

Dear Sir / Madam

In response to your request for submissions to the inquiry, we would like to put forward our position in regard to the impacts of payments regulation on our business.

As a large retail organisation, credit card acceptance represents an ongoing operating cost for our business. Unfortunately, these costs have been rising over time, which of course impacts our profitability.

This increase in costs is in part due to the fact that consumers' use of American Express cards has grown, and the cost of accepting these cards is significantly higher – in fact, the Merchant Service Fee that Ritchie's pays for American Express is significantly higher than that of MasterCard and Visa.

In analysing credit card transactions at Ritchie's over the past five years, we found that:

In December 2008, American Express accounted for 2.2% of sales, while in December 2013, these cards accounted for 3.5% of sales.

This represents a 59% increase in American Express usage during that time, and the fees are significant, so any relief would be beneficial to our business and the broader retail sector.

There does not appear to be any sensible reason that MasterCard and Visa are subjected to a different regulatory regime than American Express, given the payment service they provide to merchants and consumers is the same.

We are calling on the Financial System Inquiry to address this imbalance, and bring American Express under the same regulatory regime as the other card schemes.

We support the Australian Retailers Association in the more detailed submission that they will make to the inquiry.

Regards,

**Phil Thomas**

**National Operations and Risk Manager**



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