



Mr Chris Kent
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001
By email: pysubmissions@rba.gov.au

17 February 2012

Dear Mr Kent

I am writing to provide the Payments System Board with further comments from the Accommodation Association of Australia about standards relating to surcharges that apply to the credit card and debit card system in Australia (the standards).

As you may recall, the Accommodation Association is the national industry body for the Australian accommodation industry. The Association's membership base includes almost 2000 hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments (110,00 guest rooms) in metropolitan, regional and rural Australia across all states and territories. The Association's members include major hotel chains, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, 8Hotels and Quest Serviced Apartments.

The Accommodation Association has already formally communicated its policy position on the standards through a submission to the Payments System Board (the board) in July 2011. Although the Association acknowledges that the board has considered this matter and is proposing changes to the standards which are consistent with one of three options put forward in a further discussion paper released in late 2011, the Association's fundamental position on this issue has not changed – the current standards should not be altered in any way.

The Accommodation Association reiterates that any suggestion that tourism accommodation businesses are using credit card surcharges as a means of raising extra revenue is without foundation. The level of surcharges within the accommodation industry is broadly commensurate with cost recovery. As well, there are some businesses within the industry that do not impose credit card surcharges.

Inflated surcharges is not a major issue within tourism accommodation businesses because of the competitive nature of the industry. Should an accommodation business elect to impose extremely high surcharges, it is highly likely that its customers will choose to take their business elsewhere. This is in contrast to other sectors where virtual monopolies exist, such as the taxi industry.



With respect to the three policy options for change that the board has put forward, if there is to be change, the Accommodation Association's preference is for Option 3 – limiting surcharges to a reasonable cost of acceptance of cards, with the minimum being the merchant service fee. Both Option 1 – imposing a specific permissible surcharge limit – and Option 2 – that the surcharge limit is equal to the cost of card acceptance – are both unacceptable for the accommodation industry.

Should Option 3 be adopted, the Association accepts that the phrase "reasonable cost" would not be defined, apart from the minimum surcharge being the merchant service fee. This is in line with accommodation businesses using surcharges for cost recovery, as opposed to revenue-raising.

The Association's position that the practice of businesses blending surcharges should be able to continue is unchanged. Blending of surcharges has come about as a result of market forces and promotes healthy competition between businesses.

If any change outside of what is proposed in Option 3, it will have a significant detrimental impact on the accommodation industry.

Thank you for your consideration and we look forward to holding further discussions with you about our position before the board reaches a final decision on this important matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Munro', is positioned above the printed name.

RICHARD MUNRO
Chief Executive Officer