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\$250 Million Burden Looms for Australian Merchants

In a supplementary submission to the Senate Inquiry into Competition within the Australian Banking Sector, Tyro Payments has warned of a potentially major reversal of the EFTPOS interchange rate that would cost the Australian SME community in the order of a quarter of a billion dollars (\$250 million) in additional transaction fees on their two billion EFTPOS debit card transaction per year.

The major banks and the biggest retailers are in negotiations with EFTPOS Payments Australia Limited (EPAL) to reverse and increase the EFTPOS interchange fee from the current merchant-friendly average rate of minus 4 to 5 cents possibly up to 12 cents. This increase of the average cost per EFTPOS transaction by up to 17 cents would pass to the card issuing banks.

While major retail banks (the EFTPOS card issuers) will benefit from the resulting increased interchange revenue, the SME community will be hit with a significant additional cost burden for each EFTPOS card transaction. The biggest retailers negotiate directly and will likely obtain lower EFTPOS fees. This is similar to the advantages they have been awarded by Visa, MasterCard and the issuer banks for scheme credit and debit card transactions.

Tyro will raise its small voice in the fight to protect the Australian SME community from this huge and difficult to justify burden at an upcoming Public Hearing of the Senate Inquiry in NSW Parliament House. The Senate has an opportunity to become a loud voice on behalf of the almost voiceless SME world.

It is striking that against an understandable preoccupation about funding access, lending rates and bank profitability only a few submissions have commented that it is new market entrants that provide an essential source of competition and should be encouraged. Tyro has encouraged the Senate Inquiry to also consider how to promote and enable competition in the highly regulated and networked core banking space dominated by the four major banks.

For example, Tyro brought with its Internet Protocol based EFTPOS solution innovation, efficiency and transparency to the Australian SME community. Contrast this with large retailers who have liberated themselves from the control of the major four banks by bringing payment technology in-house to directly deliver payment solutions to their customers.

The large retail groups benefit from scale, which offers them significant cost advantages and - strategically more importantly - an ability to bundle payment processes with data capture, targeted marketing, traffic generation and discounting. Their activities will make it increasingly harder for SMEs to retain their customers who will be constantly targeted and driven to the big retailers' outlets.

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Tyro's mission to serve the Australian SME community with innovative and competitive payment solutions will only succeed if the Government, RBA, banking and competition regulators and industry engage in the development of a suitable framework to encourage new market entrants and to enable them to grow.

If major banks were to refrain from anti-competitive behaviour and, prima facie counter intuitively, support new entrants, they would actually be serving their own interests. They could benefit from the infusion of innovative ideas and models into their organisations, invest in new entrants or buy them outright at a later stage.

Significantly, the major retail banks would certainly satisfy the Australian community's expectations by learning from other industries, such as the securities or pharmaceutical industries, the virtues of such constructive behaviour.

About Tyro Payments Limited

Tyro is Australia's EFTPOS innovation institution and is the first new entrant into the EFTPOS business in over 14 years. Tyro holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution (SCCI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA). Under this authority Tyro provides credit, debit, EFTPOS, gift and loyalty card acquiring and Medicare claiming and rebating services, but may not take money on deposit.

Tyro's transparent payment solutions are uniquely merchant focused, enabling reduced fees, greater productivity, better cost management and a superior payment experience for consumers.

Tyro is accredited by Medicare Australia to facilitate the electronic claiming of Medicare benefits through the Medicare Easyclaim service. In partnership with Health Communication Network (HCN), Tyro offers integrated EFTPOS and Easyclaim for PracSoft and integrated EFTPOS for Blue Chip, HCN's practice management systems.

Tyro is a wholly Australian-owned company with no external venture capital. The company has been fully funded by the Executives, Directors, independent and strategic investors.

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