



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 one of the most representative organisations 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 organisation nationwide is better placed to inform government on the threats, challenges and opportunities facing the retail sector than the NRA.

2. Response to ACCC amendments

The NRA acknowledges the alterations made by the ACCC in response to concerns the amalgamation would lead to reduced competition and decrease availability of least-cost routing (LCR). A less competitive payments environment would be disastrous for retailers across Australia, already struggling to survive COVID lockdowns. Greater access to LCR is crucial given the pandemic has accelerated a shift in consumer behavior from cash to contactless payment.

Despite amendments to the proposed amalgamation, the NRA remains opposed to the merger of BPAY, eftpos and NPPA. More detailed explanations of our opposition are provided in the below sections, but in summary we are concerned that small business remains without a voice and believe more can be done in the area of LCR reform.

3. Small business

Small business is the backbone of the retail sector and the Australian economy more broadly. 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. The past 18 months has been a challenging period for most sectors of the economy, but small businesses in particular have faced untold adversity. At the time of writing, many of these smaller retailers are continuing to battle lockdown restrictions and their very future remains in jeopardy.

Should the amalgamation of big banks and large payment providers proceed, it would fundamentally change the electronic payments landscape. The NRA remains concerned that no provision has been put forward that purposefully engages the small business community. Excessive merchant fees pose a far greater threat to the profitability of a small, family-run business than they do a large multinational goliath. It's therefore incomprehensible that the small business community does not have a meaningful voice under the proposed merger guidelines.

As outlined in our previous submission, we do not believe a small business subcommittee to be a desirable outcome. 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

Least cost routing (LCR) can reduce transaction costs by as much as 40 per cent. As the world increasingly becomes a cashless society, access to LCR is a necessity for small business rather than simply being a convenience. 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. At a time when retailers continue to navigate a volatile and uncertain period, any unnecessary business expense could be the difference between surviving or permanently closing the doors.

We accept that the ACCC has taken this point on board in formulating the proposed undertaking that eftpos do all that is in their control to make LCR available over the next three years. Although it is pleasing to see this commitment proposed, we maintain the view that the merger will not sufficiently help small retailers access LCR. As outlined in the above section, the continued absence of small business representation on the Board of the proposed new entity does not provide retailers with confidence that their desire for enhanced access to LCR will occur.

The NRA maintains the view that the path to lower costs is best achieved by competition in the payments provider sphere. A merger between three of the current players would not only mean an instant drop in competition, but would also make it more difficult for new competitors to enter the market. Even if eftpos is able to fulfill its commitment to make LCR as readily available as possible, the absence of other payment providers means businesses are likely to still be paying higher costs.

5. Summary

The NRA remains opposed to the proposed amalgamation between BPAY, eftpos and NPPA. Although the ACCC has acted on some concerns voiced by the NRA and other parties from the last round of consultation, we still believe that there are outstanding issues that have not been addressed. Small business must have a voice at the table if any new entity is going to work and we maintain the view that this merger will mean our members end up paying higher merchant fees. It is therefore not in the interests of the Australian retail sector for this proposed amalgamation to take place under the current terms.

6. About the submitter

The National Retail Association is one of Australia's largest and most representative retail industry organisations, servicing more than 39,000 retail and fast food outlets nationwide. The National Retail Association is the modern voice of retail and 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.



Dominique Lamb

Chief Executive Officer

Email: 

Ph: 

Phone 1800 RETAIL (1800 738 245) Visit www.nra.net.au
Email info@nra.net.au
Level 3, 67 St Pauls Terrace, Spring Hill 4000

