

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 117

Topic: Banking Competition Package

Hansard:E 114 - 115

Senator Williams asked:

Senator WILLIAMS—Mr Murphy, I want to run you through talk about change in EFTPOS Payments Australia. I am told that the major banks and big retailers are in negotiations with EFTPOS Payments Australia Ltd—EPAL I think they are referred to—to reverse an increased EFTPOS interchange fee from the current merchant-friendly average rate of minus four to five cents possibly up to 12c. I note Russell Zimmerman, the executive director of the Australian Retailers Association and chair of Australian Merchant Payment Systems, said:

Changes to the interchange fee have been on the cards for quite a while.

He says:

The Reserve Bank wanted some competition for Visa and Mastercard and for it to remain competitive.

Can you explain or add to what is going on with these EFTPOS fees, please?

Mr Murphy—The Australian Payments System Board, which is a body under the Reserve Bank, largely sets the terms and conditions of EFTPOS and interchange fees and whatever. They have had a long-running engagement with industry to try to get the best deals for consumers in terms of fees and charges on EFTPOS transactions and other transactions which we all use. ‘Battle’ may be the wrong word, but it is a continual negotiation between the Payments System Board coming forward with regulation in certain areas and the industry reacting to that. But I cannot really go into the detail. I will take it on notice. It would be better if I take that on notice. I have not really got someone here who could go into the nitty-gritty of the EFTPOS things. We comment on it, but basically if you asked, ‘Who’s the regulator in this place?’ it is the Payments

System Board. On that board is the governor of the Reserve Bank, the chair of APRA plus appointees by the Treasurer, who are businesspeople, to try to give a proper business focus to the board. So I would just waste your time. If you give it to me on notice, I will give you the facts and figures and things about it

Answer:

On 8 March 2011, EFTPOS Payments Australia Limited (EPAL), the company that manages the EFTPOS network, announced changes to the ‘interchange’ fees for EFTPOS transactions. These are payments that are made between a merchant’s and cardholder’s banks. These changes will apply from 1 October 2011.

EFTPOS transaction fees will now be charged in the same direction as scheme debit systems (MasterCard debit and VISA debit), with the merchant’s bank to pay the cardholder’s bank for most transactions (see below). Under the previous EFTPOS charging structure, fees would flow from the cardholder’s bank to the merchant’s bank (for transactions without cash-outs).

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This had provided an incentive for the issuing side of banks to promote the scheme debit systems to cardholders ahead of EFTPOS in order to generate interchange fee income.

The key pricing elements of the new EFTPOS fee structure are;

- 5 cents per transaction for transactions over \$15, to be paid by the merchant's bank to the cardholders bank;
- no interchange fee for transactions less than \$15, Charity or Medicare Easyclaim payments; and
- for transactions involving cash-out, an interchange fee of 15 cents will be paid by the cardholder's bank to the merchant's bank.