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Head of Payments Policy Department
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By email : pysubmissions@rba.gov.au

Australian Newsagents' Federation (ANF) submission relating to the review of the regulatory framework for the eftpos system and the consultation on designation:

The Australian Newsagents' Federation (ANF) is the peak body representing the Australian newsagent industries 4000+ newsagents. Through a constructive process of unification of our industry representation during the last year, along with our partner state bodies the Victorian Association for Newsagents (VANA), the Queensland Newsagents Federation (QNF), the Newsagents Association of New South Wales and ACT (NANA) and the Western Australian Newsagents Association (WANA), we now represent over 2,500 small business members around Australia including our own ANF state & territory branches. Together we employ an estimated 20,000+ staff.

80 % of Australians visit their local newsagency every week.

Our member newsagents are mostly owner operated small businesses located in almost every community in Australia. They are subject to a number of pressures that are distinct from those that affect large corporations and even many other small businesses. Whilst newsagents make a significant contribution to Australia's economy and are one of the largest retail channels in the country, they are often characterised by modest profit margins. Newsagents are particularly vulnerable to tough negotiations by powerful suppliers as their margins are largely set externally and they have a very limited ability to absorb large increases in costs. For this reason, we are very interested in any changes to the regulatory framework for the eftpos system that could affect our members' costs. Our members who are a significant group in the eftpos merchant community use

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1

the eftpos system extensively and we take this opportunity to respond to the review of the regulatory framework for the eftpos system and the consultation on designation on their behalf. Over 50% of transactions in newsagencies involve eftpos and this percentage is continuing to increase as consumers are steered away from using cash.

The eftpos system

Our industry recognises the importance of a strong and healthy electronic payments system in Australia. We support efficient investment and increased innovation in this system that will assist our members to continue to provide quality service to our customers now and into the future. We also recognise the value in the creation of eftpos Payments Australia Limited to improve marketing and to manage the eftpos payments system here.

However, last year we were very strong in our criticism of the changes made by ePal to the eftpos interchange fee model. The new multilateral interchange fee model appears to focus on the ability of eftpos to compete with scheme debit cards for the big issuing banks custom. The determining factor appears to be delivering increased fees to those banks rather than a model that ensures competition by eftpos providers for merchants and customers business. We remain concerned by the allowance for the large retailer members of ePal who as self-acquirers maintained their existing bi-lateral agreements under the new model. This has provided them with an advantage over other small retailers that we believe is not in the public interest. We believe that ultimately the interchange fee should be exposed to competition.

A new designation

We agree that the current designation needs to be revoked and an updated designation imposed. Furthermore any new designation should encourage a payment system that is open and which promotes efficient investment, innovation and competition.

We do not support a new designation for eftpos based solely on ePal membership and rules. A broader designation will encourage competition and new players in the payment system as well as recognizing the importance of existing participants. This is more relevant to the public's interest. We

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are also not supportive of the removal of the regulatory framework or increased self-regulation, as the evidence from last year is that ePal whose membership is largely made up of the big banks changed its interchange fee model when given the opportunity, which resulted in reversed and increased fees. The two big retail members stayed with their bilateral interchange agreements thus exempting them from the fee increase that small merchants will pay or pass on to consumers.

We believe that the Reserve bank must set the standards for the payment system and manage a strong regulatory framework and updated broad designation of the eftpos system that encourages fairness, competition and new players as well as recognizing the existing participants in the payment system.

We appreciate this opportunity to share our views on the designation of the eftpos system and would be very happy to comment further in the review and consultation process.

Yours sincerely,



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