



Submission to the Reserve Bank of Australia

Review of Merchant Card Payment Costs and Surcharging

GJS Group Australia Pty Ltd

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Submitted to: Reserve Bank of Australia

Re: Consultation Paper - Review of Merchant Card Payment Costs and Surcharging

Executive Summary

GJS Group Australia strongly opposes the proposed removal of surcharging on eftpos, Mastercard and Visa cards. As a B2B distributor of industrial printing equipment operating on narrow margins in challenging economic conditions, the ability to pass payment processing costs to customers who choose to use these payment methods is essential to our business viability.

Company Background

GJS Group Australia is a B2B distributor of industrial printing equipment serving wholesale customers across Australia. Our business operates with significantly lower margins than typical retail operations, as is standard in B2B wholesale distribution. Over the past 12 months, we have achieved sales of \$7.5 million, representing a substantial decline from previous years due to adverse economic trading conditions. These challenging circumstances have already forced us to reduce our workforce by four full-time employees.

Current Payment Processing Costs and Surcharging Practice

We currently accept all major payment methods including Visa, Mastercard, American Express, and buy now, pay later options via Stripe. PayPal transaction direct with PayPal.

We apply surcharges that exactly match the rates charged by our payment processors, ensuring we do not profit from these fees.

Our payment processing data for the past 12 months demonstrates the material impact of card payment fees on our business:

- Total card transactions processed: \$3.5 million (47% of all payments)
- Stripe transactions: \$3.1 million
- PayPal transactions: \$400,000
- Total processing fees: \$43,451.86

We also offer fee-free payment alternatives including direct bank deposit and PayTo transactions, with PayTo fees of \$251.10 absorbed by our business as a customer service measure.



Impact of Proposed Surcharging Ban

The proposed removal of surcharging would force our business to absorb \$43,500 in annual payment processing costs. For a business of our size and margin profile, this represents an unsustainable cost burden that would necessitate one of the following responses:

Price Increases Across All Customers

Eliminating surcharging would require us to increase prices for all customers, including those who choose cost-effective payment methods such as direct deposit or PayTo. This approach penalises customers who make efficient payment choices and contradicts principles of cost-reflective pricing.

Increased Credit Card Usage

Removing surcharges would likely encourage greater use of credit card payments, as customers would no longer face price signals reflecting the true cost of their payment choice. This would result in higher total processing costs for our business and further exacerbate the financial impact.

Business Viability Concerns

Given our current challenging trading conditions and recent workforce reductions, absorbing an additional \$43,500 in annual costs would significantly impact our business sustainability.

Policy Concerns

Small Business Impact

While the RBA estimates that 90% of businesses would benefit from the proposed policies, this analysis appears to overlook B2B operations with low margins and high transaction values. Small wholesale distributors like GJS Group face disproportionate impacts from payment processing costs relative to our profit margins.

Customer Choice and Transparency

Our current surcharging model provides complete transparency, with customers able to see the exact cost of their payment choice and opt for fee-free alternatives. This promotes informed decision-making and efficient payment behaviour.

Economic Timing

Implementing additional cost burdens on small businesses during a period of economic difficulty demonstrates poor policy timing. Many businesses are already struggling with increased operational costs across multiple areas.

Alternative Recommendations

Rather than eliminating surcharging entirely, we recommend the RBA consider:

1. **Enhanced Enforcement:** Strengthening compliance with existing surcharging rules to prevent excessive charges while maintaining the principle of cost-reflective pricing.
2. **Improved Transparency:** Requiring clearer disclosure of payment processing costs and surcharge methodologies to ensure customers understand the true cost basis.
3. **Graduated Implementation:** Considering different approaches for different business sectors, recognising that B2B operations face different cost structures and customer relationships than retail businesses.
4. **Small Business Exemptions:** Maintaining surcharging rights for businesses below certain revenue thresholds or operating in wholesale markets.



Conclusion

The proposed ban on credit card surcharging would impose significant financial hardship on GJS Group Australia and similar B2B operations. Our current surcharging practice is transparent, cost-reflective, and provides customers with genuine payment choice. We urge the RBA to reconsider this proposal and maintain the ability for businesses to implement fair and transparent surcharging practices.

We welcome the opportunity to discuss this submission further and provide additional information as required.

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