

## Public Communication

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Dear Ms Ross,

### Fixed Line Services FAD inquiry: request for further information

Telstra welcomes the ACCC's continued investigation into the relevant markets for supply of over the top (OTT) services – including the retail market for the supply of EFTPOS / payment services.

Telstra is pleased to note that information provided to the ACCC by financial institutions validates the case that Telstra has made for mobile based EFTPOS as a legitimate alternative to PSTN based EFTPOS solutions. The ACCC states:

*It appears most banks offer all three types of EFTPOS and some banks are encouraging new customers to transition from WLR-based or 'dial-up' EFTPOS to mobile EFTPOS using 3G, with little or no price differential between fixed and mobile EFTPOS solutions<sup>1</sup>*

Telstra notes the ACCC has raised some further queries regarding the practicality of mobile based EFTPOS solutions for certain categories of end users, particularly retail outlets. The ACCC notes:

*For these customers, a WLR-based fixed EFTPOS solution would appear to be a practical choice as their customers come to a fixed point of sale to make purchases.<sup>2</sup>*

In addition to the examples of Smartpay, Liveeftpos and GetMeEFTPOS provided by Telstra in our submission dated 12 August 2015, Tyro Payments is an innovative, independent EFTPOS provider with 225 staff and over 13,000 customers who complete over \$7 billion worth of transactions per year.<sup>3</sup> Tyro targets a range of markets including the retail market. Tyro Payments provides EFTPOS solutions which operate over broadband or mobile connections and do not require a PSTN phone line. The Tyro Payments website includes a number of testimonials from small retail customers. For example:

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<sup>1</sup> <https://www.acc.gov.au/regulated-infrastructure/communications/fixed-line-services/fixed-line-services-fad-inquiry-2013/request-for-further-information>

<sup>2</sup> ibid

<sup>3</sup> <http://tyro.com/our-story/>

*Financially Tyro are very competitive. They are super, super fast. The company is incredibly responsive – they have already made the software changes in response to our suggestions. The machines are easy to use and we can see transactions almost immediately on the web. Our experience with Tyro is totally different to that of the bank we were with.<sup>4</sup>*

and

*We have been very pleased with Tyro. The costs saved in time and errors have been evident in our first year and our only mistake is that we did not get more terminals! Service over the phone to all our queries has been very satisfactory. Any cost saving and efficiency improvements that can be made in business are crucial in any financial climate and this system delivers on both. I can highly recommend it<sup>5</sup>.*

Additionally, the Tyro website includes a video testimonial from Jet Cycles, a bicycle shop in the Sydney CBD.<sup>6</sup> The ACCC should consider Tyro Payments alongside other disruptive competitors such as Smartpay, Liveeftpos and GetMeEFTPOS when looking into the market for OTT services such as EFTPOS.

Telstra notes the ACCC's statement that fixed EFTPOS solutions (PSTN based) appear to be the most appropriate choice for retailers because "*their customers come to a fixed point of sale to make purchases*". Telstra believes that in practice this is not the case. With the range of substitute network technologies available to support EFTPOS, retailers increasingly make decisions around fit-for-purpose and price when selecting an EFTPOS supplier rather than around connectivity. For example, Tyro Payments offer 4 different EFTPOS devices to the market, 2 of which are designed specifically for a fixed point of sale. These fixed devices use Ethernet and mobile technologies to facilitate payments rather than the PSTN. This example (and others provided by Telstra during this FAD inquiry) shows that there is no direct linkage between fixed points of sale and the PSTN network. When assessing the appropriateness of substitutes for PSTN based EFTPOS, the ACCC should not assume that the fact that some customers have not switched to IP / mobile is evidence that there is not a more appropriate solution available to them.

The ACCC also note:

*One financial institution also offered a lower terminal rental price for its WLR-based EFTPOS solution compared to its rental price for mobile EFTPOS terminals<sup>7</sup>*

Without being aware of the specific provider / offering referred to, Telstra generally understands that one of the drivers for this type of price differential is that a PSTN based EFTPOS service is likely to incur call costs for each transaction, whereas an IP or mobile service would not. In any case, variation in different EFTPOS provider's pricing, service levels and technical capability is expected in a competitive market.

<sup>4</sup> Mark Rubbo, Managing Director, Readings Books & Music, taken from: <http://tyro.com/retail/>

<sup>5</sup> David Bufton, Director, Hedleys Educations, taken from: <http://tyro.com/retail/>

<sup>6</sup> <http://tyro.com/retail/>

<sup>7</sup> ACCC

Please contact Matthew Scott on 03 8649 7651 or [matthew.scott@team.telstra.com](mailto:matthew.scott@team.telstra.com) should you have any queries.

Yours sincerely,

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