

**BankWest**

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Dr John Veale  
Head of Payments Policy  
Reserve Bank of Australia  
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Dear Dr Veale

We refer to the request of the Reserve Bank of Australia (**Reserve Bank**) for views in relation to whether designation of an ATM payment system under the *Payment Systems (Regulation) Act (PSRA)* would be in the public interest, as contained in media release of 11 June 2004. Thank you for the opportunity to comment. This letter provides BankWest's views in relation to ATMs.

## **1. Background and Context**

BankWest has been working with members of the AISG for some time to develop a Direct Charging arrangement that would adequately respond to the concerns raised in the RBA/ACCC Joint Study into Debit and Credit Card Schemes in Australia. Given the complexity of the ATM industry and the diversity of the institutions represented on the AISG, development of voluntary reform has been a lengthy and challenging process.

BankWest is committed to the principles of direct charging reform and await the Reserve Bank's consideration of the merits, or otherwise, of designation. It is BankWest's view that this authorisation, conducted by the ACCC and subject to full merits review by the Australian Competition Tribunal, is in the public interest.

### **Public Interest**

BankWest believes that a Direct Charging proposal that intends to have public benefits needs to address the concerns raised in the Joint Study and in particular the needs of customers of smaller and regional institutions.

By way of overview the key issues for customers in the use of ATMs are access and cost.

It is in consumers' best interests if a highly competitive environment exists in the ATM market. If larger ATM providers are given competitive advantages over smaller providers this may disadvantage the customers of the smaller providers. The current ATM market enables smaller and regional institutions to compete with larger ATM providers by forming network alliances. Network alliances enable the customers of institutions belonging to the network to have "no-charge" or "on us" transactions within network ATMs.

By way of example BankWest is the largest deployer of ATMs in Western Australia however it has limited ATMs in the other states of Australia. It has entered into access agreements with other institutions such as Adelaide Bank (for South Australia) and Commonwealth Bank (for New South Wales, Tasmania, and the ACT). Accordingly customers of BankWest, are able to access all ATMs in the network as an "on us" transaction and not incur foreign ATM fees. This is a significant advantage for customers and also enables BankWest to compete with larger national deployers of ATMs.

The Network Bilateral agreements have an access fee payable between the parties to the agreement based in part on the volume of transactions.

### **BankWest Position**

BankWest has worked with the AISG to develop a Direct Charging model. It is essentially a reflection of the bilateral ATM interchange fee arrangements insofar as the networks and interconnections exist today. The key difference is the transparency of pricing to Cardholders.

We believe that the reforms will deliver greater fee transparency and disclosure to customers, closer alignment of fees to costs, increased competition between ATM Operators and Card Issuers and enhanced consumer choice and convenience.

BankWest believe that any proposal considered by the RBA needs to embrace diversity within the financial sector. As a small regional bank we need to retain the ability to provide ATM services to customers throughout Australia.

It is in the public's best interest to allow smaller players to provide the consumer with wide access to ATMs that are processed as "on us" transactions. We strongly believe this needs to be accommodated in any direct charging model considered by the RBA, in order to avoid the larger Banks dominating the market.

A “pure” direct fee model may capture the fees payable between members of network alliances as interchange fees and unwind the ability for smaller players to enter into such alliances. For this reason it is our strong submission that network alliances and the fees payable between members of them be retained in any direct charging proposal.

### **Implementation**

There is a substantial quantum of work and industry co-operation required to implement direct charging while maintaining the integrity of the ATM interchange system. Detailed business requirements and a high-level timeline estimate, including key deliverable dates have been developed by AISG. The plan is supported by BankWest and it is cognisant of other industry security initiatives that are planned for implementation in a similar timeframe and assumes a co-coordinated industry approach to implementation.

We trust our comments in this document provides assistance to you. BankWest remains committed to working with the RBA to achieve a successful outcome in advancing ATM interchange fee reform.

Yours sincerely

A handwritten signature in cursive script that reads "Chris Whitehead".

Chris Whitehead  
Chief Executive Retail Bank