

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB22QW:

- (a) Do you provide merchant facilities, and if so, to how many customers?
- (b) Would your small and medium business customers save money if they moved to low cost routing, and if so, do you actively encourage customers to switch?
- (c) If so, how do you encourage small and medium business customers to switch to low cost routing?
- (d) Do you think all small and medium business customers should be on low cost routing?
- (e) What are the fee structures for different merchant services available, including low cost routing options?
- (f) What is the annual revenue received from total merchant services each year over the past five years?
- (g) What is the annual revenue received from small and medium business merchant services over the past decade?
- (h) What number and share (percentage of total) of merchant services for all customers:
 - (i) use low cost routing?
 - (ii) provide access to low cost routing?
 - (iii) of those that provide it, default to low cost routing?
 - (iv) require automated software upgrades to access low cost routing, have they been provided, and what is the rollout schedule and deadline where it has not been provided?
 - (v) require a user requested software upgrade to access low cost routing, and what has been the uptake?
 - (vi) require a hardware upgrade to access low cost routing, and how many remain?
 - (vii) do not provide access to low cost routing?
 - (viii) and what is the rollout schedule for low cost routing and the deadline where low cost routing has not been provided?
- (i) What number and share (percentage of total) of merchant services for small and medium business customers:
 - (i) use low cost routing?
 - (ii) provide access to low cost routing?
 - (iii) of those that provide it, default to low cost routing?
 - (iv) require automated software upgrades to access low cost routing, have they been provided, and what is the rollout schedule and deadline where it has not been provided?
 - (v) require a user requested software upgrade to access low cost routing, and what has been the uptake?
 - (vi) require a hardware upgrade to access low cost routing, and how many remain?
 - (vii) do not provide access to low cost routing?
 - (viii) and what is the rollout schedule for low cost routing and the deadline where low cost routing has not been provided?

Answer:

(a) Do you provide merchant facilities, and if so, to how many customers?

NAB provides merchant facilities to approximately 160,000 customers.

(b) Would your small and medium business customers save money if they moved to low cost routing, and if so, do you actively encourage customers to switch?

Yes, we encourage choice by merchants. We offer low cost routing (NAB refers to this as Merchant Choice Routing or MCR) in different pricing plans based on customer needs including package pricing which gives customers greater certainty on pricing regardless of mix of business up to a volume threshold and individual transaction pricing.

NAB proactively communicated to approximately 40,000 customers using MCR capable terminals in the last quarter of 2019 advising of MCR availability. In this communication, we provided links to documentation and tools that may assist them determine if MCR would be of benefit.

NAB also offers new customers the choice to enable MCR during the signup process.

NAB is also progressively upgrading its legacy terminal fleet of approximately 80,000 customers and terminals which do not currently support MCR and expects this to be completed over the next 18 to 24 months. NAB will advise customers of MCR at the time of the upgrade. We also proactively upgrade upon merchant request for MCR if available.

(c) If so, how do you encourage small and medium business customers to switch to low cost routing?

Please refer to the point above.

(d) Do you think all small and medium business customers should be on low cost routing?

Customer preferences and their business characteristics determine whether low cost routing is advantageous. For example: some customers that prefer simplicity and certainty of costs may prefer one of our pricing plans which provide a fixed cost per month for a predefined business turnover. These customers will not benefit from low cost routing.

Other customers may prefer individual transaction pricing. These customers need to make their own determination based on transaction characteristics as MCR may benefit transaction values above a certain amount.

(e) What are the fee structures for different merchant services available, including low cost routing options?

NAB offers the following pricing options based on customer need and business mix:

Option 1 - Fixed monthly pricing plans (Includes both Visa/Mastercard credit/debit and EFTPOS turnover)

Option 2 - Interchange plus for Visa/Mastercard credit/Debit and a per transaction rate for EFTPOS

Option 3 - Single rate for Visa/Mastercard credit/debit and a per transaction rate for EFTPOS

Merchant Choice Routing options are available for option 2 and option 3. As per response to (d), there are many considerations for customers when it comes to pricing and we look to offer flexibility to meet customer needs.

(f) What is the annual revenue received from total merchant services each year over the past five years?

See separate response NAB22QW (f)

(g) What is the annual revenue received from small and medium business merchant services over the past decade?

See separate response NAB22QW (g)

**(h) What number and share (percentage of total) of merchant services for all customers:
(i) use low cost routing?**

1,100 customers.

0.6% of all customers, or 1.1% of customers where it is available.

(ii) provide access to low cost routing?

As NAB upgrades the legacy fleet, we expect to make MCR available to all customers except eCommerce customers (EFTPOS cannot be accepted online yet), which equates to approximately 135,000 customers, 84% of total. However, there are approximately 15,000 customers on pricing plans which we do not believe benefit from MCR.

(iii) of those that provide it, default to low cost routing?

Merchants who opt in for Merchant Choice Routing determine whether they choose to default all transactions to MCR or they can set a threshold to route only transactions that are over a certain amount.

(iv) require automated software upgrades to access low cost routing, have they been provided, and what is the rollout schedule and deadline where it has not been provided?

We have already upgraded 55,000 customers (120,000 terminals) who have MCR capable terminals, however approximately 15,000 customers (18,000 terminals) are on packaged pricing plans.

The remaining eligible customers will be either upgraded over the next 18-24 months as MCR capability is expanded across the fleet.

(v) require a user requested software upgrade to access low cost routing, and what has been the uptake?

All terminals that can be upgraded via software have been completed (c120,000 terminals). The remaining terminals are at the end of their life span and are being replaced with new devices and expect this to be completed over the next 18 to 24 months (c80,000 terminals). As per (h) (i) total uptake to date has been 1,100 customers. Customers are not charged for upgrades.

(vi) require a hardware upgrade to access low cost routing, and how many remain?

Refer above.

(vii) do not provide access to low cost routing?

Refer above.

(viii) and what is the rollout schedule for low cost routing and the deadline where low cost routing has not been provided?

Refer above.

(i) What number and share (percentage of total) of merchant services for small and medium business customers:

(i) use low cost routing?

1,050 customers.

1.1% of all small and medium business customers, or 1.9% of customers who have it available.

(ii) provide access to low cost routing?

We have 56,000 small and medium customers who have access to MCR which is 58% of the total small and medium business customers. This includes 15,000 pricing plan customers who do not benefit from MCR.

(iii) of those that provide it, default to low cost routing?

Merchants who opt in for Merchant Choice Routing determine whether they choose to default all transactions to MCR or they can set a threshold to route only transactions that are over a certain amount.

(iv) require automated software upgrades to access low cost routing, have they been provided, and what is the rollout schedule and deadline where it has not been provided

We can provide Merchant Choice Routing to 56,000 small and medium business customers. This includes 15,000 pricing plan customers who do not benefit from MCR. NAB is progressively upgrading its legacy terminal fleet which does not currently support MCR and expects this to be completed over the next 18 to 24 months.

(v) require a user requested software upgrade to access low cost routing, and what has been the uptake?

All terminals that can be upgraded via software have been completed (c61,000 terminals). The remaining terminals are at the end of their life span and are being replaced with new devices and expect this to be completed over the next 18 to 24 months (c69,000 terminals).

(vi) require a hardware upgrade to access low cost routing, and how many remain?

Refer above.

(vii) do not provide access to low cost routing?

Refer above.

(viii) and what is the rollout schedule for low cost routing and the deadline where low cost routing has not been provided?

Refer above.