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Australian Newsagents Federation (ANF) submission

Review of Card Payments - Issues Paper

Summary

The ANF appreciates this opportunity to provide our members' views on the use of Card Payments in our industry. The ANF supports a payments system that can provide our retailer's access to affordable and efficient systems for accepting payment, whilst remaining safe and robust for consumers including fair surcharging. We believe a strong regulatory system is required to support this and that it needs to be equitable and fair for all participants, as well as being flexible enough so that new payment systems can be covered by this legislation as they evolve.

The Newsagent Industry in Australia

The Australian Newsagents' Federation (ANF) is the peak industry body representing Newsagents in Australia in every state and territory, including through our Association partners, the Newsagents Association of NSW and the ACT (NANA) and the Victorian Association for Newsagents (VANA).

The Newsagent industry is made up of some 3500+ small businesses, with a newsagency in almost every rural town, regional centre, urban and metropolitan shopping centre. Approximately 2.4 million Australians shop at their local community newsagent every day. Newsagents' are well known and trusted within their local communities and make a significant contribution to Australia's economy. Newsagents' are one of the largest and most trusted independent retail channels in the country.

Newsagents are subject to a number of cost pressures that are distinct from those that affect large corporations and even many other small businesses. They are characterised by modest profit margins linked to fairly inflexible contracts. They are particularly vulnerable to increased costs, as their margins are mostly set externally and change infrequently, consequently they have limited capacity to absorb large cost increases.

Newsagents are an important, familiar and integral part of the local community and most shopping centres and high streets. They offer friendly service, convenience, paper goods, lotteries, prepaid products, gifts, cards, parcel services and more, alongside traditional news dissemination services. They are significant traffic generators to their location.

Their core products: Magazines, Greeting Cards, Newspapers, Lottery products make up 80% of newsagents sales and these products must be sold at the maximum retail prices set by the products supplier.

Newsagents do not have the same level of control over commercial levers in different parts of their business as some other retailers. Consequently, leading newsagents are working hard diversifying and building up other areas of their businesses like gifts and services that give them greater margins. The Newsagent Associations work hard negotiating with our large industry partners to ensure sustainable and timely adjustments in prices are made to ensure newsagents can manage rising costs and grow their businesses.

Interchange Fees:

The ANF is of the view that the regulation of interchange fees has reduced costs to our merchants. Fees should continue to be lowered wherever possible and regulation of interchange fees should expand to ensure competitive neutrality of different scheme types.

We are not of the view that hard caps on fees should be introduced as this might unnecessarily stifle innovation in an industry that is changing rapidly. We are instead of the view that given the massive cost disparity between large and small retailers in accepting payments, that the variance of interchange fees payable by small or large retailers should be importantly minimised and capped. An annual reset of interchange rates that allows interchange rates to return to an average weighting while still allowing schemes to innovate including 'special rates' for a defined period of time is a better approach.

We feel acquirers should improve clarity and transparency to merchants. This should include separate debit and credit rates when providing pricing and improved clarity on the range of interchange rates applicable for various products.

Forced routing:

Our members are faced with not being able to access the lowest cost interchange whilst having to often still accept the highest interchange with some card types. We support wherever possible the customer being given their choice of payment types. However, once a customer chooses credit or debit then acquirers should enable merchants to determine which scheme they wish to route transactions through, thus creating more competition between the schemes. Also, where the merchant is disadvantaged by forced routing, such as contactless transactions, where there is no choice available of the payment type and the decision is not made by the merchant or customer, we feel this should be regulated at the lowest cost option. As small business operators, newsagents want to create an optimal experience for their customer, which is fast and efficient and leaves them wanting to return. They also want to be able to do this at the lowest cost to run an efficient business.

Regulatory system:

Our view is that current regulation which applies to MasterCard and Visa should also apply to American Express, Diners, Union Pay, JCB and other payment systems like Paypal. It should also capture new innovative digital payments systems as they evolve. Broadening the regulation to include other payment methods will reduce costs for our members.

Surcharging:

The ANF supports efforts to keep surcharging on card payments as low as possible for consumers. At the same time we are supportive of our retailers having the discretion to sensibly surcharge the cost of providing card payment services where they choose, particularly for credit transactions.

The ANF has not seen a high level of surcharging evident in our industry. Where surcharges have been introduced, they have generally not been much higher than acceptance costs. Surcharging is widespread with our suppliers, and there is quite a bit of variance between the surcharges applicable to our member's accounts for card payments.

The ANF is supportive of limiting surcharging based on recouping the reasonable costs of card acceptance. However, we would not welcome limitations on surcharging that resulted in the introduction of any overly complex or burdensome additional compliance regime for our members.

Consequently, we feel it is very important that our members can in the simplest possible way determine a reasonable range of appropriate surcharges for a sensible number of card types without having to meet unreasonable new compliance burdens.

We are open to the concept of not allowing surcharging on low cost payment systems such as eftpos and debit on the basis that small retailers like our members could access lower and more equitable interchange variance compared with the current regime.

Future Proofing:

As we have touched on already, the legislation needs to ensure competitive neutrality and take a broad approach to capturing different payment systems under the regulation. It must be flexible enough so that new payment systems can be covered as they evolve. As well as all card schemes and Paypal, the legislation needs to envisage the rapid uptake of digital payment platforms like apple pay and face book money transfer, along with digital wallets, bit coin and crypto currencies etc.

Currently most of these don't fall under the payments legislation and we feel all new players to the market should be subject to the same conditions. If we look at the payments mix 2 years ago and then where we are today, it isn't hard to imagine it will be vastly different again within the next 2 years.



We appreciate this opportunity to share our views and encourage the RBA to move quickly with continuing reform in this space.

Yours sincerely,

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