



# Proposed amalgamation of Bpay, eftpos and NPPA - ACCC Submission

*Prepared by the National Retail Association  
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## 1. Introduction

The National Retail Association is the voice of modern Australian retail. The association works with all-sized businesses, from the biggest retailers to the smallest, to create better opportunities for all who work in the retail sector. As the most representative organization in the industry, we pride ourselves on being at the forefront of modern Australian retail, keeping pace with the rapidly changing face of the sector across a wide range of issues. No organization nationwide is better placed to inform government on the threats, challenges and opportunities facing the retail sector than the NRA.

## 2. Summary

Across the world cash payments are becoming increasingly less common. Australia is no exception to this trend, according to the latest Global Payments Report by fintech company FIS Australia is on track to having only 2 per cent of transactions taking place via cash. The COVID pandemic has only accelerated the transition towards electronic payments, with governments encouraging the concept to limit the potential spread of the virus.

Electronic transactions have certainly provided benefits. They have offered greater convenience to consumers to make payments, which in turn have benefited businesses from more transactions taking place. However, these payment methods have also come with a cost - a literal one - in the form of merchant fees. Particularly when electronic transactions have been routed through international networks, significantly increasing the cost to the business in question.

The proposed amalgamation of BPAY, eftpos and the New Payments Platform Australia (NPPA) seeks to form a new entity named NewCo under the premise it will innovate the payments space and foster greater collaboration. Unfortunately, the NRA is of the view that this merger would not be beneficial overall. As outlined in the below sections, we are concerned that this marriage between big banks and large retailers would lock out small business from the table, erode competition between electronic providers and ultimately fail to address the key issue of Least Cost Routing. It is for those reasons that the NRA submission urges the ACCC to reject the application to amalgamate BPAY, eftpos and NPPA.

## 3. Small business

Small business is the engine room of the Australian economy. According to the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) there are currently 2.3 million businesses across Australia that either employ less than 20 people or have a turnover of less than \$10 million. They may not have the brand profile or the sophisticated operations of larger players, but their importance to the health of the Australian economy simply can't be overstated. Particularly in these highly volatile times - with business restrictions still in place and JobKeeper ended - smaller operators remain vulnerable to economic challenges.

The NRA is very concerned at the impact this merger could have on our smaller members. There appears no desire to give small business a meaningful voice on how this consolidated goliath would operate and ensure that businesses of all sizes are heard. The structure of NewCo, if this new entity were to be approved by the ACCC, would lack the incentives needed to help small business at a time of great economic turbulence.

We note the proposal for a small business subcommittee, however, this is frankly not enough. If there was a genuine desire for the proposed new entity to incorporate the voices of Australia's small business community then there would be a place at the top table and not a subcommittee with no real power. Small business should be afforded equal representation to that of the major banks and in the absence of that we are unable to support the proposed amalgamation as it currently stands.

#### 4. Least cost routing

With Australia becoming an increasingly cashless society, access to Least Cost Routing (LCR) is of paramount importance, particularly to smaller retailers. The NRA supports in principle any move to make LCR more available to small business given it can reduce transaction costs by as much as 40 per cent. Not only do high merchant fees pose an added expense on the shoulders of a business, but these costs are ultimately passed on to the consumer.

Moreover, the way merchant fees operate often lacks transparency and are difficult to calculate. In some instances they are part of a service bundle that is linked to other metrics such as sales volumes, making it close to impossible for a humble small business owner to reliably calculate the cost to their business. Any move towards not only lowering these merchant fees, but also making the process more transparent, is one that retailers absolutely support.

Unfortunately, the NRA is of the view that the proposed merger does little or nothing to pursue increasing the availability of LCR. As highlighted in the above section, the absence of small business representation on the Board of the proposed NewCo does little to instill confidence that it would vigorously pursue reform that provides cheaper merchant fees for smaller operators.

The reality is that the path to lower prices almost always involves enhanced competition. The notion that a union involving the big banks and large payment providers would lead to a more competitive environment is highly difficult to imagine. It would make it more difficult for new players to enter the market and therefore would be unlikely to put downward pressure on merchant fees. Less competition between payment providers not only hurts small business via higher fees but ultimately consumers as well who pay more at the checkout. It is for these reasons that we don't believe that this proposed amalgamation would adequately advance the cause of LCR for many of our members.

## 5. About the submitter

The National Retail Association is Australia's largest and most representative retail industry organization, servicing more than 28,000 retail and fast food outlets nationwide. At our core, we help retail and service sector businesses navigate and comply with an ever-changing, highly competitive environment.

Our members range from small, family owned and operated businesses to leading national brands; and span nearly every retail category including fashion, groceries, department stores, household goods, hardware, fast food, cafes and services. Unlike other associations, the NRA is the only retail industry association to deliver practical legal advice through its wholly owned and incorporated legal practice, NRA Legal. We are also a national RTO (Registered Training Organization), meaning we can deliver a wide range of accredited and non-accredited courses upon request. These range from certificate and diploma qualifications and pre-employment programs right through to customer service training, retail traineeships and mystery shopping services.



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