



17 December 2024

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

By email: [pysubmissions@rba.gov.au](mailto:pysubmissions@rba.gov.au)

Dear Head of Payments Policy,

### **Submission to Merchant Card Payments Costs and Surcharging Issues Paper**

Thank you for the opportunity to make a submission to the Reserve Bank of Australia (RBA) review of merchant's card payments costs and surcharging.

#### **Background and Introduction**

The Australian Hotels Association (AHA) is an organisation of employers in the hotel and hospitality industry registered under the *Fair Work (Registered Organisations) Act 2009*. Its diverse membership includes pub-style hotels, bars, taverns, restaurants as well as three, four and five-star international accommodation hotels located in each state and territory. The size and scope of the AHA hotel industry includes:

- Over 6,000 businesses
- Generating over \$12,000,000,000 economic benefit
- Providing over 300,000 jobs
- Providing over 1500,000 accommodation rooms across the country

#### **Independent Payments Forum (IPF)**

We note that AHA is a participant in the Independent Payments Forum (IPF) which has lodged a comprehensive submission to the RBA. We support and endorse the content of that submission.

#### **Cost of living pressure**

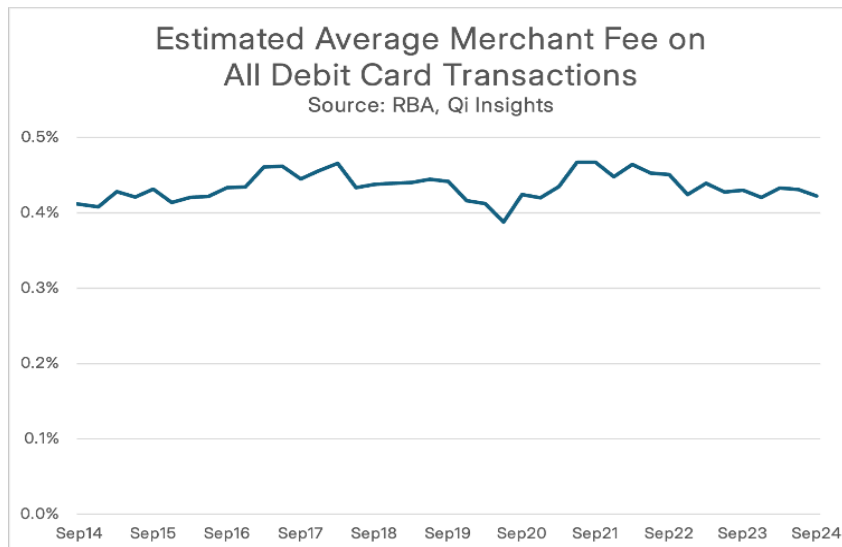
Cost of living pressure is a priority concern among our members and Australian consumers and small businesses alike. We support an overarching proposition that more needs to be done to reduce the \$6.4 billion in card fees charged by Australia's banks, payment platforms and card companies for providing simple card payment services to retailers. This cannot however come at a cost to businesses (particularly small businesses) in terms of any ultimate reforms that are implemented.

#### **Small Business Pays a Lot More**

The lion's share of this fee burden for card payments in Australia is currently shouldered by many of our small business members and their customers due to imbalanced pricing constructs, particularly for debit cards. Small businesses often pay between 3-5 times the cost for simple card transactions, compared to big business. The cost of these card fees impacts all small business and consumers on a daily basis. They result in higher prices, reduced margins, less competition and surcharging.

## The Competition Aspect

Despite rapid growth in debit card transactions, debit card fees have defied network economics and remained stubbornly high over the past decade, even with standard regulatory intervention on interchange rates.



Further to the above, feedback from our membership indicates that “shopping around” for better card payment deals is not a simple proposition. Many member businesses have existing and long-standing relationships with the same banks that provide them with the card payment facilities. As such, they effectively find themselves “stapled” to the bank with whom they have other business banking and financing arrangements with. We submit that this is a reality which should be factored in when determining whether there is indeed a real state of competition in this market.

## Solution

Regulatory reforms are needed to significantly reduce the cost of card payments and level the playing field for small businesses and their customers. This would require regulatory intervention on scheme fees, interchange, and acquirer margins, as well as rules around Least Cost Routing, transparency, and pricing constructs such as bundling. AHA supports reforms put forward by the Independent Payments Forum in this regard.

As a cash replacement, debit pricing must be set as low as possible. Debit card interchange is already available at \$0.01 to Australia’s biggest retailers under Strategic Rate 1 pricing for Visa, Mastercard and eftpos.

To reflect the ubiquitous nature of debit card payments and the scale that is now being achieved, we support the IPF proposal that interchange is capped at \$0.01 for all businesses and all transactions above \$50, while transactions under and equal to \$50 are capped at \$0 to enable small value transactions to occur in the economy as efficiently as possible.

Limits and caps should also be applied to scheme fees and acquirer margins, and all debit pricing should be separated or unbundled from credit. The RBA should also look at ways to cap acquirer margins to ensure any cost savings are not transferred to bigger margins.

Surcharging should be allowed for small business if prices continue to be higher, compared to big business. Simply banning surcharging is punishing merchants further for attempting to recoup their cost of acceptance and stay afloat.

The high cost of credit card transactions must also be addressed, particularly on standard credit cards that are often used by families and individuals in times of need and often do not include many rewards or points benefits. Importantly, all merchants should be offered interchange plus plus pricing, and the opportunity to move to interchange plus plus at any time during a contract.

Bundled, Blended and Fixed Rate pricing artificially inflates costs, particularly for small businesses, and entrenches cross subsidisation of premium and credit cards to the detriment of debit card users and small businesses. Since its introduction into the market, these pricing plans have become the go to small business solution for acquirers in Australia to increase profits.

Debit should be separated from credit in all Bundled, Blended and Fixed Rate pricing plans, and credit bundling should be separated into three buckets – domestic/premium/international. AHA also supports mandating of opt out, dynamic Least Cost Routing (LCR) on debit cards in Australia by 1 January 2026 at POS and in online.

### **Conclusion**

World-leading regulation to support world-leading electronic payments usage in Australia will support competition, efficiency of the payments system and help business understand its obligations.

We acknowledge and agree that regulatory reforms are needed to significantly reduce the cost of card payments and level the playing field for small businesses and their customers. Ensuring consumers and businesses have affordable access to their deposit funds is a fundamental aspect of this social contract of the payments industry.

Replacing cash is a significant economic and societal shift, and imposing explicit charges for accessing funds in an environment where cash is scarce risks alienating customers. To maintain public trust and fulfil their social obligations, banks and the payments industry must provide equitable and cost-effective payment solutions, demonstrating their commitment to serving all members of society.

Finally, if a ban of debit surcharging is being considered by the RBA, it is our submission that a Regulatory Impact Statement be developed that can unequivocally demonstrate that the lost small business revenue from surcharging is offset by savings from lower payments costs.

Yours faithfully,



**STEPHEN FERGUSON**  
**NATIONAL CEO**