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Adjudication Branch  
Australian Competition & Consumer Commission  
PO Box 1199  
DICKSON ACT 2602

**Re: Authorisation of EFTPOS Reforms,  
Applications C2003/239 and C2003/241**

MoneySwitch Ltd made a submission on the EFTPOS Interchange Fee application on March 28, 2003. That submission supported the zero EFTPOS interchange fee provided that there was a level and open playing field for the access of new acquirers to the EFTPOS network. MoneySwitch would like to amend the March 28 submission based on events that have unfolded since that date.

On May 1, APCA submitted an application to the ACCC for re-authorization of CECS (ACCC file C2003/552). The May 12 news release on the APCA web site reports that a CECS working group has been set up to consider access to the EFTPOS network. The release goes on:

"While a start has been made, the work is complex and is unlikely to be concluded for some time. It is much too early to say whether it will prove feasible to develop access conditions for an EFTPOS network which is essentially bilateral in nature".

This does not indicate that the working group is seriously trying to facilitate access for new entrants. In fact, it indicates the opposite, setting expectations that open access cannot be achieved.

MoneySwitch has applied to APCA to become a member of the working group. A senior employee has verbally told us that we cannot become a member. An email request was sent to the CEO of APCA on the May 20, but to date there has been no response. Even if we could become members, the voting structure based on existing transaction volumes gives overwhelming voting power and control to the 4 major banks. It seems unlikely that our point of view as a new entrant would be fairly considered.

The combination of the APCA press release and our lack of access to the CECS access working group indicates a very cavalier attitude by the existing banks to the whole process of opening access.

It is likely that the issue of access to the EFTPOS network will require some form of a multilateral network. This multilateral network will require an investment by some or



all parties to the EFTPOS interchange. Where the funding of this multilateral network comes from has a significant effect on the appropriate interchange fee. If the multilateral network was funded by the new acquirers or the merchants, a negative interchange fee from the issuers would be appropriate, as their contribution to the cost of the network.

The cost of access to new entrants depends on the technology employed. A common standard for messages and a multilateral network using modern networking technology would give lowest costs. The current bilateral network is expensive because of the multitude of links needed, the different standards for messages, the obsolete link protocols used, and the need for separate testing with each organization. If the interchange fee is set to zero, the existing issuers will have no incentive to lower the access cost by adopting appropriate modern networking technology and standards. This will cause a huge cost disadvantage to new acquirers.

The multilateral EFTPOS interchange fee should not be set by the ACCC (to zero or any other amount) until there is agreement on open access, both for the technology and the costs and conditions. To approve this current application would be to completely remove the chance that new entrants will be able to negotiate sensible access with the existing oligopoly of large banks. This in turn would restrict further competition and efficiency in the EFTPOS acquiring market, raising costs to the merchants and the consumers. While the banks are waiting for authorization on a multilateral setting of the EFTPOS interchange fee, they are much more likely to address the access issues in a timely and reasonable manner.

In the light of the above, MoneySwitch would like to amend its prior submission. Moneyswitch believes that the ACCC should not approve the applicants' submission on zero EFTPOS interchange until after access to the EFTPOS network has been achieved using modern technology, standards and reasonable commercial terms.

I would be happy to provide further information to the ACCC if required.

Sincerely,

A handwritten signature in dark ink, appearing to read "PA Wood".

Paul A Wood  
Director