



RESPONSE TO RBA MERCHANT CARD PAYMENT COSTS AND SURCHARGING ISSUES PAPER

The Qantas Group (the **Group**) welcomes the opportunity to contribute to the Reserve Bank of Australia's (**RBA**) consultation on the Merchant Card Payment Costs and Surcharging Issues Paper.

The Group is both a merchant and issuer in the broader payments system. This response focuses on scheme fees, surcharging, transparency and broader considerations for the retail payments system, and is consistent with previous submissions that the Group has made – including to the RBA's Review of Retail Payments Regulation in 2020.

The Group supports the RBA's commitment that if, based on the Payments System Board's view, there is a public interest case for regulatory action, the RBA will consult on detailed proposals prior to implementation.

Scheme Fees

The Group supports the highest degree of scheme fee transparency to drive further competition and assist in accurate calculation of surcharge amounts for each payment method. This will assist merchants to more accurately calculate surcharges and show true costs to customers. We note that scheme fees are not visible to the merchant unless there is an Interchange Plus Plus agreement in place with the acquirer.

In addition to increased transparency, the Group believes that the RBA should promote simplicity in all elements of the Merchant Service Fee, including the scheme fee element. The scheme fee should reflect the cost of providing the service, noting that the cost of account maintenance, fraud and technology uplift are primarily borne by the issuer, acquirer and merchant.

The Group believes that there needs to be a continued focus on Least Cost Routing (**LCR**) support for both card present and card-not-present (online) transactions. This could be achieved by the RBA mandating the support of dual-scheme tokenisation, with an additional focus on ensuring it can be more easily enabled and supported from a technical perspective.

Transparency of merchant services

Enhanced transparency provides more information to merchants and ultimately to customers. The cost of card payments is growing beyond scheme and interchange fees and now encompasses other costs, including tokenisation, fraud prevention services, SCA/3DS and other additional charges. These additional services present an ongoing cost impact which merchants and customers need to be aware of.

While Payment Service Providers (**PSPs**) provide reporting, there is no consistency in format or on the level of detail provided. The Group suggests that reporting can and should be standardised and provided in a consistent format given settlement and acquiring reporting is the same in almost all cases. There is already a Standard in place for transaction data (AS2805 – Australian Standard) which could readily be expanded to encompass reporting, given that the Standard deals with all the data elements that flow through into the reports.

Surcharging

The Group believes that the surcharging framework provides transparency and optionality for both merchants and consumers. The framework allows merchants the option of collecting a surcharge, but they can only recover costs and are only able to impose a surcharge if an alternative, free form of



payment is available to the customer. This gives consumers the choice at time of payment as to whether they want to pay with a form of payment that has a surcharge attached to it or not. As highlighted above, there are more costs being imposed for card payments, so ensuring clarity and transparency as to what can and cannot be included in any calculation of surcharging levels represents an opportunity for improvement in the current process.

Surcharging allows the merchant to recover the cost of acquiring in Australia. In the current inflationary environment, many merchants are facing increased costs of doing business and a removal of the ability to surcharge may result in a proportionate increase in the price of the underlying product. It is important to note that surcharging also allows merchants to offer a variety of options for customer payment, including free forms of payment, some of which it may not be possible to provide if a cost recovery mechanism is not available for the merchant.

The surcharging mechanism also provides a level of transparency to consumers which will not exist if the differentiated surcharging mechanism in place today is removed. If merchants absorb the cost of all payment transactions, customers choosing a lower cost method of payment (such as Account to Account or debit card) will not be rewarded, instead their purchase may subsidise those customers who opt for the most expensive forms of payment.

Ecosystem impacts

The Group believes it important for the RBA to extend its scope of review to areas such as buy-now-pay-later and digital wallets, before it concludes on any recommendations arising from this Issues Paper given the growth and proliferation of these methods of payment and their increasing role in the payments ecosystem. Consistent with the approach outlined in the Issues Paper, the Group agrees it is necessary to consider these aspects and their contribution to the themes identified in the Issues Paper, including cost to merchants and customers.

3 December 2024