



American Express Australia Limited

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Via email: pysubmissions@rba.gov.au

Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001

Dear Sir:

American Express welcomes the opportunity to respond to the Reserve Bank of Australia's ("the Bank") current consultation on merchant credit card surcharging practices.

American Express understands that the Bank is taking steps to rein in excessive surcharging. Further, the Bank has sought to amend the Merchant Pricing Standards to strike a balance between enabling card schemes to limit surcharging and ensuring that merchants remain in full control of determining their "reasonable" costs of accepting different forms of payments.

Since the Bank's payment system reforms in 2002 and the implementation of the Merchant Pricing Standards ("the Standards"), American Express has opposed the practice of surcharging for card transactions. American Express continues to believe that the Bank's regulations permitting surcharging impede, rather than promote, competition.

American Express also believes that merchants already factor the cost of accepting credit cards and other forms of payment into their prices together with their other costs such as wages, rent, utilities, fuel, etc. As a result, American Express believes that any surcharge is "excessive" without a corresponding decrease in consumer prices. There has been no evidence that consumer prices have decreased following the Bank's payment system reforms.

Although American Express opposes surcharging generally, we recognise that a merchant has the right to do so in Australia. Absent the RBA taking action to eliminate surcharging altogether, American Express supports a merchant's ability to exercise their pricing options in a manner which best suits that merchant and is fair to consumers.

Regardless of the card type used, a surcharge creates a negative customer experience, and ultimately it can be detrimental to a merchant's business; for example, a customer who encounters a surcharge at one business may choose not to return. That said, it is the right of merchants in Australia to surcharge and American Express works with merchants to show the value to them of welcoming our cardmembers into their businesses.

As the Bank moves to implement these changes, we note that although there is a strong desire for these changes to filter through to consumers as soon as possible, the time and investment costs associated with implementing the new Standards will not be insignificant. Merchant acquirers including American Express will have to amend their contracts with merchants and notify them of these changes. American Express recommends that the Bank give sufficient time for acquirers and merchants to comply with any contractual changes which may arise from this regulation.

Again, we appreciate this opportunity to offer our views to the RBA and we are happy to discuss these issues in more detail.

Yours faithfully,



John Galletta
Vice President and Senior Counsel
American Express