

7 July 2021

Payments Industry Committee responds to ACCC

The Payments Industry Committee (“the Applicants”) has formally responded to the ACCC’s preliminary views regarding the proposed merger of eftpos, BPAY Group and New Payments Platform (NPP).

The Applicants strongly argue that there will be no substantial lessening of competition as a result of the merger and that the three schemes do not currently compete with each other across payments infrastructure, a view which is supported by independent economic analysis.¹

Industry Committee Chairman Robert Milliner said the very reason the applicants are seeking to merge eftpos, BPAY Group and NPP is to improve competition:

“An efficient merged entity will be better able to compete against the international card schemes who currently dominate the market. Visa and Mastercard have revenues of USD\$21 and USD\$15 billion² respectively. This compares to eftpos, BPAY Group and NPP who all have annual revenues of less than \$75 million.”

“By bringing the three schemes under a single Board, they will be able to bring new payments solutions to market faster, continue to put pricing pressure on international card schemes and work in the best interests of Australian consumers and businesses of all sizes.”

The Applicants have assured the ACCC and interested parties that under the proposal, eftpos will be preserved and strengthened so that it remains a source of competitive pricing tension against international card schemes and new Big Tech entrants.

“eftpos is very supportive of the proposed amalgamation and looks forward to realising the benefits of being more competitive in terms of price and value adds around the payment experience. At eftpos, we work in the best interests of merchants and consumers, and by bolstering our competitiveness alongside BPAY Group and NPPA, we’ll crucially maintain our ability to put pricing pressure on international card schemes and new big tech entrants,” said eftpos CEO Stephen Benton.

Least cost routing will not be impacted by the proposed amalgamation. The applicants are very aware of the importance of least-cost routing to merchants and small businesses and are supportive of the continued rollout of LCR, which they will continue to do through discussions with their merchants. However, under the current structure eftpos can’t enforce the rollout of LCR and under the proposed future structure – neither can the new entity.

¹ Final Economic Expert [Report](#) of Dr Geoff Edwards

² Visa, Inc [2020 Annual Report](#); Mastercard, Inc [2020 Annual Report](#)

“In order for eftpos to remain a source of competitive pricing tension with international card schemes and thus sustain LCR, we need a more efficient and competitive domestic scheme which this merger is seeking to create,” said Milliner.

This view is supported by payments expert Lance Blockley:

“Least cost routing relies on the survival of the eftpos debit card scheme and in my opinion the survival of the eftpos scheme relies on the consolidation.”

Additionally, the Applicants argue there is a need for change because the current structure is fragmented and duplicative. This often results in overlapping investments and slow speed to market of new products and innovations.

“By preserving each of the three entities but under a single Board, we will be able to better co-ordinate our product roadmaps and strategies, ensuring we increase efficiency and reduce duplication. Collaborating with eftpos and NPP we will be able to bring new innovative products to market much faster than we can today,” said BPAY Group CEO John Banfield.

Under the proposal, small businesses and merchants will be represented which is a major change from the current governance structure. Greater engagement with small business is expected to be achieved through an independent End-User Advisory Committee. The NewCo Board will be required to take the Committee’s view into consideration, ensuring that the voice of small business will be heard and properly considered.

“The proposed new entity and governance structure will ensure a better balance of perspectives across a wider shareholder base – including fintechs, small businesses and retailers. At NPP we strongly believe that working alongside eftpos and BPAY Group will allow us to realise greater innovations, technologies and solutions that wouldn’t be possible under the status quo. Put simply, this amalgamation makes sense and will better equip all three Australian schemes for the future,” said NPP CEO Adrian Lovney.

The Industry Committee is comprised of 13 mutual shareholders and members of eftpos, BPAY Group and NPPA, and include: ANZ, ASL, Bendigo and Adelaide Bank Limited, CBA, Coles Group Limited, Cuscal Limited, First Data Network Australia Limited trading as Fiserv, HSBC Bank Australia Limited, Macquarie Bank Limited, NAB, Tyro Payments Limited, WBC and Woolworths Group Limited.

The Applicants look forward to continuing to work constructively with the ACCC ahead of the final decision due on 31 July 2021.

ENDS

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