



NATIONAL RETAIL ASSOCIATION

**Submission to Reserve Bank of Australia:
Review of Card Surcharging**

1. National Retail Association

The National Retail Association (NRA) is an industry organisation that provides professional services to the retail and wider service industry throughout Australia. We represent the majority of national retail chains, as well as independent retailers, franchisees and other service sector employers, encompassing more than 10,000 stores.

Our aim is to ensure that businesses within the retail sector, whatever their size, have access to specialised knowledge and industry-specific expertise in order to grow and prosper. The NRA is also the industry advocate in public policy debates and government relations.

2. Card Surcharging

The NRA welcomes the opportunity to provide some brief feedback on the Reserve Bank of Australia's (RBA) Review of Card Surcharging consultation document. Surcharging on credit cards is not a widespread practice in the retail sector. The vast majority of our members do not pass on any surcharge to customers, regardless of the method of payment. To the extent that surcharging exists in the retail sector, we are not aware of any instances of excessive surcharging. Such issues seem limited to the travel sector, where credit card surcharges of 10% or fixed dollar values are common place.

The NRA does not believe that there is any case for modifying the Standards to allow schemes to limit surcharges. Adequate protections already exist in the retail sector through natural competition and market forces. Consumers will not make purchases with a retailer who attempts an excessive surcharge. In other areas, if surcharge caps were introduced, it is likely that any additional costs or loss of revenue would be sought to be recovered through increased prices for products and/or services.

Where surcharging does occur in the retail and service sector, merchants are faced with various input costs, due to a variety of models available for the provision of credit card facilities and associated point of sale systems. Retailers who do surcharge, may do so at their actual transaction fee, or they may seek to recover their total costs associated with card acceptance, or they may seek to offset some of these costs only partially. Of those retailers who do surcharge, a significant percentage only apply a surcharge to cards such as American Express and Diners, some apply differential surcharges to different cards and others apply a single fee for all credit cards. In our view, any of these options should remain available to retailers who elect to surcharge credit card usage.

For retailers who elect to surcharge credit card purchases, simplicity and efficiency are primary considerations in setting such fees. Unnecessary restrictions and complications regarding blended or tiered fees will only add to the administrative burden of retailers, with a further layer of complexity and compliance, resulting in no improved service or outcomes for consumers. Surcharges must be easy for consumers to identify and calculate and easy for retail sales staff to administer. Often a single surcharge for all credit cards will be preferred by retailers due to its simplicity of operation and the ability of the retailer to look at their total costs related to such transactions in establishing an appropriate fee.

The NRA would question the need for any intervention in this area by the RBA, as excessive surcharging is not an issue in the retail sector, where the significant majority of merchants don't surcharge at all, and the remainder surcharge appropriately in relation to their business costs. The retail sector continues to suffer from a lack of consumer spending and low consumer sentiment, making competition between retailers fiercer than ever, with continual cycles of substantial discounting in many categories. A surcharge cap related to merchant service fees would disproportionately disadvantage smaller retailers who pay significantly higher merchant service fees than large retailers and who may have much higher incidental costs associated with the provision of credit card facilities.

If the RBA were of a view to intervene in the card surcharging arrangements by way of the introduction of a surcharge cap, we would recommend that this should be an RBA enforced cap at the highest interchange rate across industries to maintain the maximum flexibility for retailers to implement surcharges as they deem appropriate in relation to their total costs of credit card acceptance. Further, no obligations should be placed on merchants to disclose their merchant service fees, as these are often subject to commercial in confidence negotiations and may have detrimental effects on retailers if they are obligated to disclose their rates. In no other aspect of their business would a retailer be required to disclose their actual cost of supply.

3. Conclusion

The NRA opposes any further regulation of the current card surcharging arrangements. Excessive surcharging is not an issue in the retail sector, where the significant majority of retailers do not surcharge for credit card use. The current provisions allow sufficient flexibility for those merchants who consider that surcharging is necessary to meet or offset their total costs associated with credit card payment facilities. In certain non-competitive sectors, excessive surcharging may exist, but introducing additional administrative and compliance burdens for retailers is not an appropriate or effective outcome



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