

9 November 2004

Dr John Veale
Head of Payments Policy
Reserve Bank of Australia
65 Martin Place
SYDNEY NSW 2000

Email: vealej@rba.gov.au

Dear Dr Veale

Supplementary submission to RBA on EFTPOS Designation

Thank you for the opportunity to meet with you and your colleagues yesterday and to present recent research we have had conducted on Consumer Behaviour – Use of Payments and Cards.

A copy of that presentation is attached and the AMPF is happy for the presentation to be posted on the public access area of the RBA's website.

There were some questions you raised in our meeting and we are able to provide some responses as follows; In slide 21 of the presentation 75% of consumers surveyed said they normally pay off all of their credit card bills each month. It is important to keep in mind that consumers were asked what they "usually do" as opposed to what happens. Our researcher says that this result does not surprise as consumers claim to behave "sensibly", and therefore the result should be treated more as an indication of consumer intentions than about real behaviour.

Your other question in relation to slide 35, Payment Size, was whether the average spend on each card type was able to be calculated. The research used monetary bands to obtain consumer' responses to the size of the payment they had just made. Given that we do not know the distribution of actual payments within each band, it is not possible to calculate a reliable estimate of average transaction size for consumers in the research. We have been advised that using band mid-points could potentially lead to significant inaccuracies in the calculation of an average payment size.

Some of the key summary points from the attached presentation are:

- The majority of the population have either a credit (77%) or debit card (86%)
- Almost half of consumers own both a credit and a debit card
- Consumers who hold each of the card types typically have a single card
- Comparing usage of each card type, credit cards tend to be used more frequently than debit and charge cards

- Consumers were equally split in terms of the card they used most frequently, credit card (50%), debit card (57%)
- For those preferring to use their credit card, the loyalty points were the biggest driver whilst with debit cards, the use of available funds and not using credit were the main drivers
- The majority of card users either do not know the transaction fees, or believe they are not paying a transaction fee
- Almost half of those with both a credit and debit card believed that there were no transaction fees associated with their payment

There were a number of other questions which you asked, including the AMPF's position on the designation of Scheme Debit, and we will be providing our responses shortly.

If you have any questions regarding this supplementary submission, do not hesitate to contact me on 02 9290 7102.

Yours sincerely



Stan Moore

Chair

**Australian Merchant
Payments Forum**

cc. Michelle Bullock, RBA