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23 December 2009

Dear Mr Chadwick

APPLICATIONS FOR AUTHORISATION A91175 – A91177

We refer to the above applications for authorisation and the Commission's pre-decision conference on 7 December 2009.

The Applicants are grateful for the opportunity to make further submissions with respect to issues raised at the pre-decision conference and now enclose a brief supplementary submission in that regard.

The submission includes certain commercially sensitive, confidential information. The Applicants request that such information be kept confidential by the Commission and be excluded from the register kept by the Commission in accordance with section 89(5) of the TPA.

The confidential information is indicated in the submission by the use of bold square parentheses ([CONFIDENTIAL]) around confidential text in the confidential version of the submission. For convenience, this information has been deleted and replaced with '[CONFIDENTIAL INFORMATION DELETED]' in a non-confidential version of the submission (also enclosed).

Please do not hesitate to contact us if you would like to discuss any aspect of the supplementary submission.

Yours sincerely



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**Further supplementary submission in support of application for authorisation of rediATM
Network direct charging and ATM deployment arrangements**

A91175 – A91177

[**Note:** This further supplementary submission adopts the definitions used by the Applicants in their submissions dated 27 July and 8 October 2009.]

The Applicants remain of the view that the ACCC can be satisfied, in all the circumstances, that the following arrangements ought to be authorised pursuant to section 90 of the TPA:

- the No Direct Charge Arrangements;
- the Maximum Foreign Direct Charge Arrangements;
- the Refusal of Discount to Foreign Cardholder Arrangements; and
- the ATM Deployment Arrangements.

The public benefits of the above arrangements, as set out in the Applicants' earlier submissions dated 27 July and 8 October 2009, will far outweigh any potential detriment and/or the above arrangements are likely to result in such public benefits that those arrangements should be allowed to take place.

In short, the Proposed Arrangements, including the addition of NAB to the rediATM Network, will increase the competitiveness of the Network, with benefits flowing to the more than 6 million cardholders of the "combined" network and to banking customers more generally.

The Applicants reiterate and continue to rely on their submissions dated 27 July and 8 October 2009.

In addition, the Applicants wish to make the following further submissions with respect to the issues raised at the ACCC's pre-decision conference on 7 December 2009:

1. The ATM Deployment Arrangements

The Applicants consider that it is necessary for Cuscal to discuss with other Members of the rediATM Network, issues with respect to the deployment of ATMs in the rediATM Network to ensure:

- (a) the efficient allocation of the limited deployment resources of the Members;
- (b) the expansion of the rediATM Network in a commercially sensible, efficient and equitable manner; and
- (c) the rediATM Network remains viable and competitive against those financial institutions which operate an ATM network with a large footprint.

The objective of the Members in implementing the ATM Deployment Arrangements is to increase the number of rediATMs in the Network, and the convenience of rediATM locations to customers.

The ATM Deployment Rules require all Members wishing to deploy a new ATM in the rediATM Network or to relocate an existing rediATM to follow a deployment approval process. [CONFIDENTIAL INFORMATION DELETED]

The ATM Deployment Rules do not apply to existing ATMs of Members at the time they become Members of the rediATM Network (ie. those ATMs are not considered new or relocated ATMs).

[CONFIDENTIAL INFORMATION DELETED] There is no requirement in the ATM Deployment Rules that overlapping existing rediATM and NAB ATMs must be moved, relocated or redeployed (see further section 3 below).

The ATM Deployment Rules provide for Cuscal, in consultation with the RAC, to determine disputes arising between Members with respect to the deployment of new, or relocation of existing, rediATMs including, for example, in relation to the application of **[CONFIDENTIAL INFORMATION DELETED]**. The ATM Deployment Arrangements envisage that Cuscal will resolve any such disputes in consultation with the Members involved.

However, it is not Cuscal's role or intention to prevent any individual Member from pursuing its own ATM deployment strategy. Rather, Cuscal's role is ensure that those strategies are communicated to Cuscal and the RAC to ensure they are in the interests of the network as a whole and to minimise and resolve and conflicts which may arise.

2. rediATM and NAB approach to people with disabilities

The Applicants are acutely aware of the concerns of Vision Australia and Blind Citizens Australia and of the blind and visually impaired persons which they represent. As acknowledged by Vision Australia, NAB has pioneered the roll-out of audio-enabled ATMs in Australia and has been at the forefront of the major banks in assisting vision impaired customers to have greater access to banking facilities through ATMs. NAB introduced Australia's first audio-enabled ATM in 2001 and today its entire ATM fleet is fully audio-enabled.

Each of the Applicants have a strong commitment to their customers and community. The aim of the Applicants is to create an environment of equal access to financial services and products, premises and employment opportunities for people with disabilities.

NAB's commitment is reflected in NAB's Disability Action Plan, which is available at www.nab.com.au.

The Plan aims to achieve five key outcomes for people with disabilities. These are:

- (a) accessible premises, services and facilities;
- (b) maximum benefit from any technological developments in banking eg. ATMs, EFTPOS, Internet and telephone banking as well as any future developments;
- (c) policies and procedures that remove barriers to banking and financial services and products;
- (d) high quality customer service as a result of informed attitudes by staff and effective communication and information exchange between staff and people with disabilities; and
- (e) equitable employment opportunities for people with disabilities.

NAB monitors and evaluates the Disability Action Plan to ensure its continuing effectiveness and relevance to removing barriers to banking and financial services for people with disabilities.

3. The potential relocation of overlapping rediATM and NAB ATMs

The integration of existing rediATM Network Members' ATMs and NAB's existing network of ATMs is a sizeable undertaking. It requires the coming together of 1,440 existing rediATMs and 1,651 NAB ATMs, Australia-wide.

The integration of two separate networks of that size will inevitably result in some duplication and overlap of ATM locations in the new, "combined" network.

In order to maximise the benefits envisaged under the ATM Deployment Arrangements, the Applicants have sought authorisation for discussions and agreements between Cuscal and its Members (including NAB) to identify the locations of such overlap, and the potential relocation of overlapping ATMs to new locations. This will, in part, contribute to the further expansion of the rediATM Network.

With respect to the potential relocation of any overlapping rediATM and NAB ATMs, the Applicants wish to make the following additional submissions:

- (a) It is not necessarily the case that all overlapping rediATM or NAB ATMs will be relocated. While it is possible some overlapping ATMs may be relocated, the process of identifying potential locations of overlap has not yet been completed and no decisions have yet been made as to whether any overlapping ATMs will in fact be relocated and, if so, whether the ATM to be relocated will be the existing rediATM or NAB ATM.
- (b) The Applicants expect that, even if some ATMs are relocated, the number of ATMs relocated will be relatively small and the number of any NAB ATMs to be relocated will be only a subset of that number. Any decision ultimately made to relocate any existing rediATM or existing NAB ATM will be made by Cuscal and the Members as part of an overall objective on the part of the Applicants to grow (rather than reduce) the size of the rediATM Network, both in terms of numbers of ATMs and their geographic spread.
- (c) Vision Australia proposed at the pre-decision conference that, in granting the authorisation, the ACCC impose a condition that no existing NAB ATM be relocated from its current location. Such a condition would significantly impair NAB's ability to manage its fleet of ATMs. As noted at the conference, institutions such as NAB actively manage their ATM fleets and routinely relocate ATMs from time to time in response to a variety of considerations. Such relocations would continue regardless of whether the proposed arrangements between NAB and Cuscal are ultimately authorised by the ACCC. In other words, the counterfactual with the proposed conduct is not materially different from the counterfactual without the proposed conduct. For example, in 2009, 35 NAB ATMs have been redeployed to a different location. Of those 35 NAB ATMs, 16 were relocated after the date that the interim determination was made (although the decision to relocate those ATMs had already been made by NAB prior to joining the rediATM Network). To date, no NAB ATM has been moved specifically as a result of NAB's arrangement with Cuscal.
- (d) The factors relevant to the relocation of an ATM include branch relocation, end of site lease, and performance metrics. NAB refers to transaction volumes and identifies locations where its customers are being charged ATM fees to determine the optimal location of NAB ATMs in order to best service its customers. A condition that no existing NAB ATM be redeployed from its current location could impact on the competitiveness of the NAB ATM fleet and result in a deterioration of the service provided to customers. Further, such a condition would be impossible to comply with in the event that a site lease expired and could not be renewed.
- (e) The Applicants note Vision Australia's comments at the pre-decision conference that due to the previous lack of audio-enabled ATMs, very few vision impaired customers bank with rediATM members (other than NAB). To the extent that the lack of audio-enabled ATMs is a determining factor in a customer's decision as to which institution to bank with, the Applicant's consider that the Proposed Arrangements will provide vision impaired people with greater choice as to their financial services provider, as they will now be able to bank with a rediATM member and obtain direct charge free access to the NAB fleet of audio-enabled

ATMs, and to other audio-enabled ATMs as other rediATM owners progressively upgrade to audio-enabled ATMs.

4. Notification of relocation of audio-enabled ATMs in the rediATM/NAB network of ATMs

Both Vision Australia and Blind Citizens Australia have expressed concerns about their access to information about the relocation of audio-enabled ATMs.

Cuscal manages the internet site rediATM.com.au at which the locations of all rediATM connected to the network are displayed. Cuscal is prepared to amend the ATM locator on the rediATM website to ensure that it identifies which rediATMs are audio-enabled so that visitors to the site can distinguish between audio and non audio-enabled ATMs. Vision Australia and Blind Citizens Australia can then advise their members of the nearest audio-enabled rediATM.

NAB's website, nab.com.au, also features an ATM locator, which is updated regularly to reflect any changes in NAB's ATM network. Customers may also be notified of proposed ATM relocations by notices placed on or next to the ATM in the lead up to the relocation.

Cuscal and NAB are open to working with Vision Australia and Blind Citizens Australia to improve the notification process for vision impaired customers.

5. Cuscal's planned roll-out of audio-enabled ATMs

With respect to the concerns expressed by Vision Australia and Blind Citizens Australia about rediATMs deployed by Cuscal and credit union participants in the rediATM Network not yet being audio-enabled, the Applicants reiterate their commitment to have the rediATM Network substantially audio-enabled by early 2011.

This plan will assist in addressing the accessibility and functionality concerns raised by Vision Australia and Blind Citizens Australia.

Currently, all of the NAB's rediATMs are audio enabled. The remaining rediATMs in the network are substantially hardware audio-enabled. All new rediATMs being deployed in the network are also hardware audio-enabled. The remaining work to complete the audio-enabled roll-out is to ensure the required software is developed and loaded onto each rediATM. The audio-enabled software is currently in the process of being developed and Cuscal plans to roll it out as soon as the development and testing work is successfully completed. It is Cuscal's expectation that a full software roll-out will be complete within the first quarter of 2011, which will effectively result in the rediATM Network being substantially audio-enabled at that time.

In any event, the conduct proposed in the Applicants' applications for authorisation, including NAB joining the rediATM Network has no effect on the timing of the roll-out of audio-enabled rediATMs. Again, the counterfactual with the proposed conduct is not materially different from the counterfactual without the proposed conduct. Absent the proposed conduct, such a roll-out would not occur at any more rapid rate than if the proposed conduct were authorised.