

I am a lawyer and a director of lawlab, a national legal practice that facilitates a substantial volume of property transactions across Australia. As a result, lawlab is one of the larger users of the PEXA platform.

That experience gives us a direct perspective on both the importance of PEXA to the conveyancing system and the consequences of its market position for practitioners and, ultimately, consumers.

I support IPART's draft recommendations. In particular, I consider that the final regulatory framework should be guided by a straightforward principle: where participation in an electronic conveyancing platform is effectively compulsory, and meaningful competitive constraints are absent, regulated prices should reflect the efficient cost of providing the relevant service together with a reasonable return. They should not reflect monopoly pricing power, nor should regulated Australian users be required to support activities unrelated to the efficient provision of domestic electronic conveyancing services.

Against that background, I wish to address three matters.

## **1. PEXA's market position warrants meaningful price regulation**

For most property transactions, electronic conveyancing is no longer optional. At the same time, PEXA continues to occupy an overwhelmingly dominant position in the market and, following the cessation of the proposed interoperability reforms, there appears to be no realistic prospect of effective competitive discipline emerging in the foreseeable future.

That matters because the ordinary mechanism by which excessive prices are constrained — customers moving to a competing supplier — is largely absent.

IPART's cost analysis is therefore important. Its expert has concluded that PEXA's costs exceed the upper end of an efficient benchmark, and that the difference cannot be explained simply by matters of scale. In a market exposed to effective competition, inefficiencies of that kind would ordinarily create pressure on prices and operating costs. In the present market, that pressure does not exist to any meaningful degree.

The consequence is borne by the people buying and selling Australian property.

lawlab facilitates thousands of property transactions for consumers. From that perspective, I strongly support IPART's proposed reduction in transfer fees, including implementation of the reduction in full from 1 July 2027.

The amount charged on any individual transaction may appear modest when viewed against the value of the underlying property. That is not, however, the appropriate regulatory test. Across the very large number of transactions completed through PEXA each year, unnecessarily high charges result in many millions of dollars being

transferred from consumers to a provider which they, in practical terms, have little or no ability to avoid.

The proposed fee reduction is therefore both justified and important. IPART should proceed with it in full.

## **2. The regulated boundary must prevent functionality and revenue being shifted outside the price-controlled service**

The effectiveness of the proposed regime will depend not only on the regulated price, but also on the services to which that regulation applies.

I support the approach reflected in Draft Recommendation 2, particularly the proposition that regulation should extend to services which are closely related to ELNO transactions and which are not subject to effective competition.

In my view, however, the regulated perimeter should be drawn broadly.

A narrow definition would create an obvious regulatory risk. PEXA would have an economic incentive to move functionality that is presently integral, or practically necessary, to the conveyancing workflow from the regulated transaction service into separately priced products. If that occurred, reductions in the regulated transaction fee could be offset by increased charges elsewhere in the PEXA ecosystem.

That would undermine the substance of the regulatory regime while preserving formal compliance with it.

For that reason, IPART should consider the practical relationship between a product and the completion of an electronic conveyancing transaction, rather than focusing narrowly on whether a product is characterised by PEXA as “optional”.

Products and services such as PEXA Clear, Planner, Tracker, Allocations and Projects, as well as subscriber API integrations and comparable integration services, should therefore fall within the regulatory framework where they are sufficiently connected with the effective use of PEXA’s core transaction platform and are not themselves subject to genuine competitive constraint.

Subscriber API access warrants particular attention. Large practitioners increasingly depend upon system integrations to operate efficiently at scale. Where access to the dominant electronic conveyancing platform is unavoidable, the ability to charge materially higher amounts for the technical means by which subscribers integrate with that platform presents an obvious potential avenue for regulatory arbitrage.

I therefore encourage IPART both to adopt a sufficiently broad definition of ancillary services and to monitor pricing for API and integration services as the regulatory framework develops.

### **3. Australian regulated users should not subsidise PEXA Group's offshore or non-regulated expansion**

A further important feature of the draft determination is IPART's treatment of PEXA's cost and asset base.

PEXA's Australian operations are highly profitable. Its most recent half-year results reportedly reflected an EBITDA margin of approximately 58%, or about \$99 million. At the same time, IPART's expert has observed that PEXA's organisational and cost structure extends beyond what would ordinarily be expected of a steady-state operating business.

Those matters reinforce the importance of ensuring that the regulated Australian price reflects only the efficient costs properly attributable to providing the regulated service.

In that respect, I support IPART's preliminary decision to exclude PEXA's UK operations and non-Exchange businesses from the initial regulated asset base.

That separation should be maintained rigorously in the final determination.

PEXA is entitled to pursue expansion opportunities overseas and to invest in other businesses. What should not occur, however, is for the costs or risks associated with those ventures to be borne by Australian practitioners and consumers through regulated transaction fees.

Australian subscribers have no meaningful ability to avoid the PEXA platform for the substantial majority of transactions. That captive customer base should not operate as a source of funding for corporate expansion initiatives which are unrelated to the efficient delivery of Australian electronic conveyancing.

The regulatory allowance should therefore be confined to the efficient Australian cost base required to provide the regulated service, together with an appropriate return on capital. Costs attributable to offshore expansion, non-Exchange businesses or broader group ambitions should remain outside that calculation.

### **Conclusion**

For these reasons, I support the direction of IPART's draft recommendations and encourage IPART, in its final determination, to:

1. **implement the proposed reduction in transfer fees in full from 1 July 2027**, so that the benefits of more efficient pricing flow directly to Australian property buyers and sellers;
2. **define the scope of regulated ancillary services broadly**, including services and integrations that are closely connected with the practical use of PEXA's transaction platform and which are not subject to effective competition, with particular attention given to subscriber API pricing; and

3. **ensure that regulated Australian fees recover only the efficient costs of providing Australian electronic conveyancing services and an appropriate return**, excluding costs associated with PEXA Group's overseas expansion, non-Exchange businesses and other activities unrelated to the regulated service.

PEXA performs an important function in the Australian property market. That importance is also precisely why effective regulation is required. Where use of a platform is, for practical purposes, compulsory and competitive discipline is absent, consumers should be protected from paying more than is reasonably necessary for the efficient provision of that service.