



Proposed amalgamation of BPAY, eftpos and NPPA MA1000020.

Non-confidential version of Dr Geoff Edwards, Charles River Associates, Proposed Amalgamation of BPAY, eftpos and NPPA.

An additional submission and comment by Controlabill Pty Ltd

Dear Mr Reed

Thank you for the opportunity to comment on the above additional document.

I also read with interest many of the other submissions that you have published regarding the above. I note that our submission did not appear to be amongst those among those published, though permission was given.

Regarding the expert opinion from CRA, my first comment would be to the clear difficulty in responding to papers where the full brief is not for public view and many supporting data elements are redacted.

In our previous response we made comment as to market power and the role of KWM throughout the payments arena who act in many cases, we believe in conflict of the public interest where clear impartiality is needed.

“He who pays the piper calls the tune”

My first question for the ACCC is that perhaps it should query the independence of this analysis.

Given the importance of this inquiry, if the ACCC cannot conduct its own analysis then it should hire its own provably independent analysis.

The general thrust of this document seemed to centre around minimal effects on competition.

On the issue of competition, the ACCC should firstly quantify, whether there is in fact any meaningful competition now. If four players already act as one and own more than 80% then the question of impacts on competition is moot.

I would put it to the ACCC that there is no real competition. This is not something I can prove though and I would like to see the ACCC publish who makes what revenues from which payment channel including categories such as BECS and Cards by volume and dollar value down through the list of members of Auspaynet and up the entire verticals chain.

Four Pillars and Competition

From all that I have read, payments accounts for 25% plus of big four bank revenue (recorded profits in 2019 was 26.9 billion down 8% on the previous year, profits not revenue). In allowing this merger I would ask the ACCC whether it would breach (or if in-fact it already breaches) four pillars legislation as enacted by the Keating government in 1990. In allowing this merger would this in-fact be allowing substantively the creation of a monopoly.

As previously stated, it is the view of the writer that this oligopoly is already acting like a monopoly in its governance and those governance models should be re-examined without KWM.

The writers view is that full control of payments verticals is extremely unhealthy in driving for competitive outcomes.

If we were to look at other services markets in electricity, water and telecoms, far from allowing mergers these verticals were broken up to create competitive tension.

I would put it to the ACCC that it should work with the Productivity Commission to examine whether a public interest case for anti- trust legislation a more appropriate outcome. Happy to discuss what a de-merger might look like and how it would achieve the drivers below.

On the issue of competition Mckinsey wrote a paper that there are in fact only 3 paths to market competitiveness they are simply "Price, Quality and Innovation"

I cannot see any case anywhere globally where monopolies exceed in anyone of those drivers.

In this case this merger seems to be predicated on the need to prop up NPPA whose price and quality are questionable as is its market need. If we remove OSKO from NPPA stats it is a failure on volume because it was driven by suasion not market demand.

On competition and innovation, we have already seen one player write down the value of its innovation portfolio.

In its dealings with the payments industry Controlabill also seeks a private discussion with the ACCC regarding sections 45 and 46.

Bernard Wright.
Founder Director
Controlabill Pty Ltd



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