

20 July 2011

Dr. Christopher Kent
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
65 Martin Place
SYDNEY NSW 2001

Dear Dr. Kent,

Review of Card Surcharging – Consultation June 2011

This letter is in response to the Reserve Bank of Australia's (RBA) consultation document on card surcharging published on 8 June 2011.

As the payments system with the lowest acceptance costs for merchants (in most cases by a significant margin), eftpos has not to-date been subject to any widespread surcharging at the point of sale. Nevertheless eftpos considers itself bound to give effect to the applicable policy positions behind the current (and any amended) No Surcharge Standards. In particular eftpos' [Scheme Rules](#) currently prohibit restrictions on the right of a merchant to surcharge (see clause 22.3).

eftpos believes that merchants should be free to surcharge and that this freedom promotes efficiency, competition and improves price signals to cardholders. However, the practices described in the RBA's consultation paper, excessive surcharging and blended surcharging, are concerning. In particular, both practices have the *potential* to create misleading price signals as to the cost of card acceptance and retard the positive effects of the right to surcharge outlined above.

That said it is important to consider all of the costs of acceptance when determining whether a surcharge is excessive (and the amount of any cap). For example, a merchant's responsibility for costs related to card fraud differs from system to system. Most systems (apart from eftpos) impose costs related to fraud on the merchant even when the merchant is not at fault. Indeed slightly higher surcharges for online credit, charge card and scheme debit transactions might be expected because of a combination of the high Card Not Present fraud rates in these systems and the charge back arrangements they impose on merchants.

Whilst the RBA may come to the view that explicit regulation is required to address these matters, eftpos is of the view that greater transparency and disclosure should be a focus and form part of any reforms. In particular eftpos supports:

- merchant's being given access to information as to the cost of acceptance for each different card type and weighted average merchant service fees, and
- the RBA publishing more detailed data on merchant service fees on a regular (for example, quarterly) basis.

I would be pleased to discuss these matters further.

Yours sincerely



Bruce Mansfield
MANAGING DIRECTOR