



Virgin Australia Airlines Pty Ltd
PO Box 1034
Spring Hill QLD
Australia 4004
T +61 7 3295 3000
virginaustralia.com

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Head of Payment Policy Department
Reserve Bank of Australia
Sydney NSW 2001
pysubmissions@rba.gov.au

Review of Merchant Card Payment Costs and Surcharging

Virgin Australia welcomes the opportunity to contribute to the *Review of Merchant Card Payment Costs and Surcharging* by the Reserve Bank of Australia (RBA). In responding, Virgin Australia provides comments to a select number of issues raised in the Consultation Paper.

At the outset, Virgin Australia wishes to acknowledge support for the RBA's efforts to look after the best interests of consumers in Australia and any sensible enhancements to the payments ecosystem that support those consumer interests.

Virgin Australia participates in multiple aspects of the payments system including as a merchant and a distribution partner to financial services organisations such as credit card issuers. As a 'value carrier,' offering customers both choice and value is paramount at Virgin Australia. It is important to note that Virgin Australia offers customers the ability to use their preferred payment method which includes the fee-free payment platform PayID.

Many customers, however, choose to pay via credit cards to access a range of additional benefits including loyalty points, insurance benefits, fraud and purchase protections. In the airline industry, many customers have their frequent flyer points and insurances linked to their card to gain additional benefits.

Reasonable card payment fees enable Virgin Australia to maintain low air fares while giving customers choice in how to pay for services. If the ability to pass on card payments fees is removed, this may result in the cost of card acceptance being passed on to all consumers as higher prices.

Virgin Australia collects card payment fees on a cost-recovery basis, consistent with the RBA's *Card Payment Regulation* for flights departing in and from Australia.

Further unintended consequences could arise from the lowering of interchange fees. Multiple overseas expert analyses of the European Union's Interchange Fee Regulation in 2015 (IFR) Including International Center for Law and Economics (2022) *The Effects of Price Controls on Payment-Card Interchange Fees: A Review and Update*¹ demonstrate that reductions in interchange fees do not benefit consumers.

Should you wish to discuss or clarify any issues in this submission, please contact me via email: Stephen.Beckett@virginaustralia.com or telephone 0437 935 471.

Yours sincerely,

A handwritten signature in black ink that reads "Beckett".

Stephen Beckett
General Manager Government and Industry Affairs

¹ Can be accessed: <https://laweconcenter.org/resources/the-effects-of-price-controls-on-payment-card-interchange-fees-a-review-and-update/>