To: Mr Rod Sims - ACCC Chair

CC: Mr. Mick Keogh - ACCC Deputy Chair

From: Mr. Jos de Bruin MGA CEO

Date: 25th August, 2020.

Dear Rod,

Re: Proposed consolidation of Australia's domestic payments schemes - lessening competition and the effect on the sustainability of small businesses.

ABOUT MGA INDEPENDENT RETAILERS AND MGA TIMBER MERCHANTS AUSTRALIA (MGA/TMA)

MGA Independent Retailers (MGA/TMA) is a national employer industry association representing independent grocery, liquor, and other retail outlets including timber and hardware, in all States and Territories of Australia.

These businesses range in size from small, to medium and large, and make a significant contribution to the retail industry, accounting for approximately $16 billion in retail sales.

There are 2,700 branded independent grocery stores, trading under brand names such as: Drakes, Farmer Jacks, FoodWorks, Foodland, Friendly Grocers, IGA, IGA Xpress, Supa IGA and SPAR, with a further approximately 1,300 independent supermarkets trading under their own local brand names.

In addition, there are numerous independent liquor stores operating throughout Australia and trading under names such as: Cellarbrations, The Bottle O, Duncans, and Local Liquor, which are either single or multi-store owners.

Our members also own independent hardware stores and trade under brand names including Mitre 10, Home Timber and Hardware, Thrifty Link and True Value Hardware. These stores which collectively employ more than 120,000 staff are comparatively much smaller when juxtaposed against the large supermarket and hardware chains of Coles, Woolworths and Bunnings, which combined represent approximately 80 per cent of the retail supermarket and liquor industries and 65% of hardware industries.

MGA TMA has been advocating for Least Cost routing or Merchant Choice Routing for several years, to reduce the high cost of doing business, which is only made partially palatable by having strong competition in place to bring about transparency and choice.

MGA's view is that LCR is immediately important for those businesses that are transacting now and having to resort more to contactless tap and go payments, with the current Covid 19 crisis at hand driving a 'No cash' policy so widely in place.

Given the big 4 banks slow response and lack of action to switch to LCR, although we acknowledge Westpac has just indicated it's move to open up LCR, we have little confidence that this will be in place quickly, with transparency and fairness, to reduce the high cost burden of transactions at present.

Please find below key points that MGA feels will impact our members nationally and in fact, lessen competition, transparency, and choice for how transactions are routed in stores currently.

KEY POINTS:

- MGA TMA is aware of a proposal to consolidate the various entities that make up Australia's domestic payments system into one entity with a single board.

- MGA TMA is also aware consideration of this proposal is well-advanced with a high likelihood that an in-principle decision may be taken to proceed in the near future. This will have demonstrable impact on our members and will result in direct lessening of competition in our view.

- MGA TMA is concerned this major change is occurring without any consultation or scrutiny with regards to its consequences or the real impact on the small businesses whose livelihoods are reliant upon a secure, competitive, and low-cost domestic card payments system.

- We have grave concerns this consolidation proposal will destroy competition in card related payments, handing the advantage to the two large international card schemes. MGA TMA considers this is the wrong approach at absolutely the wrong time.

- Reliance on card-based payments, particularly debit cards, is going through the roof. In the last 12 months, our sector has:
    - $16 billion in revenue dollars annually.
    - Estimated 90% of transactions pre Covid 19 and growing to 95% in recent months as a 'No cash' policy is becoming more common.
    - $14.4billion via card transactions – pre Covid (based on 90% customer use in store)
    - 450 million card transactions completed each year.
    - $74.25 million in annual merchant fees, via the Supermarket, Liquor, Timber and Hardware sector.

- It would be totally unacceptable to do anything that undermines eftpos, Australia's domestic cards payment provider, which is driving competition against the two big global card schemes in relation to debit transactions.

- For years, eftpos has been driving lower merchant fees by providing real choice to small businesses to choose the least cost routing (LCR) for their debit transactions.

- Based on RBA data, LCR can provide merchants with savings of up to 40% annually on debit processing, this can translate into job at retail level, to keep the economy moving and keep our members private and family businesses going and continuing to be the hub of their local communities.

- Unfortunately, the major banks have been slow in making least cost routing widely available to their small business customers, presumably as it is not in their financial interests to do so.

- MGA understands and accepts the need to invest efficiently in updating Australia's domestic accounts environment and that NPP is the preferred vehicle to do this upgrade.
- However, we are very concerned about the inclusion of eftpos in a consolidation proposal that is being driven by the major banks who will control the consolidated entity. If recent attitudes from the banks is anything to go by then this will be a disaster for small business and MGA TMA's members nationally.

- This is unnecessary and puts at risk Australia's well-established and highly functional merchant payments system for an undefined and untested alternative. An alternative that may mean the end of debit payments competition which MGA TMA has fought so hard for through least cost routing.

MGA and its members are not willing to stand idly by for any reduction in payments competition, loss of progress in LCR or further concentration of market power with the big international schemes.

Any proposal for consolidation should not be allowed to be taken forward until its potential impacts on small business have been fully considered, with the facts, evidence and data to substantiate any proposal, including through the RBA Review of Retail Payments Regulation.

We ask that the ACCC engage with the Industry Committee considering this consolidation that eftpos must be excluded and maintained as a stand-alone domestic card payments competitor to the large global schemes, with a board that maintains the balance between its shareholders and the merchants that its serves.

In turn this will ensure our members prosper in a very tightly fought and competitive environment against the major chains, dominating retail all over Australia.

Yours sincerely,

Jos de Bruin

CEO MGA TMA.