

16 April 2021

Attention: [REDACTED]
Australian Competition & Consumer Commission

Via email: mergerauthorisations@accc.gov.au

To whom it may concern

PROPOSED AMALGAMATION OF BPAY, EFTPOS AND NPPA - MA1000020

The Australian Retailers Association (ARA) would like to thank the ACCC for the opportunity to provide a submission on the proposed amalgamation of BPAY, eftpos and NPPA.

The ARA is Australia's largest and oldest retail industry group and represents around 7,500 independent, national and international members. The ARA is the trusted voice for Australia's \$340 billion retail sector, which employs more than 1.2 million people.

The ARA believes that the payments system should facilitate competition, innovation, efficiency, and merchant choice. As such it is pleasing to see that the ACCC is reviewing the proposed merger with specific consideration to the impacts on competition and to the public good. In principle, the amalgamation has significant potential to be a very good development for consumers and retailers, facilitating greater innovation and competition to keep downward pressure on costs (as a consolidated and hence, stronger entity).

For retailers, competition in the payments system is crucial so merchants can access affordable, secure, and efficient payment solutions that meet the current and future needs of their customers for a fast and secure shopping experience.

The ARA initially held concerns about the impact of the proposed consolidation due to the lack of transparency and oversight into merger discussions. This raised some unknowns about the future of eftpos and whether it would be 'swallowed up' into a larger entity, and whether retailers would continue to be served by a competitive domestic debit scheme. We also held concerns that a bank-led merger process would not produce an outcome beneficial to retailers and consumers.

We are broadly satisfied that the merger application addresses most of these concerns and that the merger has the potential to ultimately strengthen competition in the payments system. However, there are issues which remain unresolved and may prevent a positive outcome from being realised.

The governance structure of the consolidated entity and the medium-long term future of eftpos remain an unresolved concern from the ARA's perspective. To date, eftpos has provided retailers with a low-cost transaction method to ensure downward pressures on payment acceptance costs over time to the benefit of consumers and retailers – particularly for smaller merchants.

It is critical that the proposed merger provides certainty and strengthens a domestic debit scheme in order to provide a competitive counterweight to the international card schemes, given card transactions are essential to retail payments in the short to medium term. The growth of eCommerce and increased adoption of digital payment methods likewise represents a vital consideration to ensure innovation and facilitate competition in the online retail payments market, which is currently dominated by the international card schemes.

The ARA welcomes the safeguards outlined in the merger application, which secure the immediate future of eftpos and its prescribed services, including the preservation of their strategic roadmap to June 2022. There remains uncertainty around the medium to long-term future of a domestic debit scheme beyond the conclusion of these roadmaps, and the way decisions will subsequently be made. Should the amalgamation inhibit the ability of a domestic debit scheme to compete with the international card schemes in the medium to long term, there are likely to be implications for retail. Retailers could be impacted by fee increases which will either increase the cost of business or be passed on to consumers, bringing about a public detriment rather than a public good. This could be exacerbated due to the growth of eCommerce in retail, which requires affordable online payment solutions for retailers who can benefit from strong competition.

We note the proposed governance structure dilutes the influence of the major banks, which allays concerns that decisions dominated by banks and financial institutions could be detrimental to the retail industry. We also welcome accountability measures in the governance structure that ensure shareholders who are participants of a particular payment service have the opportunity to veto fundamental changes to that scheme, which should provide a degree of protection from adverse outcomes.

Nevertheless, there remains uncertainty as to whether a merged entity will encourage the development of new digital and retail use products beyond the implementation of the prescribed services. The proposed merger may certainly provide the entities with the ability to develop other services beneficial to retailers and consumers, but it is not immediately apparent that it will do so. It appears that it still may be possible within a merged NewCo for one payment system to become favoured over another, which may cause a failure to deliver the requisite investment and development of products suitable for the retail industry. For example, under the new structure, there are no guarantees that investment would be diverted towards eftpos, which currently provides affordable payment solutions to many retailers but only delivers smaller commercial benefits to the major banks.

It is important for retailers, including smaller businesses, to understand their role in the proposed governance structure, in particular with regard to the proposed End-User Committee, which is expected to be constituted of end-users of BPAY, eftpos and the NPP such as small businesses, big businesses, and industry associations. The application does not make clear to what degree these committees will actually shape decision making, beyond the requirement that these views are taken into consideration.


As such, it would be helpful for clear terms of reference and the accountability structure of the end-user committee to be defined, in order to determine whether it would provide a meaningful setting for end-users to raise concerns and influence decisions of the proposed NewCo board. In the absence of such an arrangement, it may be possible that benefits to NewCo's shareholders could be realised without benefits to the Australian public coming to fruition, which could cause potential detriments to small businesses relying on a competitive payment system.

Our overall concern is that, while checks and balances in the proposed governance structure are a positive outcome, major decisions impacting domestic payment schemes may not adequately take into consideration the needs of retailers. In the long term, these decisions may have the effect of reducing competition with international schemes and an outcome where retailers, particularly smaller merchants, operate with elevated transaction costs.

Thank you again for the opportunity provide a submission in response to the application. If you would like to discuss any of the content of this submission further, please do not hesitate to contact me on

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Yours sincerely



Paul Zahra
Chief Executive Officer