

Dr John Veale  
Head of Payments Policy  
Reserve Bank of Australia  
65 Martin Place  
Sydney NSW 2000

9 July 2004

### **Submission on EFTPOS reform**

Dear Dr Veale

I refer to the Reserve Bank's request of 11 June 2004 for the views of interested parties on whether designation of the EFTPOS payment system would be in the public interest.

Westpac is committed to payment systems reform, and has actively worked with the industry and the Reserve Bank to achieve consensus on a self-regulatory approach to achieve such reform.

Westpac believes that self-regulatory reform is the most efficient and lowest risk approach to payment systems reform. Designation should only be considered where actual market failure has been identified and voluntary reform has been unsuccessful in addressing that market failure. To this end we have supported the industry-led initiatives in EFTPOS.

#### **EFTPOS Interchange**

Westpac is on the public record, stating that bilaterally set negative interchange fees in EFTPOS are not appropriate and that voluntary reform is unlikely in the absence of multilateral action<sup>1</sup>. To this end we supported the industry efforts towards a multilateral zero interchange. The Australian Competition Tribunal has withheld the approval required to achieve the industry-lead reforms. Accordingly, our view is that designation in consultation with industry of EFTPOS for the purposes of giving legal certainty to EFTPOS interchange reform is in the public interest.

As debit cards and credit cards at point-of-sale are close substitutes, Westpac supports using the same interchange methodology for debit cards. However if the compliance cost (to debit card issuers) under the credit card interchange methodology is higher than the fees received, a zero interchange is sensible.

Westpac is also on record stating that the greater the divergence between proprietary debit card interchange and scheme-based debit card interchange, the greater the incentive to issue scheme-based debit cards.

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<sup>1</sup> Westpac Banking Corporation, Options for Interchange Reform, September 2002, p3

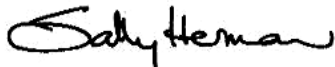
## Access

In regard to access, although Westpac is of the view that no actual market failure has been identified, we support APCA's efforts to develop a voluntary access regime. This process is likely to result in an access regime that takes into account the complications involved in access to the various EFTPOS networks.

It is unlikely that a designated access regime would have the same public interest benefit as a self-regulatory approach, so we urge the RBA to continue to work with the industry to ensure the best outcome in terms of clarifying access arrangements for potential new market entrants.

Westpac will welcome the opportunity to meet with the RBA to further discuss our position on EFTPOS reforms.

Yours sincerely

A handwritten signature in black ink that reads "Sally Herman". The signature is written in a cursive, flowing style.

Sally Herman  
General Manager Products & Payments  
Business & Consumer Banking