

From: [Nick Hossack](#)
To: [Merger Authorisations](#)
Subject: MA1000020 – submission re proposed undertaking.
Date: Tuesday, 17 August 2021 4:15:28 PM

Good afternoon,

Thanks for the opportunity to comment on a court enforceable undertaking which has been offered by Industry Committee Administration Pty Ltd (ICA), the company representing three Australian payment services providers seeking to merge. The proposed court enforceable undertaking will cover Australian Payments Plus Ltd, or AP+, the new company that has been created for the merger.

I'd like to contribute the following comments:

1. My concern with the merger is that the AP+ will have divergent interests and will, in one way or another, prioritise other payment instruments above that of eftpos, driven by the incentive of increasing interchange fees or other payment revenue. This force is mitigated by a dedicated board with a single focus of promoting eftpos.
2. Notwithstanding, I see some benefit in the ICA undertaking as it has the prospect of giving eftpos' some medium-term certainty and a chance to fully rollout its digital payment services.
3. I think there are some improvements that could be made to the undertaking:
 - a. The three-year guarantee should only commence once there are simple and effective Least Cost Routing (LCR) products offered by the major banks;
 - b. The major banks should amend their statements in support of the amalgamation to specifically commit to the undertakings and agree that the three-year timeframe commences only when LCR is fully deployed; and
 - c. The RBA is probably best placed to adjudicate when the major banks are offering simple and effective LCR products. The RBA could write to the ACCC and notify it when it is satisfied that simple and effective LCR products are available. The RBA may support this advice with some form of public consultation. The ACCC could then formally mark the start of the three year guarantee by writing to the AP+ and the banks.
4. My view is that if an effective LCR model is put in place, then the Australian payments system will have an excellent payment product to compete against buy now pay later (BNPL), more expensive credit cards and other payment instruments into the future.
5. The business models of newly emerging payment instruments seem to be focussed on higher fees for merchants, in exchange for consumer marketing services. The eftpos business model of aiming to keep costs low for merchants is quite different (in fact, innovative now) and I think will be strongly supported by businesses in the years ahead, so long as eftpos is allowed to roll out its full service offering and is supported by the major

banks.

Regards,

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