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**Economics References Committee Inquiry into Matters Relating to Credit Card
Interest Rates**

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Dr Kathleen Dermody
Committee Secretary
Standing Committee on Economics
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Dear Dr Dermody,

Re: Economics References Committee Inquiry into [Matters Relating to Credit Card Interest Rates](#)

Thank you for the opportunity to make a submission to the Inquiry.

Credit cards have been extremely beneficial for the retail sector – having a major impact on the way that customers can make purchases. They have reduced the risk for merchants having to keep large amounts of money on the premises and made the point of sale experience faster and easier. Before credit cards, many retailers held accounts for customers (where they could take their goods and pay for them at a later date) for several weeks, thus accepting and carrying the risk of not being paid for the duration – and in some cases, not being paid at all. With the use of credit cards, retailers are paid overnight and do not have to worry about credit losses.

There is a great deal of innovation in the payment system at present – which is benefiting retailers and consumers alike. Many banks are rolling out new ways for customers to pay, which provides more security and a faster check out process. This has offered merchants with opportunities to accept payment in a number of different ways including ‘Tap and Go’ (contactless payments) and online. Many businesses have emerged in the on line space – only accepting card payment online – and totally removing cash from their businesses. A recent winner of the ARA awards (Cannings Butcher) has removed cash totally from the business – only accepting electronic payment.

Industry Collaboration

The retail industry has also collaborated with other participants in the payment system on the implementation new technologies such as *pin@pos*. Both collaboration and implementation of a pin code in place of a signature has increased security in the system for merchants. The retail industry is working together to reduce fraud in online payments, including the work being undertaken by the RFID.

Regulation of the Payment System

The Reserve Bank of Australia has been regulating the Australian Payments System since 2003. Some card schemes (such as MasterCard, Visa, Eftpos) are regulated whilst others (including American Express, Diners’ Club) are not. This has resulted in a major cost differential between the regulated and unregulated cards – where unregulated cards are double

the cost of acceptance compared to regulated cards.

Regulation has put retailers under increasing financial pressure to accept American Express cards, which are significantly more expensive for them to deal with. This is largely due to banks issuing companion cards as they generally yield the largest revenue.

RBA regulation has also led to an increasing disparity in costs between large and small merchants in Australia. While large merchants are better equipped to absorb the costs of unregulated cards, their smaller counterparts are left with no choice but to cross-subsidise in order to recoup their losses sustained in these transactions.

The Australian Retailers Association is concerned where regulation or any changes impact consumers negatively – which in turn impact retailers. We would be concerned if there was regulation which increased costs and card fees for consumers or created a cost transfer to businesses.

We would support a properly regulated system where consumers have access to credit at a sustainable rate – bringing major benefits to the retail sector and the economy more broadly.

Recommendations

In light of the above, the Australian Retailers Association recommends the following:

- That there is a sustainable credit card market in Australia where consumers and businesses have the choice of a number of ways to pay and continued investment in payment technology.
- The Senate Committee consider regulation which levels the playing field for all cards and provide consumers with access to credit at a sustainable rate. That is, any regulation must apply equally to all payment systems. This will bring major benefits not only to the retail sector but to the economy as a whole if small business is given a proper chance to grow.

As way of background, please find attached the Australian Retailers Association's April 2015 submission to the Reserve Bank of Australia's Financial System Inquiry.

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