



FILE NOTE			
Matter name:	Woolworths and Australian Independent Retailers – exclusive dealing notifications N93625 & N93626		
ACCC parties	Richard Chadwick (RC), Darrell Channing (DC), Lauren Roy		
Woolworths	Rod Bordignon (RB)		
Clayton Utz	Kirsten Webb (KW)		
Date:	6 January 2009	Time:	2:05pm – 2:55pm

epump technology

RB explained that epump is a proprietary solution that has been developed by Woolworths. It has features of the MasterCard PayPass system on the card, but that is not the technology being used at epump.

RB submitted that Woolworths, in conjunction with HSBC, has developed this technology to provide solutions to three key issues:

- 1) the non-payment risk associated with drive-offs;
- 2) customers who are entitled to the 4 cent per litre discount on fuel;
- 3) to enable customers to enter a PIN for added security.

[EXCLUDED FROM PUBLIC REGISTER]

RB explained that Woolworths then considered partnering with a financial institution to introduce a Woolworths branded credit card. A tender process commenced in 2007. Woolworths decided to make the introduction of contactless payment technology part of the requirements for the tender process. HSBC was the successful tenderer.

Non-payment problems

RB indicated that HSBC provided a solution to the non-payment issue; they would pre-authorise an amount greater than the standard petrol purchase. RB explained how this process would work: when a customer waves their card in front of the reader, Woolworths' system communicates with HSBC and requests that it pre-authorise an agreed amount [EXCLUDED FROM PUBLIC REGISTER].

HSBC's system informs Woolworths' system that the amount has been pre-authorised. The epump will then operate and the customer can fill their tank.

RB noted that this pre-authorisation process has created some problems overseas, as the pre-authorised amount [EXCLUDED FROM PUBLIC REGISTER] impacts on a customer's credit limit until it is reversed. Woolworths needed to ensure that once the transaction is complete, this amount would go back onto the credit card within hours rather than days. Epump achieves this.

RB noted that the Visa paywave and MasterCard PayPass systems do not require customers to enter a PIN for transactions below \$35, whereas epump requires a PIN from the first dollar. This means that if a customer has their card stolen, it cannot be used at epump unless the PIN is known.

The petrol discount issue

RB explained that when customers make a qualifying purchase at Woolworths, they are entitled to a 4 cent per litre discount on the cost of fuel. This discount is loaded onto the customer's Woolworths Every Day rewards card if that card is presented at the time of making the qualifying purchase. RB noted that Woolworths needed a pay at pump solution that enabled a customer's discount to be redeemed. This required the development of a link between the credit card issuer and the fuel retailer.

DC explained that the ACCC understands the need for a link between the fuel retailer and the bank, but why wasn't Woolworths able to use the paper docket to have customers redeem their fuel discount at the epump?

RB answered that the contactless reader does not work on this technology, as the credit card needs an antenna in order to register the payment.

Commercial arrangements between Woolworths and HSBC

DC noted that the ACCC has some questions about the commercial arrangements between Woolworths and HSBC.

[EXCLUDED FROM PUBLIC REGISTER]

[EXCLUDED FROM PUBLIC REGISTER]

Public benefits

RB submitted that the notified conduct provides benefits to Woolworths through increased take up of the EM card **[EXCLUDED FROM PUBLIC REGISTER]**.

There is also a benefit to Woolworths if the notified conduct results in reduced congestion in the forecourt, thereby increasing fuel sales.

RB submitted that more broadly, public benefits from the conduct are:

- benefit to customers because they are able to get in and out of the petrol station more quickly;
- benefit of introducing a third contactless payment technology into the market place.

[EXCLUDED FROM PUBLIC REGISTER]

RB indicated that one of the advantages of epump is that it frees Woolworths from having to rely on the Visa and MasterCard technologies.

[EXCLUDED FROM PUBLIC REGISTER]