

Bendigo & Customers announce joint venture

BENDIGO BANK AND CUSTOMERS LIMITED RECENTLY announced a major strategic initiative to build an independent payment processing business.

The parties have entered into a non-binding heads of agreement to pursue the opportunity, subject to agreement and finalisation of documentation. Under the heads of agreement, the project will be undertaken through a proposed joint venture company, Strategic Payments Services Pty Limited (SPS).

Subject to agreement between SPS and MasterCard International, it is intended that wholesale switching services for SPS will be supplied by MasterCard International.

SPS will aim to deliver to both the market and its founders' superior, "best-in-class" payment processing solutions and services focused on:

- best practice quality;
- lower cost;
- maximum flexibility; and
- new innovative products and services.

The initial development and implementation phase is expected to be completed within 12 months and will involve the processing and management of all Bendigo and Customers ATM and EFTPOS traffic.

Further value added services and the processing for other third party organisations is anticipated, after the initial implementation phase.

The announcement was made jointly by the Rob Hunt, managing director of Bendigo, and Greg Baker chairman and MD of Customers.

Hunt said Bendigo is delighted to have the opportunity to work together with Customers and MasterCard to establish one of the first ventures to take advantage of the Reserve Bank's EFTPOS reforms.

"We believe that customers of our organisations, and of SPS ultimately, will benefit from increased competition and innovation in the marketplace," he said.

"Bendigo has carefully examined numerous options first to achieve a best practice in payments processing and services solution and secondly a

commercial framework that will create value for the joint venture partners and respective shareholders.

"This new processing initiative is a strategic approach to the future, enabling us to leverage the strengths of the participants to produce a new solution for their own requirements and for the broader marketplace.

"Just by combining our business volumes we will immediately have a viable critical mass. When applied via the Joint Venture these volumes are expected to deliver greater efficiencies and therefore solid savings to both Bendigo and Customers, which will ultimately flow through to competitive customer pricing. We believe the initiative will deliver strategic flexibility not available in the market today.

"Our discussions within the industry lead us to believe there is considerable pent-up demand for a new, innovative payments services provider in the Australian market."

Baker said Customers' vision is to be a leading listed payments business.

"This Joint Venture will be a tremendous step forward for us in the pursuit of our vision. We are confident that by working with Bendigo and MasterCard we have the experience to tap into what we consider is a significant business opportunity both in Australia and potentially internationally.

"By working together, we enhance the business opportunity and the venture's prospects for success. We plan to develop a state-of-the-art solution that will immediately have viable volumes and we share the establishment cost phase. We are confident the model we have adopted will over time deliver significant value to our shareholders."

MasterCard Australasia general manager Leigh Clapham said MasterCard looked forward to working with Bendigo and Customers on "this exciting new processing opportunity".

"Transaction switching is an area in which MasterCard has considerable expertise, having established the Australian Processing Center specifically to cater for such requirements from the payments industry."