

The Australian Competition and Consumer Commission (ACCC)
GPO Box 3131
Canberra ACT 2601

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Via email: digitalmonitoring@accg.gov.au

ACCC Digital Platform Services Inquiry – September 2023 Report on the expanding ecosystems of digital platform service providers - Issues Paper

Dear Commission,

Australian Payments Plus (**AP+**) welcomes the Australian Competition and Consumer Commission (**ACCC**) seventh report (**issues paper**) of the Digital Platform Services Inquiry (**the Inquiry**) which examines the impact of the expanding ecosystems of digital platform services has on Australian consumers and businesses.

AP+ agrees with the ACCC view expressed that the services offered by digital platforms are critically important to Australian consumers and businesses and are major drivers of productivity growth in the Australian economy.¹ Interrelated services and ecosystems can provide important benefits to consumers by creating a more seamless experience - where these services and devices within an ecosystem complement or interoperate effectively with each other. AP+ also agrees that exclusivity agreements, restrictions on interoperability with third parties, and withholding access to important hardware, software, and data, reduces consumer choice and limits investment and innovation.²

AP+ takes this opportunity to raise two issues in response to the findings and questions posed in the issues paper.

Least Cost Routing (LCR)

AP+ supports the Reserve Bank of Australia's (**RBA**) ongoing focus on increasing competition in the debit card market to keep downward pressure on payment costs for merchants. Reforms by the RBA have the objective of allowing merchants to choose the lowest-cost card network (eftpos, Mastercard or Visa) to process their debit transactions; this is known as 'least-cost routing' (**LCR**).

¹ ACCC Digital Platform Services Inquiry – September 2023 Report on the expanding ecosystems of digital platform service providers, available at: https://www.accc.gov.au/system/files/Digital%20platform%20services%20inquiry%20-%20September%202023%20report%20-%20Issues%20paper_0.pdf

² *ibid*



LCR allows merchants to choose the lowest-cost card network to process their debit transactions. It also increases the competitive pressure between the debit networks, providing greater incentives to lower the wholesale fees that are paid by merchants (and ultimately passed on to their customers). This is especially important for small businesses.

For in-store transactions, LCR is now available to 90 per cent of merchants.³

Relevant to this ACCC Inquiry is LCR availability for online transactions, and in the future, for in-store transactions conducted via a mobile device / mobile wallet. For online transactions, the RBA has outlined their expectation to see substantial progress from industry providers by June 2023, by enabling LCR where customers have presented a dual network debit card to make an online purchase.

The next necessary step to promote efficiency in payments and introduce the necessary competition to reduce costs for merchants is to enable LCR for in-store mobile wallet transactions⁴, which will deliver significant benefits to both businesses and consumers. AP+ agrees with the RBA position that this is particularly important given the rapid growth in the use of mobile devices for in-person card transactions; and agrees that it is feasible for industry to introduce LCR for mobile wallet transactions by the end of 2024. AP+ notes the current progress of industry towards that end-2024 goal and welcomes the continued focus of the ACCC and RBA to ensure such beneficial reforms are delivered.

This AP+ view has one caveat, in that it is also critical for regulators and industry to take the time to properly design and test the customer user experience (**UX**) flows for mobile wallet transactions, particularly the UX for 'consumer choice', in order to ensure that the policy objective of the government and RBA for the rollout of LCR is not undermined by the way that a consumer's choice (of their preferred network) is designed and implemented on a mobile device. For example, when initially enrolling a dual network debit card in their preferred wallet, a consumer makes the decision on their preferred network, this initial choice should not be permanent; nor should the UX implemented by mobile wallet providers hinder the ability of a consumer to easily change their preferred network at the time of a particular transaction.

Use of mobile payment and digital wallet services in Australia

The most prominent digital wallets in the Australian market are Apple Pay, Google Pay and Samsung Pay. The vast majority of mobile payments are processed through these three wallets.

The ACCC has previously found that Apple (**iOS**) and Google (**Android**) are effectively the only mobile operating system (**OS**) providers in Australia and globally (excluding China). The ACCC previously noted that together, Apple and Google have close to 100 per cent of the mobile OS market worldwide, and that in Australia, Apple and Google each have around 50 per cent of the mobile OS market.⁵

The use of these wallets to make payments is growing very quickly in Australia and while often more expensive for merchants to accept^{6 7} the extraordinary growth in the use of digital wallets on mobile devices in recent years indicates that consumers value the ability to make convenient and secure payments with their smartphone or other payments enabled mobile device.

³ RBA speech, The Shift to Electronic Payments – Some Policy Issues, 28 March 2021, available at: <https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>

⁴ The most prominent digital wallets in the Australian market are Apple Pay, Google Pay and Samsung Pay. The vast majority of mobile payments are processed through these three wallets.

⁵ Australian Competition and Consumer Commission (ACCC), Digital platform services inquiry, Interim report No. 2 – App marketplaces (Second Interim Report), March 2021 at pg 19, available at: <https://www.accc.gov.au/system/files/Digital%20platform%20services%20inquiry%20-%20March%202021%20interim%20report.pdf>

⁶ RBA speech, The Shift to Electronic Payments – Some Policy Issues, 28 March 2023, available at: <https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>

⁷ RBA speech, An Efficient, Competitive and Safe Payments System, 14 December 2022, available at: [An Efficient, Competitive and Safe Payments System | Speeches | RBA](#)



Enabling competition in digital wallets can help to reduce costs in payment acceptance. Without fair, reasonable and open access to mobile device ecosystems and digital wallet services, the current consumer trends and status quo will preserve the existing upward pressure on merchant payment costs in the Australian payments ecosystem as noted by the RBA.⁸

Mobile payment services can, in principle, use a range of technologies to facilitate in-person payments but the most commonly used secure technologies are near-field communication (**NFC**) and quick response (**QR**) codes. QR codes are used for the secure processing of payments in multiple jurisdictions across the globe and can be used on various mobile device operating systems. It is the need for fair, reasonable and open access to NFC technology that raises particular issues for policymakers, particularly in relation to competition, given the rapid growth in the use of mobile devices for in-person card transactions. In their 2021 submission⁹ to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Mobile payment and digital wallet financial services, the RBA noted that NFC is a wireless technology that allows compatible devices to exchange data over short distances and is based on the same technology standard used for contactless payments using physical (plastic) debit and credit cards, meaning NFC payments can generally be accepted by any card terminal that accepts contactless payments with a plastic card. For this reason, it has been more widely adopted in countries where card payments were already common, such as here in Australia.¹⁰

The AP+ position is that fair, reasonable and open access to NFC technology is therefore a prerequisite for competitors to offer secure contactless payment services that Australian consumers and businesses seek and similar to the RBA intervention on interchange fees, appropriate reforms will likely remove the existing upward pressure¹¹ on merchant payment costs in the Australian payments system.

Also contained in their 2021 submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Mobile wallets, the RBA noted the difference in approach between the Android and iOS platforms concerning the ability of third parties to access technology used for contactless payments.¹² The RBA noted that on Android devices, third parties are able to directly leverage NFC functionality to develop their own mobile payment applications that compete with Google Pay or Samsung Pay; that is, a user can initiate a payment from their bank's app without the involvement of the technology company's mobile wallet. In contrast, on the iPhone, direct access to NFC technology for payments is restricted to Apple's 'Wallet' application, meaning third parties are unable to develop their own NFC-based mobile payments applications for iOS without transactions going via Apple Pay (and paying the associated "Apple Tax"¹³).

The dominant market share of Apple Pay and Google Pay raises a number of policy questions. There are serious implications for consumers, merchants, innovation and competition when a mobile device operator restricts access to their technology to regulated payment service providers when that mobile device operator is also a dominant provider of mobile payment and digital wallet services in Australia.

⁸ RBA speech, The Shift to Electronic Payments – Some Policy Issues, 28 March 2023, available at: <https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>

⁹ RBA submission to the Parliamentary Joint Committee on Corporations and Financial Services began an inquiry into Mobile payment and digital wallet financial services, 21 May 2021, Available at:

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Mobileanddigitalwallet

¹⁰ According to RBA data, Australians make card payments more frequently than in many comparable economies, including those with very low rates of cash usage, such as Sweden. RBA Speech, The Shift to Electronic Payments – Some Policy Issues, 28 March 2023, available at:

<https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>

¹¹ RBA speech, The Shift to Electronic Payments – Some Policy Issues, 28 March 2023, available at: <https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>

¹² RBA submission to the Parliamentary Joint Committee on Corporations and Financial Services began an inquiry into Mobile payment and digital wallet financial services, 21 May 2021, available at:

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Mobileanddigitalwallet

¹³ The 'Apple Tax' is a popular term for the general commission rate that Apple charges for paid apps and in-app purchases on their App Store. This is the same amount that Google also tends to charge on their Play Store. Anecdotally, media reports on recent court cases state this general commission rate as being 30%.



The RBA has a longstanding focus on lowering card payment costs for merchants. In a recent speech, the RBA Head of Payments Policy stated¹⁴ the cost of card payments can still be substantial for small businesses, noting that Scheme fees are higher for mobile and online transactions, and that it was possible that these fees could be lower if there was more competition in payments, particularly for mobile and online transactions.

AP+ as operator of Australia's domestic payments infrastructure, believes that fair, reasonable and open access to mobile device ecosystems and NFC technology is critical for digital payment innovation, lower costs for merchants, good consumer outcomes and robust competition in Australia.

AP+ supports the ACCC ambition that Australian consumers and businesses should be able to enjoy the benefits provided by digital platforms alongside necessary fit-for-purpose regulatory safeguards to minimise harms and encourage trust and confidence online. Improving the functioning of these markets also presents an opportunity to realise benefits across the economy (e.g., innovation, choice, lower costs), given the increasing importance of digital platforms to both consumers and Australian businesses of all sizes and types.

Should the ACCC team have any questions regarding this submission, please don't hesitate to contact me at

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Yours sincerely,

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Australian Payments Plus (AP+).

Australian Payments Plus (AP+) brings together Australia's three domestic payment providers, BPAY Group, eftpos and NPP Australia, into one integrated entity. Operating in the public interest, AP+ is a member-owned organisation. Members include banks, some of the country's largest merchants, payment service providers and payment processors.

The AP+ integrated product roadmap includes new offerings that support opening the domestic payment flow, connecting next generation experiences to traditional payments infrastructure, driving innovation through QR payments, building open wallet infrastructure and a national trusted identity exchange.

¹⁴ RBA speech, The Shift to Electronic Payments – Some Policy Issues, 28 March 2023, available at: <https://www.rba.gov.au/speeches/2023/sp-so-2023-03-28.html>