



30 January 2009

Ms Michele Bullock  
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SYDNEY NSW 2001

Dear Michele

### **ATM Designation and Access Regime**

We acknowledge that this submission is provided to you after the due date but trust that it is not too late for you to bring it into consideration.

We support the designation of the ATM system and the establishment of an Access Regime, pursuant to that designation.

Our participation in the APCA process convinced us early that the achievement of legal certainty for setting interchange fees to zero required designation. The Access Regime also removes any ambiguity that otherwise might exist around the circumstances within which interchange fees might continue to apply. Importantly, interchange fees between direct participants are disallowed without exception and we believe that this is a desirable outcome. To contemplate exceptions to this outcome would muddy the position and potentially allow interchange fees to creep back in and, again, unlevel the playing field for new entrants.

### **Interchange Fees & Direct Charging**

We support the effective setting of interchange fees to zero except in the limited circumstances set out in the Access Regime. Together with APCA's Access Code, this will provide the basis for the replacement of interchange fees with direct charging. We agree with the consultation document that direct charging will bring stronger competitive forces to bear on fees paid by consumers; that it will ensure the continuation of widespread access to ATM services; and that it will make fees more transparent to consumers and thereby put consumers in a more informed position to choose when and where they undertake ATM transactions.

We also agree with the consultation document that there would be a distinct risk of Australia's ATM network contracting if interchange fees were not replaced by direct charging. Interchange fees, and consequently the per-transaction revenue earned by independent deployers, have remained broadly unchanged over the years while the costs of providing ATM services have increased materially. If this were to continue it would likely result in a decline in the number of ATMs and a loss of convenience to Australian consumers.

### **Foreign ATM Fees**

Foreign ATM fees were originally set at a level to do little more than recover interchange fees paid by the card issuer to the institution providing ATM services to the card issuer's customers. In recent years this foreign ATM fee has risen quite sharply. It is now commonly \$2, even though interchange fees have remained at an average level of around \$1. There would appear to be little basis or justification for this sharp rise. We estimate that the cost per transaction (principally authorisation costs) incurred by card issuers is no more than 5¢. In these circumstances, we strongly support the consultation document in



saying that 'foreign fees should be eliminated' once direct charging is introduced and issuers no longer pay interchange fees.

Issuers could recover their costs of foreign ATM transactions in the same way they generally cover the costs of consumer electronic transactions, by way of a catch-all monthly charge to their customers' accounts. But this is up to them. What should not happen is any continuation of material foreign ATM fees. Such fees could not be justified on a cost basis and they would go some way to undermining the reform process that direct charging represents.

- Direct charging brings transparency. This would be partially lost if consumers were also liable for an undisclosed foreign ATM fee.
- The continuation of any material foreign ATM fees would impose a charge on consumers that bears no relationship to the cost of the payments service and, as a result, would limit consumer choice and convenience and effectively act as a barrier to new entry and competition.

If, as a very second best outcome, foreign ATM fees were to continue to apply, any fee above 7¢ to 10¢, allowing for a generous mark-up, would be quite unjustified and unreasonable.

#### **Connection Charges and Access**

Without commenting specifically on the quantum of the direct connection cap as set in the Access Regime, we do think that access costs should be set at a reasonable level. As it is, we understand that the current bilateral architecture of the ATM system makes the forging of direct access difficult, time consuming and costly for potential new entrants. Setting a cap on connection charges, allied with APCA's Access Code, is something of a work-around rather than an elegant solution. Therefore we agree with the consultation document that the industry should look at the architecture of the system with a view to making entry more straightforward; but also with a view to reducing the management and running costs of the system for existing participants. It can be a win-win.

Yours sincerely

**Tim Wildash**  
CEO and MD  
Customers Ltd