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Australian Travel
Industry Association

Australian Travel Industry Association (ATIA)

Submission to the RBA Review of Merchant Card Payment Costs and Surcharging

September 2025

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1. Executive Summary

The Australian Travel Industry Association (ATIA) welcomes the opportunity to contribute to the Reserve Bank of Australia's (RBA) Review of Merchant Card Payment Costs and Surcharging.

The travel sector faces a unique set of circumstances when it comes to payments, meaning the effect of any changes will have widespread impacts on travel businesses and consumers.

Contrary to RBA estimates that only 10% of merchants surcharge, 95% of ATIA members, Australia's accredited travel agents, tour operators, consolidators and wholesalers, rely on surcharges to recover card payment costs where a customer chooses to pay by card.

Travel transactions average $6,400 - $10,000 and are often paid 70-100 days in advance, exposing travel businesses to unique risks. These include extended chargeback liabilities, acquirer requests for personal guarantees and bonds exceeding $1 million to maintain their merchant facility, and merchant fees often exceeding $100 when a consumer chooses to pay by card. With slim profit margins, absorbing these costs threatens business viability, undermining competition in a sector critical to Australia's economy.

A complete surcharge ban would likely result in a shift of these costs to higher base prices or increased service fees, amounting to an across-the-board cost of living increase with all customers paying more regardless of how they choose to pay. This approach removes transparency in payment costs and unfairly shifts the financial burden onto all consumers at a time when cost-of-living pressures are already acute. A domestic ban could also drive consumers towards offshore providers not bound by Australian laws, exposing them to weaker consumer protections. Such an approach also impacts payment system efficiency by discouraging cost-effective payment methods.

ATIA submits that if reforms are to proceed, the most balanced and proportionate approach is to restrict any ban to debit cards only, while permitting transparent credit card surcharges (Option 2). This approach would avoid the most damaging consequences for small businesses, while still advancing many of the consumer benefits the RBA is seeking to achieve.

Importantly, many of the RBA's concerns around the complexity of only banning debit surcharging can be addressed, making a full ban disproportionate and unnecessary. Travel industry payment providers can already differentiate between debit and credit cards at the point of transaction. Claims that implementing this would be cost prohibitive reflects a lack of long-term investment into the payment platform process and a level of inaction to drive ultimate profits at the expense of consumers.

In addition, any proposed ban on surcharging must be coupled with additional measures beyond those proposed by the RBA to ensure that small businesses not face paying disproportionate costs that will have flow on effects for consumers.

Importantly, scheme rules must be simplified, there must be increased transparency of scheme fees as well as consideration of a cap on scheme fees, which form a material part of cost of acceptance. ATIA also recommends mandating dynamic Least Cost Routing (LCR) by default for all debit payments (in person, online and in mobile wallets), so SMEs and consumers benefit from lower cost payment networks, enhancing payment system efficiency.

Lastly, any reforms must be sequenced appropriately, and any proposed surcharge ban should be delayed for 12 months to allow time for implementation and for small businesses to assess payment service providers and renegotiate contracts where necessary.

About ATIA

ATIA is the trusted source for advice and best practice in the travel industry. Our mission is to highlight the integrity of our members through effective approaches in advocacy, industry recognition and awards and ultimately boost the confidence of the travelling public.

ATIA administers the Australian Travel Accreditation Scheme (ATAS), which is the largest and most representative accreditation scheme for travel businesses in Australia. All ATIA members must be accredited through this scheme and they are recognised for their highest operational standards including yearly assessment of finances, minimum levels of training, and procedures for dealing with consumer grievances. For 2024 ATIA rejected 16% of applications to join the Scheme.

Our membership base includes the full spectrum of travel intermediary businesses across Australia including retail, corporate and online travel agents, tour operators, wholesalers and consolidators. Our members range in size from the largest listed organisations such as Flight Centre, Helloworld, Corporate Travel Management and Webjet, through to small independently owned and operated travel businesses.

A large proportion of travel agent members are small to medium businesses, many of whom operate under networks such as Helloworld, Flight Centre Independent, My Travel Group, itravel, Express Travel Group, Travellers Choice and CT Partners. ATIA's membership also includes consolidators, tour operators and wholesalers such as Scenic, APT and The Travel Corporation.

ATIA has almost 1,700 ATIA-accredited member locations throughout Australia.

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1. Consumer Payments in the Travel Industry

Overview of the Australian Travel Sector

Australians love to travel – whether for leisure or for business. In 2024 Australian travellers spent almost $70 billion on international travel, making it the single largest import sector of the Australian economy.[1] The Australian travel sector plays a critical role in facilitating and supporting this demand.

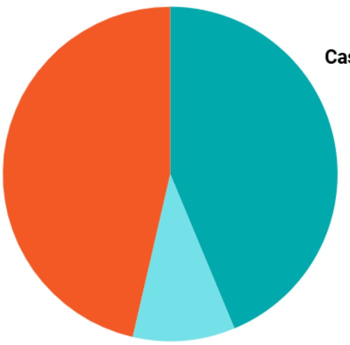
ATIA members alone accounted for $13.5 Billion TTV of retail bookings, $11.8 Billion of Corporate Bookings and $5.6 Billion of Land Operations during 2024. In relation to air travel, last year travel intermediaries sold 20 million air tickets worth $18.5 billion in Australia. In relation to cruise, 79% of cruise bookings made with the assistance of a travel intermediary.[2]

The travel sector contains businesses both large and small, ranging from ASX listed companies, and small to medium sized travel agency businesses located in both metropolitan and regional areas of Australia. Importantly, 92% of ATIA members are small businesses.

The sector is also major employer within the community in which they operate, with ATIA members supporting almost 20,000 employees across the country, 72% of whom are women.

Consumer Payment Preferences in the Travel Industry

Electronic payment through use of a payment card (broadly comprising eftpos, debit and credit cards) is the most common payment method consumers use to purchase travel through a travel agent or tour operator. Graphic 1 shows the current market payment preferences and highlights that most Australians do so without paying a fee – by paying with cash / EFT, and in some cases a debit card.



Graphic 1: 2024 Australian consumer payment methods to travel businesses

Since the introduction and growth of options in electronic transaction payment methods, the Australian travel sector has continued to see significant growth in the volume of bookings paid by electronic payment methods by consumers.

Since the last review, caps and weighted averages have been introduced, and we have continued to see, albeit at a slower rate, an increased use of platinum or premium cards. One of the underlying reasons for this is the demographic profile and the relatively high proportion of credit card use compared to debit and other payment forms across the wider economy. This trend is also driven by the auxiliary products offered to consumers by card issuers such as free travel insurance, increased award points per dollar, free hotel stays, and offers such as airport lounge passes or discounts on

[1] DFAT, Australia's Trade in Goods and Services 2024 [Australia's trade in goods and services 2024 | Australian Government Department of Foreign Affairs and Trade]
[2] CLIA, State of the Cruise Industry Report 2025, https://cruising.org/sites/default/files/2025-07/State%20of%20the%20Cruise%20Industry%20Report%202025.pdf

dining and events. The payment trends reflect the reality that for many consumers, credit cards offer a range of valuable benefits that extend well beyond the ability to defer payment.

The approach taken by Australian travel agents ensures Australian consumers have multiple payment options, including at least one surcharge-free option. Where a customer chooses to pay using a credit card, Australian travel agents have low competitive surcharge rates. Graphic 2 illustrates how a consumer can make an informed decision on the relative cost of each payment option.

Example Invoice for Holiday		
Payment type	**Example Surcharge**	**Price**
Cash / EFT	0%	$6,400
Debit	0.7%	$6,444
Credit card – Mastercard & Visa	1.3%	$6,483
Credit card – Amex	2%	$6,528

Graphic 2: Example of typical pricing information as part of an invoice provided to Australian consumers

Ninety-five per cent of ATIA Accredited travel agencies and tour operators apply surcharges to recover the genuine costs of accepting electronic payments. This is largely due to factors associated with the unique payment profile of travel purchases as compared with other retail sectors.

On average, bookings are made between 70 and 100 days before the product is consumed, representing a far greater prepayment period than traditional retail and cafes. For the travel agent merchant, this results in an inequitable risk as it is estimated that at any given time approximately 20% of the industry's TTV is subject to chargeback risk, primarily on account of end supplier insolvency throughout this period (noting this amount has a high level of fluctuation due to the due to the changing nature of booking cycle post-COVID).

For travel agents, this results in challenges uncommon to other sectors. It has created a significant issue for travel businesses with respect to attaining and maintaining merchant facilities because of requests by merchant acquirers for significant bonds to cover this risk. The reason for this is that the prepayment risk for the travel agent is substantially greater than other members of the travel and tourism industry including hotels, airlines and other retailers who control the purchase and ultimate provision of the product.

In order to maintain a merchant terminal, we are seeing an increased number of requests for personal guarantees including home dwellings particularly in the smaller merchant space. For our larger members we continue to see requests for bonds of greater than $1 million to maintain a merchant terminal. Where such bonds cannot be met, merchant terminals have been withdrawn – directly constraining business growth and competition. The RBA has previously recognised that the cost of this insurance should form part of the permitted surcharge.

As we continue to see the main acquirers abandon the travel industry, we expect that there will be increased demands on independent payment processors, who have filled the gap left by the big banks. Without these processors, significant bonds well in excess of those already outlined would almost certainly have been required, further constraining businesses' ability to operate.

This risk is unique to travel intermediaries. As flagged above, unlike hotels, airlines, or other suppliers who directly control the provision of services, travel agents often have already fulfilled their obligations by booking and paying for the product on behalf of the consumer. Yet if the supplier defaults, the agent remains liable through the chargeback system to repay the customer funds already passed on.

Travel businesses already operate on very slim margins, with average profits ranging from 0.75 per cent to 3.90 per cent. The removal of the ability to apply reasonable and transparent surcharges would therefore have a material effect on the ongoing viability of these businesses if they were forced to absorb them.

In areas where travel businesses are in a position to increase prices to offset the merchant fees, this would mean higher overall prices and potentially reduced payment options, undermining both affordability and choice.

In addition, tour operators, travel agents and wholesalers operate in a global marketplace meaning where prices are raised Australian businesses will be put at a competitive disadvantage. This again will ultimately impact consumers who may face lesser consumer protections with offshore providers than are available under Australian consumer law.

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2. RBA Proposal

We acknowledge that there is significant public discourse in support of removing surcharging particularly on debit cards and where there is a no fee-free alternative available.

If reform is to proceed, the most balanced and proportionate approach would be to limit any surcharging ban to debit cards only, and continue to the costs of acceptance of credit cards to be recovered via surcharge (Option 2). This would avoid the most damaging consequences for small businesses, while still advancing many of the consumer benefits the RBA is seeking to achieve. The RBA's modelling suggests that consumers will still benefit to the tune of $650 million.

Importantly, many of the RBA's concerns around the complexity of only banning debit surcharging can be addressed, making a full ban disproportionate and unnecessary.

Banning both debit and credit card surcharging (Option 3) would have substantially more damaging consequences. ATIA is concerned this approach would shift costs unfairly onto businesses and, ultimately, consumers. It will also impact competitiveness making it harder for Australia's businesses to compete – both with the principle where the business may be acting as an agent, and internationally given the global marketplace travel operates within. While the RBA has suggested there may be "mitigating factors" to limit the negative effects on small businesses, these are overstated.

Impact of Full Surcharge Ban on Businesses and Consumers

The RBA has acknowledged that if debit and credit card surcharges were banned, businesses would likely increase prices to recover costs, effectively offsetting any savings consumers might expect.[3] In practice, this means people who do not choose to pay by credit card would end up subsiding the benefits enjoyed by those who do.

While the public debate has often focused on a 10-cent surcharge for a cup of coffee, the average transaction amount in the travel industry is far higher. For international travel, the average transaction ranges from $6,400 to $10,000, meaning the surcharge will typically range from $83 - $130 (using a 1.3% surcharge as an example).

If surcharging were removed and costs were recovered through higher prices, this would amount to an across-the-board cost of living increase, with all customers paying hundreds of dollars more regardless of how they choose to pay. This approach removes transparency in payment costs and unfairly shifts the financial burden onto all consumers at a time when cost-of-living pressures are already acute.

There are also scenarios where travel businesses may be unable to lift prices to recover costs, which also has a flow on impact for competitiveness and consumer choice. The example provided below demonstrates the difficulties where a merchant is acting as an agent for a principal and has no control over pricing.

Example Transaction of Travel Agent		
Business class airfare sale $11,343.98		
Commissioned earned	$105.71	
Scheme merchant fee		- $147.45
Total remuneration for agent		- $41.74

In this example, an agent would lose money on the sale of an airfare if they were not able to recover the costs they are charged when a customer pays by card – unlike airlines who are able to reprice to cover the cost of acceptance. This would ultimately undermine the viability of travel agents, reducing

[3] See RBA Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p.19.

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the ability for consumers to easily compare and contrast airfares across providers, and leading to a less competitive market overall.

Where businesses can viably recover payment processing costs through other means, this would often result in a **double cost increase**: the airline building its merchant fee into the airfare, and the agent also needing to recover their own merchant fee, potentially through higher service fees. In contrast, when surcharging is permitted, only those who choose to pay by card cover these costs — making it the lowest-cost option for consumers overall. This is demonstrated in the example below.

Example of Potential Double Indexation if Surcharges are Banned		
Scenario	**Credit Surcharging Allowed**	**Full Surcharge Ban**
Base airfare (set by airline)	$3,000	**$3,039** (airline's merchant fee built into cost)
Agent receives airfare from airline	$3,000	$3,039
Agent merchant fee (example 1.3%)	$39 (only if card is used)	+$39.50 (built into cost)
Total if customer pays by cash / EFT	**$3,000**	**$3,078.50**
Total if customer pays by credit card	**$3,039**	**$3,078.50**
Extra consumers pay under a ban	–	**+$78.50 (for all customers, regardless of payment method)**

Further, if travel businesses are no longer permitted to recover the costs of credit card acceptance, many would need to reconsider whether offering card payments remains viable. This could lead to a reduction in payment options for consumers, limiting choice and convenience in a way that is contrary to the interests of both consumers and the broader economy.

If there was to be an active reduction in the number businesses cards are accepted, the ability to manage cashflow of smaller businesses will be severely impacted. Major banks and other lending providers have made it very difficult to access cash advances or alternative cashflow strategies. This means cards are a vitally important part of that mix, in that they allow businesses and consumers to manage cashflow in a safe and reliable way. The ability to apply surcharges provides essential price signals that help sustain this system.

Products such as charge cards with 30–45 day interest-free periods also play a critical role in supporting SME cashflow. If such arrangements were diminished or removed, financial institutions would, in theory, need to step in to fill the gap. However, given their retreat from SME lending, there is little evidence they are willing or able to provide that support—in fact, everything we have seen points to a complete withdrawal of traditional finance options from the SME market.

Further, travel purchases can be made through providers based outside of Australia. Enforcing surcharging restrictions on internationally based businesses can be challenging. In a global marketplace, imposing a ban on debit and credit surcharging would likely raise prices and put Australian businesses at a competitive disadvantage. Price sensitive consumers may be driven to offshore providers who may not offer the same consumer protections guaranteed under Australian law.

Removing surcharging also removes the ability of Australian travel businesses to compete on a clearly defined, like-for-like basis in a highly competitive, price-driven market. The potential impact on how Australian businesses operate has not been fully explored. We have significant reservations about the RBA modelling of the economic impact given the vast differences to our collective and verified data. We also question the accuracy of the RBA's data which suggests that only 8% of travel merchants surcharge, as it does not reflect the existing arrangements in the travel industry (we only note this number was taken from only 3% of businesses in the sample).

Importantly, consumers can still achieve significant benefits under a debit-only ban without the drawbacks of a full ban. The RBA's own modelling suggests savings of around $650 million, which would deliver real gains for consumers while preserving payment choice, transparency, and the ongoing viability of small businesses.

Proposed Mitigating Factors

Proposed Mitigations Cannot Offset the Harm of a Full Surcharge Ban

The RBA has suggested that the impacts on merchants could be mitigated through other measures such as reducing the domestic credit interchange cap, and introducing transparency measures around wholesale fee data and scheme fees. However, these measures as currently proposed would do little to offset the underlying costs borne by travel businesses if a ban on both debit and credit surcharging were to proceed.

Proposed Changes to Interchange Regulation

A focus on transformation of interchange neglects that fact that interchange makes up a minority of the cost encountered a merchant to provide merchant facilities. It should be noted that merchant fees have disproportionately funded the benefits experienced by card members. And it is the lack of transparency of those fees throughout the payment networks which have unfortunately led to businesses paying for services and benefits which do not provide value to the merchant and solely to the cardholder.

In addition, the travel industry is a major user of business-to-business (B2B) credit card payments, which are widely used by agents and tour operators to pay airlines, hotels, and other suppliers. These payment products exist because banks receive interchange fees that make them commercially viable. If the cap on credit interchange is set too low and flexibility through the weighted average target is removed, there is a real risk that banks and card schemes will scale back or withdraw these products. This would significantly disrupt the way travel businesses pay suppliers, removing a secure and efficient form of payment that is critical to industry operations.

Proposal for Card Networks to Publish Aggregate Wholesale Fees

Transparency is typically effective at driving competition where there are a voluminous number of providers in which customers (B2B and B2C) can compare and contrast value and price. Given the existing market is dominated by two schemes, we expect to see the maintenance of wholesale profitability of the Scheme and major players being an ultimate outcome. This will come at the expense of innovation and consumer outcomes.[4]

Use of Discounts to Encourage the Use of Lower-Cost-Payment Methods

The RBA has also proposed that merchants could offer discounts to consumers to encourage the use of lower-cost payment methods. This is not a viable or practical alternative to surcharging in the travel industry. The RBA used the example of Amazon Australia providing a time-limited 2 per cent discount for some customers paying with PayTo. In practice, such a discount is effectively a surcharge in reverse. Travel businesses already offer fee-free payment options as a standard practice.

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[4] For example, in the airline industry, fares are high when only one or two airlines compete. When more than two airlines compete on a route, fares drop by up to 50% (source: Treasury, How competition impacts prices, the Australian aviation sector, 2024, https://treasury.gov.au/sites/default/files/2024-09/p2024-553588_0.pdf). See also more broadly, Dr Andrew Leigh, How monopolies hurt the economy, 8 June 2024 at https://ministers.treasury.gov.au/ministers/andrew-leigh-2022/articles/opinion-piece-how-monopolies-hurt-economy.

Additional Measures Needed Even If Debit-Only Surcharge Ban Imposed

Scheme Rules and Scheme Fees

The proposals around scheme fees are a positive step forward however additional measures are required to ensure small businesses, and consequently consumers, are not left worse off.

The existing rules and application of chargeback and other fees charged by acquirers are overly complex and need to be simplified. Visa's scheme rules run to 920 pages and Mastercard's to 484 pages, making them impractical for all businesses, and particularly small businesses, to navigate.

Merchants also need greater transparency over the nature and type of scheme fees they are incurring. Ideally, this should occur at a transaction level, so that businesses can manage costs where possible and minimise the need to pass them on to consumers.

Scheme fees make up a significant portion of the cost for businesses to accept card payments, and addressing these costs must be a priority. The RBA's proposal to require card networks to justify scheme fee increases in reality is unlikely to have any meaningful impact in keeping scheme fees competitive or fair. To prevent ongoing increases and ensure reforms deliver meaningful benefits, ATIA recommends introducing a cap on scheme fees alongside improved reporting and transparency.

Dynamic Least-Cost Routing

The RBA has proposed maintaining the status quo regarding the RBA's expectations of LCR implementation in retail payments.

ATIA submits this is a missed opportunity, as the RBA has previously accepted that LCR can directly reduce card payment costs for merchants while also increasing the competitive pressure on debit networks to lower their wholesale fees, thereby putting downward pressure on payment costs across the economy.

Given most travel transactions are card-not-present, ATIA supports a standard that requires dynamic LCR by default on all dual-network debit in-person, in-wallet and online transactions, with a simple merchant opt-out. This would materially reduce costs now borne by small travel merchants

Addressing RBA Concerns Around Credit-Only Surcharging

While the RBA has raised a number of concerns regarding the feasibility and impacts of allowing only credit card surcharging, many of these issues are either overstated or can be readily addressed within the travel industry. The following section responds to key RBA points, demonstrating that Option 2, banning debit surcharging while retaining credit surcharges, is both practical and proportionate.

Travel Businesses Already Differentiate Credit and Debit

The RBA's concern that *"the expected benefits of price signalling would be reduced if there was confusion from consumers and merchants or difficulties for payment terminals in correctly distinguishing between debit and credit cards"* is misplaced in the travel industry.

It is common practice for travel businesses to apply differential surcharging, giving consumers true transparency to choose the payment method that best suits their circumstances at the time of payment.

Purported PSP Implementation Costs Do Not Justify Removing Credit Surcharging

The RBA has expressed concern that removing debit surcharging only would involve higher costs for PSPs to implement compared to removing both debit and credit card surcharging.

In reality, it is broadly accepted and in fact standard business practice that the payment providers that are providing these facilities to the travel industry today are able to provide card recognition services at a card type level (debit v credit) at the point of transaction.

Any submission from other payment facilitators or payment stakeholders that such an innovation would be cost prohibitive is as a result of lack of long-term investment into the payment platform process and a level of inaction to drive ultimate profits at the expense of consumers.

Even where implementation costs may exist, these would be one-off costs required update outdated technology, and minor compared with the ongoing financial burden that removing surcharging would impose on businesses, and ultimately, consumers.

Giving weight to these PSP costs effectively prioritises large international payment companies that have failed to invest and innovate, at the expense of Australian SMEs, who rely on credit surcharging to recover unavoidable transaction costs.

Debit Volume Shifts Do Not Outweigh Benefits of Credit Surcharging

The RBA has also raised concerns that where surcharging continues to be permitted on credit transactions, credit card networks could see their volumes shift to debit. Prioritising concerns around potential volume shifts appears to favour the commercial interests of card schemes and PSPs over the need for merchants to recover genuine costs, and the potential increase in prices across the board for consumers regardless of how they choose to pay.

In any case, in the travel industry, consumers who use credit cards are generally motivated by benefits such as reward points, travel insurance and access to chargeback rights. Their behaviour is unlikely to shift simply due to surcharges on credit cards.

Proposed Implementation Timeline

The RBA has proposed that amendments to surcharging rules take effect on 1 July 2026, alongside other changes such as interchange regulation.

ATIA submits that no action should be taken until the Treasury Laws Amendment (Payment System Modernisation) Bill 2025 comes into effect so that regulation can be consistently applied across payment systems.

Further, the timeline for reforms should be appropriately sequenced so that transparency standards commenced first. Any proposed surcharge ban should be delayed for 12 months to allow time for small businesses to appropriately assess payment service providers and renegotiate contracts where necessary.

ATIA recommends that a review be conducted after four years to ensure any changes are operating as intended.