



16 April 2021

Simone Warwick
General Manager, Merger Investigations
Australian Competition and Consumer Commission
By email: mergerauthorisations@acc.gov.au

Dear Ms Warwick

MA 100020 Proposed amalgamation of BPAY, eftpos and NPPA

The Australian Banking Association (**ABA**) welcomes the opportunity to provide a submission to the ACCC consultation regarding the proposed amalgamation of BPAY, eftpos and NPPA.

A robust and innovative payments system is integral to a well-functioning Australian economy. A key public policy consideration is to ensure consumers and businesses (the users of the payment system) maintain their high levels of confidence in the payments system and trust that payments will be made in an accurate and timely manner. This requires a stable and resilient payments system that can also innovate and adapt to the needs of Australians, and one where participants have incentives to invest in existing and new payments infrastructure and products.

The payments market has strong network effects. To be successful, a payments product requires widespread adoption by consumers and businesses, and investment by financial institutions in order to offer a product. Innovation, particularly in growth areas like online payments, require significant capital as well as speed to market. International entities competing in the Australian payments industry, specifically international card schemes and big tech, have an advantage in both respects.

The ABA considers the proposed amalgamation would not substantially lessen competition between BPAY, eftpos and NPPA, because their products are not close substitutes for each other. Instead, the proposed amalgamation will enhance the ability of NewCo to compete with international card schemes and payments services offered by big tech. International entities have a large market share in the Australian payments industry and are backed by significant capital. Any domestic payments entity needs the ability to make timely investments in innovative products and technology to remain competitive against the international payments entities, particularly in the growth area of online payments. The proposed amalgamation provides both this capacity and competitive tension. The proposed amalgamation would also create a governance structure that gives greater voice to non-bank entities and end-users.

For these reasons, the ABA considers the public benefits of the proposed amalgamation would outweigh public detriment, if any.

The ACCC sought specific feedback on the following questions.

1. How closely BPAY, eftpos and NPPA currently compete in the Australian payments industry.

The ABA agrees that BPAY, eftpos and NPPA do not currently compete closely with each other in the Australian payments industry, because their core payments products do not compete in a meaningful way and their closest competitors are other entities such as international card schemes.

2. How closely BPAY, eftpos and NPPA might compete in the future if the proposed amalgamation does not occur

If the proposed amalgamation does not occur, the ABA considers the competitive pressure that each of BPAY, eftpos and NPPA exerts in the Australian payments market can weaken over time.



The ABA considers the three entities' core payments products are unlikely to closely compete in the future. If the three entities compete in growth areas outside their core payments products, they will each be competing against the international payments entities that already enjoy network effects. This is likely to fragment the market for a domestic alternative so none may achieve the scale to be viable.

By comparison, the proposed amalgamation may enable NewCo to bring new payment products to market that draw on the best of the three entities. These products would have a better chance of gaining the necessary investment and adoption from users and financial institutions, and thus provide competition to the international entities.

3. Whether competition from other payment systems providers (for example, Visa, MasterCard, Apple and Google) will constrain the services provided by NewCo (i.e. BPAY, eftpos and NPPA)

The ABA considers competition from other payment systems providers will constrain the services provided by NewCo. As above, the services provided by BPAY, eftpos and NPPA are not close substitutes and are not each other's closest competitors. Rather competition will come from other payment systems providers including international card schemes, big tech and fintechs.

This is particularly so in the growth area of online payments. This is also the case in other areas of payment services, for example, competition from international card schemes in point-of-sale retail payments.

Per the previous response, the proposed amalgamation would enable NewCo to make more efficient investment decisions to compete, without reducing competitive tension from the international entities. This outcome will benefit Australian consumers and businesses.

4. Whether the proposed amalgamation is likely to alter ICA and its members' incentive to provide open and non-discriminatory access to payment services and infrastructure, and ability to foreclose competitors or otherwise frustrate the ability of other businesses to compete

The ABA does not consider the proposed amalgamation is likely to alter ICA and its members' incentives to provide open and non-discriminatory access to payment services and infrastructure. The ABA also does not consider the proposed amalgamation would give the ICA and its members greater ability to foreclose competitors or frustrate competition from other businesses.

The merger application notes BPAY, eftpos and NPPA will preserve their existing rules of open and non-discriminatory access and their strategic roadmaps to 2022. The merger application also outlines the governance arrangements that would be established for NewCo. The proposed governance arrangements give greater voting power to non-banks and fintechs, and will enhance consultation with end users including small businesses. It can be more feasible for smaller entities to engage with NewCo via the proposed governance arrangements, rather than with three entities.

As such the ABA considers the proposed amalgamation will not alter, and may, in fact, enhance the ICA and its members' incentives to provide open and non-discriminatory access to payment services and infrastructure to smaller payments entities, non-banks and fintechs.

5. The extent and likelihood of public benefits and detriments, claimed by the applicant or otherwise, arising from the proposed amalgamation

The ABA considers an important public benefit of the proposed amalgamation is better enabling a domestic payments entity to compete with well capitalised international card schemes and big tech.

The ACCC's digital platform inquiry identified the market power of big tech, and the ABA's submission¹ to the Federal Treasury's 2021 Review of the Australian Payments System notes that analogous issues arise in the payments industry. While the proposed amalgamation would not in itself address the concerns that may result from the market power of big tech, the proposed amalgamation may better enable NewCo to make timely investments in new technology and innovative products that can achieve

¹ Australian Banking Association submission to the Payments System Review Issues Paper, 22 January 2021: https://treasury.gov.au/sites/default/files/2021-02/147719_aba_0.pdf



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sufficiently widespread adoption and thereby provide competitive pressure. Also see the ABA's introductory comments and response to question 2.

A credible domestic competitor may be, and may incentivise their competitors to be more responsive to the needs of Australian consumers and businesses, as technology and innovation continues to change how we make payments, conduct online commerce, and safeguard our data in the coming years.

These outcomes would support and enhance the regulatory priorities of the payments regulators including the RBA, and more broadly, support the government's digital economy agenda.

Recent market and regulatory developments in other jurisdictions support this view. Amalgamation of domestic payment schemes proceeded in the United Kingdom in 2018². The European Commission's Retail Payments Strategy (2020)³ describes the impact of a fragmented domestic payments market and sets out a proposal for a pan-European payments solution in order to enhance competition.

If you have any questions, please contact me on [REDACTED] or [REDACTED].

Yours sincerely



Rhonda Luo
Policy Director

² Bank of England, Consolidation of three UK Payment System Operators, 1 Mar 2018:
<https://www.bankofengland.co.uk/news/2018/may/consolidation-of-three-uk-payment-system-operators>

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and The Committee of the Regions on a Retail Payments Strategy for the EU, 20 September 2020:
<https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-592-F1-EN-MAIN-PART-1.PDF>