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## **Submission on National Australia Bank - proposed acquisition of AXA Asia Pacific**

The Finance Sector Union (FSU) represents 50,000 members employed in the finance sector across Australia, with the majority of these employed in the major banks.

The FSU has a unique perspective on the needs of consumers and other stakeholders in the industry. The FSU and its members have been at the 'front-line' of many mergers in the finance sector.

We understand and accept that a number of the issues raised in this submission may relate more to matters of competition policy and employment issues, and consequently will not be strictly relevant to the ACCC's assessment of the proposed merger under section 50 of the TPA. However, the FSU believes they are important and will continue to raise them wherever possible to encourage debate on these important issues.

### **Job losses**

A primary concern for the FSU is, unashamedly, the likely loss of jobs as a consequence of the proposed merger. If the merger proceeds then by NAB's own admission jobs will be lost as a result of IT integration and merging of corporate support services.<sup>1</sup>

Mergers are generally driven by companies trying to achieve synergies, efficiencies and cost savings; however these objectives are not guaranteed outcomes from any merger. History would suggest that even when significant costs savings are achieved these are more likely to be delivered as increased profits, higher dividends and bigger executive bonuses rather than any meaningful decrease in charges or increase in customer satisfaction.

Unfortunately job losses do seem to be guaranteed and are a significant consequence of any merger.

### **More mergers, less competition**

The FSU believes that the ACCC must look beyond the proposed merger and assess all the flow-on effects to the Australian financial sector. After a number of high profile bank mergers it would appear that the major banks are now looking to acquire greater market power through acquisition of non-banking assets such as retail superannuation, insurance and wealth management.

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<sup>1</sup> NAB presentation on proposal to acquire AXA – ASX announcement, 17/12/2009.

The threat of ongoing mass consolidation in the finance sector is very real (as evidenced by this proposed merger) and raises serious questions surrounding competition policy within the finance industry. The FSU fears that the trend towards market concentration may well have negative ramifications, particularly for smaller players, as well as the finance industry overall. If the current trend continues then the finance sector will be totally dominated by a small number of gigantic providers with numerous smaller companies that will struggle to survive or be taken over in the ongoing feeding frenzy.

The financial services sector has a number of significant barriers to entry – prudential requirements, licensing, training, infrastructure costs and the cost of credit. Most of these barriers are entirely appropriate and reflect the important role that these services play in Australian society.

In addition, finance products are often essential services and customers will usually want a higher degree of trust in their relationship with a finance sector company as opposed to other service providers. This element of trust is perhaps the most difficult for any new market entrant to obtain and arguably the most valuable commodity once it is acquired. This trust is usually earned over long periods of time as consumers and the market observe and form a view about a new institution.

These two characteristics make it very difficult and time consuming for any new player to enter the market and provide meaningful competition to the major established players

## **Conclusion**

In summary, the FSU is opposed to the merger on the basis that it:

- will diminish competition; and
- result in job losses.

If you have any questions in relation to this submission please contact James Bennett on (03) 9261 5405

Yours sincerely



Leon Carter  
National Secretary

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