasterCard. As a result, banks generate lesser revenue from the usage of Eftpos compared to the charges levied by VISA and MasterCard. If the amalgamation proceeds, given the significant reduction/elimination of competition and the primary incentive of banks to generate profits for its shareholders, the banks will likely abandon the cheapest payment option such as Eftpos (which generate lesser revenue for the banks) and replace these with more expensive payment options (which will generate greater revenue for the banks).

As indicated by the Reserve Bank of Australia, “Least-cost routing is expected to bring down payment costs by (1) giving merchants the ability to route dual-network debit card transactions to the lowest-cost network, and (2) increasing the competitive pressure between the debit card payment schemes such that there is greater incentive for all schemes to lower the fees – interchange fees and scheme fees – that they set on debit card transactions. These fees are a key component of the price that merchants pay to accept card payments (<https://www.rba.gov.au/payments-and-infrastructure/debit-cards/least-cost-routing.html>).

Thank you and please let us know if you have any additional queries.

Kind regards.



Dr Harjinder Singh
School of Accounting, Economics & Finance
Curtin Business School
Curtin University
Email: 



Associate Professor Nigar Sultana
School of Accounting, Economics & Finance
Curtin Business School
Curtin University
Email: 