

25th of August 2014

Mr David Murray AO
Financial System Inquiry
GPO Box 89
Sydney NSW 2001

By email: fsi@fsi.gov.au

Australian Newsagents' Federation (ANF) comments relating to the Financial System Inquiry - Interim Report 2014

The Australian Newsagents' Federation (ANF) is the peak body that along with state newsagents associations represent the Australian newsagent industries 4000+ newsagents.

The ANF appreciates this opportunity to comment on the interim report of the Financial System Inquiry. The ANF's main areas of interest are in our retailer's access to affordable and efficient payment systems, and in their discretion to sensibly surcharge the cost of providing these services where they choose, while not being exposed to unreasonable surcharges themselves through their role as consumers.

Interchange Fees:

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

We are also of the view that the variance of interchange fees payable by small or large retailers should be capped. As an example, the changes allowed to EFTPOS interchange fees resulted in existing bi-lateral interchange agreements with major retailers being maintained at a significant cost advantage compared to new multi-lateral interchange agreements applicable to smaller merchants such as newsagents. Similar outcomes would be unwelcome.

Forced routing:

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.

Support for a regulatory system which applies equally to all payments systems:

Our view is that current regulation which applies to MasterCard and Visa should also apply to American Express, Diners and other payment systems like Paypal. Currently American Express and Diners' Club credit cards are not regulated, while both MasterCard and Visa credit cards are. This is despite American Express and Diners offering 'companion' cards, which are now very similar to the regulated cards. 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 very supportive of allowing our retailers the discretion to sensibly surcharge the cost of providing card payment services where they choose.

Since the removal of 'no surcharge rules' by the RBA in 2003 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.

Small businesses like our newsagents are often very similar to our customers through our role as consumers of goods and services from our large suppliers. Surcharging is

widespread with our suppliers now, and there is quite a bit of variance between the surcharges applicable to our member's accounts with suppliers for card payments.

The ANF is supportive of accurately capping surcharging limits based on recouping the reasonable costs of card acceptance. However, the practicality for our members in accurately determining reasonable costs without less complex pricing information is difficult. Our member newsagents are mostly owner operated small businesses located in almost every community in Australia. They are very busy small business people who work long hours and they would be concerned if any limitations on surcharging resulted in the introduction of any overly complex or burdensome additional compliance regimes around surcharging.

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. It would be very beneficial to our members and our customers if there could be better access to real time pricing information. This would make surcharging more transparent, efficient and effective.

We appreciate this opportunity to share our views and we would be very happy to be contacted at any point during the consultation process if required.

Yours sincerely,

Ben Kearney

National Policy Manager
Australian Newsagents' Federation Ltd
PO Box 585, Ulverstone TAS 7315
M 0417 144 994
ben@anf.net.au