

# Australia still lagging on payments

## While New Zealand gets it right

As Australia grapples with the creation of efficient and up-to-date payments infrastructure it makes for an interesting comparison to look across the Tasman at the New Zealand experience.

### How New Zealand does it

In New Zealand, a new body - Payments NZ – is owned by eight banks and exchanges payment information and settles inter-bank obligations through the course of a business day, where previously inter-settlement was completed the morning after transaction. PNZ handles around six million payments each day estimated to be worth NZ\$35 billion, the equivalent of the national GDP each week.

Across the Tasman, PNZ was created in December 2010, while 18 months later Australia is still talking about a centralised payments hub.

### Australia's MAMBO experiment

The A\$225 million MAMBO (Me and My Bank Online) project set up by the Big Four banks and the co-operatively owned BPAY was scrapped in August 2011 after ANZ and NAB withdrew from the project, citing poor return on investment.

These are two of the banks whose NZ subsidiaries are involved in PNZ, with no issues or complaints so far.

In the wake of the MAMBO failure, the Reserve Bank of Australia has moved from a "carrot" to a "stick" approach. Through its Payments Systems Board, the RBA has decried the lack of innovation in the Australian payments market and demanded that the industry deliver genuine real time payments by the end of 2016 – more than four years away.

### What it means for customers

As Tony Richards, the head of the RBA's payments policy said, at the moment a payment "initiated on a Friday evening after banks' cut off times might not be received by a customer until Tuesday, or even Wednesday in the case of a public holiday."

Clearly, this is an impediment to business and more than a casual annoyance for consumers.

So in the meantime, many questions remain and a lot can happen in the industry over that time. Just exactly what the RBA means by "innovation" for example, remains unclear.

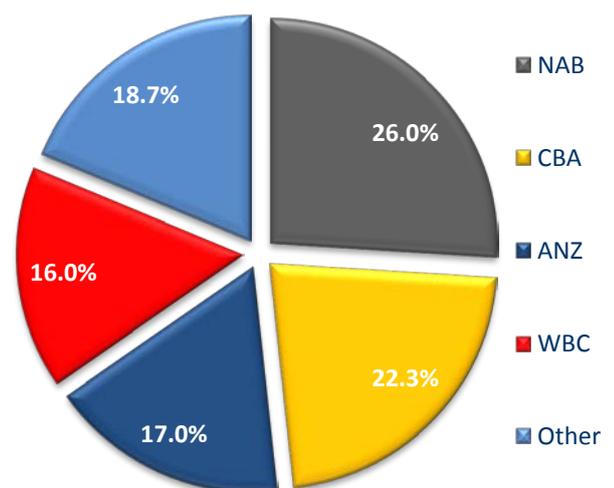
Everyone – in particular merchants and consumers – wants real time messaging, but is it necessarily in the interests of the Big Four banks to deliver that? By doing so, are they not opening up access to a highly lucrative market for new competitor payments players who already are snapping at their heels?

### Why is Australia lagging?

A level playing field is good for competition, but then the Australian banking market is – in every other respect – heavily skewed towards the Big Four. So why should we expect different behaviour when it comes to payments?

For the Big Four, it makes some sense to invest in their own payment systems, and use that as another differentiator between themselves to build competitive advantage.

*Transaction Banking Market Share Across Australian Corporates*



*Source: East & Partners Corporate Transaction Banking Markets program – 2012*

As the RBA's Tony Richards said just last month: "market forces might not be sufficient to produce innovation in the public interest."

Between now and 2016, Australians might be better served by sending their payments via New Zealand.