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Head of Payments Policy Department  
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**Australian Newsagents' Federation (ANF) comments relating to the RBA review of surcharging standards applying to the credit and debit card systems in Australia**

To whom it may concern,

The Australian Newsagents' Federation (ANF) is the peak body that along with state newsagents associations represent the Australian newsagent industries 4000+ newsagents.

The ANF appreciates this opportunity to comment on the changes the Reserve Bank of Australia (RBA) proposes to vary surcharging standards. The ANF supports the RBA's efforts to keep surcharges on card payments as low as possible for consumers and to allow retailers the discretion to sensibly surcharge the cost of providing these services where they choose.

Since the removal of 'no surcharge rules' by the RBA in 2003 the ANF has not seen a high level of surcharging evident in our industry. Where surcharges have been introduced, they have generally not been much higher than acceptance costs. Our member newsagents are mostly owner operated small businesses located in almost every community in Australia. They are very busy small business people who work long hours and they will be concerned if the proposed changes result in the introduction of any overly complex or burdensome additional compliance regimes.

The ANF is broadly supportive of the RBA's recommended option to allow a surcharging limit based on recouping the reasonable costs of card acceptance. However, we wish to raise some concerns including: the practicalities for our members in accurately determining reasonable costs, the introduction of any additional compliance burdens and how these changes will ultimately be enforced.

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1

## **Accurately determining reasonable costs and additional compliance burdens**

We understand the RBA's view that consumers will benefit from merchants being allowed to recover only the reasonable cost of acceptance through applying a range of surcharges for different card types. This will be an efficient and effective way of setting price signals in the market.

However, it is important that our members can in the simplest possible way determine a reasonable range of appropriate surcharges for a sensible number of card types without having to meet unreasonable new compliance burdens. We are hearing in the marketplace that where split pricing has been requested from acquirers, this pricing has been provided in an overly complex way that includes dozens of different card types. This would make complying burdensome for a merchant who has to calculate and communicate these surcharges for all card types and recalculate these when they change. It is also relevant that some acquirers may not yet have the technology necessary to provide split pricing to merchants for every card type.

We are concerned that any additional complexity may result in our merchants having to provide consumers with confusing information. This will also require more staff training and the risk of mistakes. Not wanting to have this happen, merchants are likely to take the simplest avenue, that of choosing to apply a blended surcharge across card schemes. This would likely result in members not recovering all their costs and would not be a desired outcome of these reforms.

Therefore, we believe it is important that card types be limited to some sensible card categories where the range of choices a merchant needs to provide is somewhat limited, making it easier for a consumer to choose and merchant to comply. It would also make sense for the RBA to facilitate acquirers using a standardised format for communicating costs to merchants when negotiating prices. An agreed format could also appropriately provide general guidance to merchants on acceptable surcharges for each category, further reducing compliance burdens.

## **How these changes will ultimately be enforced**

It would appear, but is not entirely clear, that the RBA intend the card schemes through acquirers, to monitor compliance and the enforcement of reasonable cost of acceptance

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2

surcharging. There does not appear to be any detail on what enforcement measures and penalties may apply, other than the suggestion that a breach of the amended card scheme rules could likely result in the termination of a contract between merchant and acquirer.

The RBA have also implied in the following statement that merchants will need to negotiate acceptable levels of surcharges when negotiating pricing with acquirers.

The RBA stated that:

*At a minimum, there would be costs involved in the time taken for merchants and acquirers to negotiate over the pricing to the merchant and the level of the surcharge. It is recognised that such negotiations may have a greater effect on smaller merchants because they tend to have fewer resources or specialist personnel to deal with such negotiations.*

In our experience small businesses do have limited bargaining power to negotiate pricing significantly with acquirers and we are not sure that having the acquirers police surcharging as part of this process is a good idea or an appropriate role in this relationship. As previously stated, we think acquirers can efficiently and effectively provide surcharging guidance to merchants as part of their merchant/acquirer relationship.

We are of the view that the compliance and enforcement task is best managed by the RBA and not by the card schemes. The RBA should set merchant guidelines for enforcement measures and police these to ensure that the worst offenders face sensible penalties for not complying. We think it is the RBA's role to provide advice on surcharging, in much the same way as Fair Work provides employers with advice on correctly paying employees. The scope for disputes between acquirers and merchants on surcharging should be limited so that they may maintain an appropriate merchant/acquirer commercial relationship. Where disputes arise over appropriate surcharge rates there should be a low cost dispute resolution process to quickly resolve these issues with the RBA. The RBA must also provide suitable tools and education materials for merchants on this issue before implementation. This is an area where associations could assist the RBA with providing this advice to the industry.

We appreciate this opportunity to share our views on the review of surcharging standards. As stated, we are broadly supportive of the RBA's recommended option but remain concerned about how it will work in practice. We would be very happy to comment further in the consultation process.

Yours sincerely,



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4