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Australian Competition and Consumer Commission  
Merger Investigations Division  
23 Marcus Clarke Street  
Canberra, ACT 2601

Via: mergerauthorisations@acc.gov.au

**RE: Proposed amalgamation of BPAY, Eftpos and NPPA**

Dear Associate,

ACCI believes in a fairer, more transparent, competitive and innovative payments system that provides user choice and places merchants (customers) at the centre of the payments system. The central issue for small business merchants is the increasing cost of transacting and the ongoing barriers to accessing least-cost routing. A study by the RBA suggests that consumers are using cards more frequently for payments of all sizes, the strongest growth occurred for lower-value transactions.<sup>1</sup> The volume and frequency of these transactions at higher costs is driving significant administrative burden (or deadweight loss) between producers and consumers in society. The regulatory environment underpinning the Australian payments system must place downward pressure on transaction costs as these types of transactions are anticipated to escalate in volume and number as we move toward a more digital financial payments system. By reducing transaction costs, we allow more efficient financial flows to occur throughout the economy.

In order to reduce transaction costs in a more digital financial environment, we must consider the Australian payments platforms regulatory system. The existing regulatory environment does not encourage nor incentivise low transaction costs because the customer (merchant) is not a significant party to the overall design and makeup of the regulatory system. Reforms that allow the customer (merchants) to be at the centre of the regulatory system should be a primary consideration for government prior to a decision made the ACCC, on the proposed amalgamation of the payment platforms.

*Attachment A – ACCI submission to Treasury on the Review of the Australian Payments System*, we argue for reforms to the regulatory system that:

- Places merchants at the centre of the regulatory system
- Improves clarity of costs and pricing information for end-users
- Creates an even-playing field for businesses of all sizes
- Enables entrants that deliver for merchants
- Provides clear guidance on regulatory decisions and,

<sup>1</sup> <https://www.rba.gov.au/publications/bulletin/2020/mar/pdf/consumer-payment-behaviour-in-australia.pdf>

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- Encourages competition by attracting new entrants and maintaining user choice

Without consideration for regulatory reforms to the Australian payments system, the proposed amalgamation of Australia's payment platforms is not expected to, nor guaranteed to, deliver *lower* transaction costs for customers, particularly small business merchants, because there is simply no incentive nor the regulatory parameters to do so.

Merchants must be represented at the table with advisory and regulatory bodies to prevent perverse outcomes including escalating merchant costs and associated service fees. By providing clearer guidance on regulatory decisions, small businesses can better understand the impacts to their business. And by improving clarity of costs and pricing information, merchants can make better informed decisions to access the options that fit their needs.

The proposed amalgamation will limit rather than increase user choice. User choice is an essential feature of an effective payment system, and a move to a single payment platform will risk the level of competition and the costs associated with added complexity to the payment system. Competition should be actively encouraged at all levels of the payments supply chain as the international experience suggests that early movers have experienced significant issues in transitioning to a single payment platform.

To make it easier for smaller merchants to navigate options and effectively compete with large national and international retailers, we must create a regulatory framework that delivers *genuine* competition in the domestic market as well as transparency and user-choice. This requires a payments system that is agile and innovative so that merchants can access the payment methods that work for them. It also requires effective competition at all levels of the payment system's supply chain that serves the interests of merchants and provides them and their customers with the option to make the transactions they need, both at point-of-sale and online.

In summary, ACCI recommends a thorough review of Australia's payments system regulatory framework prior to approval or further consideration of the proposed amalgamation of the payments platforms, as there is no guarantee that the proposed merger will lower and, in fact, may increase the transaction costs of digital payments across the economy.

Yours sincerely,



**Dr. Ross Lambie**  
Chief Economist