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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)

## **Consultation response - REVIEW OF MERCHANT CARD PAYMENT COSTS AND SURCHARGING**

The Lottery Corporation Limited (**The Lottery Corporation**) appreciates the opportunity to respond to the Reserve Bank of Australia's (**RBA**) review of merchant card payment costs and surcharging (**the Review**).

The Lottery Corporation represents an industry that delivers traditional lottery products to millions of Australians, sold by more than 4,000 small business lottery retailers, including newsagents. The industry also supports around 20,000 jobs in communities across the country. Traditional lottery games, such as Saturday Lotto, Powerball and Oz Lotto, are part of a strong ecosystem delivering trusted products and benefits to players and the community through state taxes and commissions to small businesses. The equivalent of one in two adult Australians purchase a lottery ticket each year.

The Lottery Corporation also offers in-venue keno in pubs and clubs in New South Wales, Queensland, Victoria and the Australian Capital Territory, partnering with the industry to deliver enjoyable keno products in 3,354 venues across the country. Keno is also distributed through lottery outlets in South Australia.

We acknowledge the RBA's ongoing efforts to improve transparency and reduce costs in Australia's payments system. However, we would like to take this opportunity to highlight concerns around the potential impact of the proposals in the RBA's July 2025 consultation paper in support of our network of small business lottery retailers and licensed venues.

### **Removal of surcharging**

The removal of surcharging could have a negative impact on small business lottery retailers and licensed venues. Removing surcharging without addressing existing merchant fee imbalances, particularly as the vast majority of retail transactions are now card-based payments, could place small businesses and retailers in a particularly vulnerable position compared to larger retailers who can absorb or redistribute these costs to customers across a broader product range.

We understand the majority of newsagencies and lottery outlets do not surcharge<sup>1</sup>; however, they continue to face disproportionately high payment costs compared to larger retailers. Lottery ticket sales generate a significant amount of foot traffic for newsagents. While other businesses may choose to offset the removal of surcharging by increasing the costs of their goods and services, lottery ticket prices are fixed and any changes require approval by state regulators or governments.

The Lottery Corporation recommends that the RBA consider the option for small businesses to retain surcharging rights and provide clarity on the definition of permitted surcharges. If surcharging is removed without addressing merchant fee imbalances, small businesses that process large volumes of low-value transactions, typical of lottery and Keno ticket purchases, are unlikely to be able to offset their cost of acceptance for card payments.

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<sup>1</sup> Australian Lottery and Newsagents Association submission on Review of Merchant Card Payment Costs and Surcharging, December 2024, page 1



## Reduction of card fees paid by small businesses

The Lottery Corporation supports the RBA's proposal to cap the interchange fees paid by businesses to card providers, and recommends the RBA consider capping card scheme fees or implementing stronger regulatory interventions on scheme fees to prevent merchant service providers from exploiting fee caps to the detriment of merchants and consumers.

Industry associations report that smaller merchants frequently pay interchange rates significantly higher than large retailers, as they are less able to negotiate strategic or scale-based agreements with card networks despite minimal differences in processing costs. This issue was conveyed in both the Australian Lottery and Newsagents Association and the Australian Hotels Association responses to the RBA's October 2024 issues paper.

*"The current disparity in interchange fees between large and small merchants creates significant market distortion. Small businesses frequently pay interchange rates up to 800%, or 3 to 8 times higher than large retailers, despite minimal differences in processing costs. This disparity particularly affects newsagents and lottery outlets, who process high volumes of low-value transactions<sup>2</sup>."*

- Australian Lottery and Newsagents Association submission on Review of Merchant Card Payment Costs and Surcharging, December 2024.

*"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<sup>3</sup>."*

– Australian Hotels Association, December 2024.

## Transparency of card payment fees and interchange schedules

The Lottery Corporation understands that our network of small business lottery retailers and licenced venues across the country have difficulty sourcing clear and standardised information around merchant service fees which hinders small business owners from acquiring the most cost-effective rates for their operations. The complexity of a merchant's cost of acceptance creates challenges for small businesses, many of which are complex and difficult to compare.

We recommend the RBA consider introducing simplified transparency and disclosure tools to help small businesses compare acquiring services and make informed decisions.

## Least-cost routing

The Lottery Corporation recommends the RBA explores options to mandate the use of dynamic least-cost routing for all transactions, with the option for merchants to opt-out if they wish. Mandating least-cost routing could help small businesses avoid unnecessary costs which make debit transactions unaffordable, as consumers continue to move away from cash payments. For many small business newsagents and lottery retailers, industry associations have reported the implementation of least-cost routing for in-person transactions has resulted in cost savings of at least 10-20%<sup>4</sup>.

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<sup>2</sup> Australian Lottery and Newsagents Association submission on Review of Merchant Card Payment Costs and Surcharging, December 2024, page 5

<sup>3</sup> Australian Hotels Association submission on Review of Merchant Card Payment Costs and Surcharging, December 2024, page 1

<sup>4</sup> Australian Lottery and Newsagents Association submission on Review of Merchant Card Payment Costs and Surcharging, December 2024, page 9



### **In summary**

The Lottery Corporation, in support of our retail network of small business newsagents and licensed venue partners, urges consideration of regulatory reforms to reduce the cost of acceptance for card payments, particularly if the ability to surcharge is removed.

The current framework imposes disproportionate and impactful costs on small business newsagents, lottery retailers and licensed venues. Appropriate reform will help ensure unintended consequences for small businesses owners who use surcharging to recover costs are kept to a minimum, particularly when these businesses are often already operating on small margins.

If you have any questions or matters that you would like to discuss in relation to the above, please feel free to get in touch with me via email at [Emma.Murphy@thelotterycorporation.com](mailto:Emma.Murphy@thelotterycorporation.com) or on 0419 226 409.

Yours faithfully,

Emma Murphy  
Head of Government Relations  
The Lottery Corporation



## **ANNEXURE - About The Lottery Corporation**

The Lottery Corporation is a top 50 ASX-listed company. We hold exclusive and/or long-dated licences or approvals to operate lotteries in all Australian states and territories (excluding Western Australia). Our trusted brands include The Lott and Keno, while national games, such as Powerball and Oz Lotto, are iconic names in Australian households.

We value our contribution to the community and connection to local small business lottery retailers and licensed venues.

The bulk of The Lottery Corporation's turnover is distributed to players as prizes and to governments and communities in licence fees, duties and taxes. In FY25 this included:

- \$1.7 billion in state lottery and keno taxes;
- \$665 million in commissions to retail businesses and licensed venues; and
- \$5.2 million in community donations and partnerships.

The Lottery Corporation has an extensive presence in small retailers across the country, including newsagencies and licensed venues – newsagencies being one of Australia's largest retail operations. Our retail points of distribution contribute 58% of lotteries turnover and are a vital part of a sustainable and well-regulated lotteries ecosystem.