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Incorporating the Rockport Store Castle Hill

Mr. John Veale
Head of Payments Policy Department
The Reserve Bank
65 Martin Place
SYDNEY NSW 2000

17th February 2006

Dear John

Re: REFORM OF THE EFTPOS SYSTEM

As a merchant in the EFTPOS System I am writing to advise you the cost of operating the EFTPOS system for Sparks Shoes. Sparks Shoes operates 3 stores in the Hills area of Sydney. Our stores at North Rocks and Beecroft operate as Spark's Shoes Pty Ltd and the store at Castle Hill operates as Rockport Concept Store. Spark's Shoes is a small retailer with a turnover less than \$5m per year employing a staff of 12, including both full-time and casual. We are a family business started in 1931 and became an incorporated company in 1971.

Both Castle Hill and North Rocks operate 1 only EFTPOS terminal at each location, however the store at Beecroft has 2 levels plus a mezzanine level and requires us to have two EFTPOS terminals to conduct our business. These terminals are stand alone terminals and are NOT integrated to our POS system and we rent the terminals from the Commonwealth Bank of Australia.

For the purpose of this exercise I have taken the rental cost of the EFTPOS in full as it is possible to run Credit Card without the use of a Pin Pad – (At one point many years ago, prior to EFTPOS we had a Credit Card Terminal that would process **Credit Cards only** and did not have a Pin Pad for the customers use. This was known as a Credit Card Authorization Terminal) from memory these were supplied at no charge to the merchant.

EFTPOS Terminal Rental. The cost of rental of our EFTPOS Terminals is \$25.00 plus GST IE \$29.70 incl GST per month. Therefore the total cost of renting the 4 EFTPOS terminals is \$1,425.60 PA Inc GST. Our costs for the merchant service fee for EFTPOS only excluding any credit card costs is calculated at \$1771.32 for the twelve month period.

Communication Costs It would appear that the bank pays for communication costs for each sale, however the cost of settling the EFTPOS terminal is the merchants responsibility. There are 4 EFTPOS terminals by 360 days of trade per year. 4 calls per day at .25cents is \$360.00 per year.

There is also a requirement to rent a line to use the EFTPOS system. The cost of the line rental is \$36.95 per month by 3 locations. The line Rental is \$1330.20 per annum.

Therefore the total Telephone costs are \$1690.20

Cost of EFTPOS ROLLS. EFTPOS rolls need to be purchased from the Commonwealth Bank and our costs are \$245.00 per annum however these rolls are also used for all other Credit Cards and the cost is impossible to break down just to the EFTPOS cost accurately. However our best guess is that 20% of the \$245.00 is taken up by EFTPOS. **Approximately costs \$50.00.**

Time factor in an EFTPOS sale. To work out the cost of each EFTPOS sale in staff time I have worked out as follows. Our average sale for the company was determined and divided into the amount of EFTPOS sales. If this is taken over a 12 month period the number of EFTPOS transactions we believe is 5739. Each EFTPOS sale takes approximately 45 seconds to complete provided that there are no communication errors. I have averaged the cost of staff wages including superannuation workers compensation and other add on costs the cost to process an EFTPOS sale is 30c. Therefore per annum is \$1721.70. It is essential to note that downtime and communication errors have not been included in these workings.

It could be argued that the difference in time taken for a cash sale to an EFTPOS sale should be calculated and difference shown. I believe that in our company this is irrelevant as the majority of our sales are by some form of card transaction (IE EFTPOS MasterCard Visa Bankcard Amex or Diners.)

Summary Spark's Shoes costs to operate an EFTPOS system are as follows.

Terminal Rental	\$1425.60
EFTPOS Merchant Fees	\$1771.32
Telephone costs including line rental	\$1690.20
EFTPOS Rolls	\$ 50.00
Staff wages	\$1721.70
Total EFTPOS Costs	\$6658.82 PA

Assuming that the number of transactions per year is approximately 5736, and the cost to operate EFTPOS in total is \$6658.82 the cost per transaction \$1.16. I trust that this data helps with your inquiry into the Reform of the EFTPOS System.

John I will forward a hard copy of this letter in the mail. I would welcome the opportunity to discuss this letter with you. If you wish to discuss this matter any further with me I have listed my contact details below.

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Yours faithfully



Russell Zimmerman
Managing Director.