

## BACKGROUND

### TICKETMASTER CHARGES

Ticketmaster has both exclusive and non-exclusive contracts with entertainment venues, promoters and producers (Clients). Given the nature of the agreements, Ticketmaster acts as an agent for the client and all fees are agreed between the contracting parties. The agreed ticketing charges can include charges within the face value of a ticket and charged to the client as well as charges that are levied directly to consumers. As such, the client decides whether a credit card surcharge is levied to the consumer, or if it is included into the gross ticket price and deducted upon settlement.

Common Ticketmaster charges and fees include the following:

- **Inside Fees** - It is very common for Ticketmaster to charge a fee, generally a fixed amount, on a per ticket basis **charged to the venue/promoter/producer**. As an example, within the price of a \$25 ticket, there may be a \$2 charge. These fees form part of the ticket price and are deducted by Ticketmaster at time of settlement. Additionally, if the client elects not to surcharge the consumer for purchases using a credit card, this will also be deducted at the time of settlement.
- **Handling Fees/Transaction Fees** – These fees are often (but not always) **charged to consumers** on a **per transaction** basis (i.e. not per ticket). This fee may be applied to all sales channels and is **not dependent on method of payment i.e.** a consumer paying by cash at a retail outlet may still be charged a handling fee if applicable to the event.
- **Delivery Charges** - May be **charged to the consumer** on a per transaction basis depending on ticket delivery method at the consumer’s discretion. In most instances, the charge relates to registered post or courier charges, not the default option, “regular mail”, which **does not** incur a delivery charge.
- **Payment Processing Fee (PPF)** - If the contracting party requests a payment processing fee to be **charged to a consumer**, Ticketmaster currently levies a payment processing fee of up to **1.95% for all card transactions** (including Visa, MasterCard, American Express, Diners as well as Ticketmaster Gift Cards). This value is levied on the “net” ticket price and not the total transaction value i.e. it is not levied on the handling fee, postage or any other additional charges. Hence, depending on the transaction the effective rate charged will be somewhere in the range of 1.40% to 1.85% of the transaction.

**Example:**

|                |         |
|----------------|---------|
| Net Price -    | \$45.00 |
| Inside Fee -   | \$5.00  |
| Ticket Price - | \$50.00 |

|                   |        |
|-------------------|--------|
| Handling Fee -    | \$6.95 |
| Registered Post - | \$4.60 |

|                            |                                                       |
|----------------------------|-------------------------------------------------------|
| <b>Total Transaction -</b> | <b>\$61.55</b>                                        |
| Plus PPF -                 | \$0.88 (1.95% of \$45.00, <b>but</b> 1.4% of \$61.55) |

In the above example, the effective rate of the PPF is 1.4%, which is far lower than the advertised “up to” 1.95%. To comply with ACCC pricing requirements, Ticketmaster clearly displays the maximum that may be incurred by a consumer. Obviously for a consumer to pay the full rate, the ticket must have no inside fees as well as no handling, postage or other up-sell options (such as insurance – again, not charged) – which is generally not possible as this means Ticketmaster would make no revenue on the transaction (i.e. because no fees are charged at all).

## CONCERNS

Ticketmaster is supportive of the introduction of measures that limit excessive surcharging practices. However, a number of the proposed changes to the surcharging standards raise concerns.

- (a) Definition of costs of acceptance
- (b) Different surcharges for different card payments
- (c) Implementation timeline

## DEFINITION OF COSTS OF ACCEPTANCE

Ticketmaster strongly believes the proposed definition of costs of acceptance is too narrow and should be broadened to include costs related to chargebacks, fraud, global fraud prevention systems/technology and staff, prevention of “Bots” securing tickets, balancing and managing card receipts, managing chargebacks, gateway data fees and equipment rental. Ticketmaster considers these to be legitimate costs associated with accepting card payments and includes these costs when preparing proposals to clients.

### ▪ Considerations

Chargeback is a benefit that credit card companies provide in circumstances where customers do not receive the goods or services purchased with their credit card or because of fraudulent transactions. While credit card companies offer this benefit, they do not take on the full risks associated with chargebacks because these costs are, in fact, passed on to merchants (unless merchants can prove otherwise, which in our case is extremely limited due to time and proof of purchase issues).

Ticketmaster is in a unique position in that our company is not the ultimate supplier of live entertainment/sport; we are the “middle-man” between the consumer and venue/presenter/promoter/sporting body. If they fail to fulfil their obligation, or if for whatever reason the consumer does not receive, or perceive not to receive, the live entertainment experience that they purchased, Ticketmaster is often liable for the chargeback claimed by the consumer through their credit card company.

The incidence of consumers claiming chargebacks continues to increase. If a consumer seeks a refund via the usual process but is unsuccessful, they often seek a refund through their bank/credit card company – which is then charged back to Ticketmaster. Ticketmaster then becomes liable for the cost as

we have little or no ability to recoup the chargeback costs from the venue/presenter/promoter/sporting body once an event has been successfully delivered. It is industry practice to settle sales proceeds on the first business day after the event. Given the majority of chargeback claims occur after this time – in some instances up to two years after an event - Ticketmaster is liable for the chargeback and not the venue/presenter/promoter/ sporting body.

Fraudulent transactions, which are becoming more prevalent, also lead to a large number of chargebacks. Ticketing is prone to fraud because the majority of ticket purchases are made in ‘card not present’ environments (i.e. online and over the phone). Ticketmaster invests in mechanisms to counter fraud, but it is impossible to eliminate this risk completely. As such, Ticketmaster carries significant risk and incurs significant costs as a result of card payment transactions. The surcharging standards need to take into account chargeback risks present in the ticketing industry and other like industries. It must be highlighted that Ticketmaster’s investment in fraud prevention staff and systems/technology is largely due to the card schemes’ inadequate systems. Ticketmaster has chargebacks imposed on it by card scheme’s systems that have caused the chargeback issue to arise in the first place. This is an inequitable system that leads to lack of a motivating factor for the cards schemes to invest in better fraud prevention measures.

The costs associated with accepting card payments are not limited to the services provided by Ticketmaster’s bank. Ticketmaster uses both internal departments and third party suppliers for services related to secure payment gateways (which are needed for ‘card not present’ transactions) and rent card payment terminals through third party providers at venues. This is required to offer a safe and secure environment to transact many thousands of transactions per second.

## **IMPLEMENTATION OF DIFFERENT SURCHARGES FOR DIFFERENT CARD PAYMENTS**

Ticketmaster strongly believes if merchants choose to apply a single surcharge rate across all credit card schemes, they should have the option to surcharge based on the weighted average costs of acceptance, rather than the lowest cost of acceptance. This is highlighted further due to the flow of online transactions and the disclosure requirements in order to comply with Consumer Law.

### **▪ Considerations**

Implementation of the proposed surcharging standards will require banks providing merchants with the average cost of acceptance for different card schemes. This will form the basis on which merchants can surcharge consumers.

As explained earlier, when Ticketmaster surcharges consumers for ticket purchases, a standardised surcharge rate to card payment transactions is applied. Ticketmaster does this in the interests of simplicity and transparency, as it is unlikely and unusual for a consumer, in an online transaction, to select their method of payment before they select what they want to purchase, in this case a ticket. Altering the process would require Ticketmaster to redesign its entire ticketing system sales flow. This would be extremely difficult considering our ticketing platform is used in all international markets that Ticketmaster operates in. In order to comply with Consumer Law and reduce the incidence of “drip pricing”, Ticketmaster shows the ticket price inclusive of all per ticket costs (including the surcharge) at

the time of selecting the ticket. If Ticketmaster was to continue to levy the flat surcharge rate, the proposed standard specifies the surcharge must be set at the lowest cost of the different card payment methods which would create an even larger deficit. If Ticketmaster were to undertake the significant investment and development work to enable different fees to be charged depending on which type of card was selected, this would mean these fees could no longer be included in the advertised price and so would be added later, reducing transparency and going against one of the specific aims of the Australian Consumer Law

The implications are that Ticketmaster may either:

- a. Partially recover card payment costs through surcharging, and pass on the remainder of the costs to the organisations that use its services.
- b. Discontinue to surcharge and pass on any card payment costs to the organisations that use its services.
- c. Discontinue accepting payment from cards with high cost of acceptance.
- d. Increase other fees charged, which leads to less transparency.

Given Ticketmaster has many long term contracts in place with our clients, it may prove problematic to alter fees and charges levied as this could lead to potential issues regarding breaching (and possibly terminating) contracts.

In the scenarios above, Ticketmaster's clients would either need to increase the ticket price to account for card payment costs or absorb these costs as part of the cost of doing business – something that would be extremely difficult in an industry where margins are extremely small already. The issue for many of our clients is that ticket prices have reached the maximum that consumers are willing to pay. Unlike other industries where there is scope to increase prices in order to account for payment costs, this is simply not an option for many. In fact, in some cases, the artist would need to sign off on the price increase.

In addition, Ticketmaster considers publicly disclosing confidential commercial relationships as inappropriate and potentially not in the interests of promoting true competition in the medium to long term. It will be impossible to go to an alternative supplier and seek the best rate when the competitor will know what you are currently charged and will only be motivated to beat it by a small amount. It is also strange to have to publicly disclose one expense line when all others are not disclosed.

A further potential issue with isolating and disclosing the merchant rate charged by the bank relates to the multi-faceted relationships many business have with banks. This could lead to manipulation of the merchant fee, to retain a higher headline merchant rate, but, for example, be far more aggressive on negotiating lower interest rates paid on debt and/or higher interest rates or rebates earned on funds held.

## Option for applying a single surcharge rate

Ticketmaster believes similar merchants should be provided with an option to apply a single surcharge rate across all card schemes based on the widely defined weighted average costs of acceptance. The weighted average calculation should take into account card payment transactions over a previous period of 12 or 24 months, in order to gain a historical view on consumer card payment preferences. Banks would provide merchants with the weighted average cost of acceptance as part of the statements that they are required to provide to merchants under the proposed standards. This will be included as part of a calculation in addition to the additional costs such as chargebacks, fraud, systems etc.

## TIMELINE FOR IMPLEMENTATION

Ticketmaster believes that businesses should be given at least 24 months to transition to the revised standards.

### ▪ Considerations

The introduction of the revised surcharging standards will require Ticketmaster to review our business operations, systems and processes and make changes where necessary. Given Ticketmaster is a global company, these changes will not be simple to implement, particularly where:

- The functionality within ticketing systems is not standard on a globally used platform.
- Significant revisions need to be made to the way in which the business recovers card payment costs that are excluded from the definition of costs of acceptance.

Given the contractual arrangements in place, Ticketmaster will also need time to provide notice to our clients of any changes to the fees and charges associated with providing services. In our industry, it is not uncommon to be selling tickets for an event more than 12 months before it will occur. Therefore, any changes to our clients' commercial arrangements must be taken into account.

## CONCLUSION

In summary, Ticketmaster urges the RBA to:

- Broaden the definition of the costs of acceptance to account for chargeback risks, fraud risks and associated systems provided both internally and by third party suppliers.
- Provide an option for merchants to apply a single surcharge rate based on the weighted average costs of acceptance.
- Provide merchants with at least 24 months to transition to the revised standards.