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Mr Russell Zimmerman  
Executive Director  
Australian Retailers Association  
Level 10, 136 Exhibition Street  
MELBOURNE VIC 3000

26 August 2014

## THE AUSTRALIAN RETAILERS ASSOCIATION – FINANCIAL SYSTEM INQUIRY SUBMISSION

Dear Russell

GPC Asia Pacific is the parent company of a number of automotive parts and accessories distribution businesses in Australia and New Zealand, including

- (i) Repco, the largest reseller and supplier in the automotive parts and accessories aftermarket in Australasia, with more than 300 stores in Australia and 90 in New Zealand;
- (ii) Ashdown-Ingram, Australia and New Zealand's largest distributor of automotive electrical and thermal control parts to the independent automotive aftermarket, with 51 branches;
- (iii) RDA Brakes, Australia's leading supplier of disc brake rotors and drums

Our business model services both trade and retail customers, and we have experienced significant growth over the last five years. We currently generate sales in excess of \$1.2bn p.a., with a significant proportion of our sales transactions paid for via electronic (EFTPOS or credit card) payment systems.

As consumers continue to increasingly move towards electronic payments from cash payment, we believe that it is ever more important for an appropriate and balanced regulatory framework to be in place to cover all forms of electronic payment systems to:

- (a) ensure competitive neutrality amongst each of the traditional payment system intermediaries such as Mastercard, Visa, American Express and Diners Club;
- (b) ensure competitive neutrality amongst the traditional payment system intermediaries and newer entrants (such as PayPal and Square);
- (c) provide transparency to merchants to facilitate appropriate "cost for service" pricing, such that the prices we as merchants pay for electronic payments more closely reflect the cost of the provision of those services, and
- (d) ultimately, to provide the lowest cost outcome for consumers.

We are particularly concerned with two burgeoning trends in the Australian landscape, which in our opinion run contrary to the principles above.

First, we have experienced an increase in the usage of premium credit cards for payment in our store network, which, even in the regulated interchange framework, can (and, in practice, do) have higher interchange fees imposed than standard credit cards. Coupled with the higher margin that issuing banks

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**Repco**

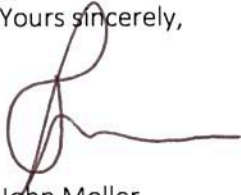
levy on top of the interchange fee for premium cards, this has resulted in an increase in the total merchant services fees we pay annually.

Secondly, the rapid growth of co-branded American Express cards (issued in conjunction by American Express and an issuing bank) in the market, coupled with the higher merchant service fee costs charged to us on these co-branded cards (as a result of American Express falling outside the regulated interchange regime), has also resulted in an increase in our total annual merchant services fees.

Given the competitive nature of the industry in which we operate, our ability to pass on high (and increasing) merchant service fees costs is highly limited for fear of losing business. As such, we do not currently surcharge.

With this backdrop, we welcome the Australian Retailers Association ("ARA") submission to the Financial System Inquiry, and are supportive of the positions the ARA puts to the inquiry. We look forward to hearing of the outcomes of the submission, and will be supportive of any surveys of retailers you may undertake.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Moller', with a long horizontal flourish extending to the right.

John Moller  
Managing Director