



## The EFTPOS Facts that Each Australian Retailer Ought to Know – There is a Choice!

Up until now, the Australian merchants and consumers have benefitted from a secure and cost efficient domestic EFTPOS debit card system.

EFTPOS, Visa or MasterCard debit cards were issued by the big banks with a choice for the cardholder or merchant to process a transaction through the more expensive Visa and MasterCard network by pushing “credit” or through the low cost EFTPOS network by pushing “cheque” or “savings”.

According to the Reserve Bank, 2.3 billion debit card transactions were processed in the most recent twelve months, of which 83% used the EFTPOS network and 17% the Visa and MasterCard network.

Debit card holder who use their card for online, mail or phone order transactions have to use the Visa and MasterCard network, since EFTPOS mandates the use of a secure PIN and thus cannot be used without an EFTPOS terminal.

EFTPOS Payments Australia Limited (EPAL) is a new company that was created to manage the Australian debit card system. Its fourteen members include the big banks and the major retailers.

The EPAL Board consists of three independent directors, a managing director and eight directors nominated by the company’s members. There is no representation of the SME community.

EPAL has advised that decisions in regard to changes to EFTPOS card acceptance fees (known as interchange fees) are to be made in the month ahead. A new RBA regulation allows these interchange fees to rise by up to 17 cents in average per transaction, with any fee increase going to the card issuing banks.

EPAL asserts in a recent media release that *“as the cheapest, safest and most convenient debit payment platform, EFTPOS is clearly preferred by most Australians, merchants and consumers alike.”*

To the extent that the current negotiation leads to a change of the interchange fee, big bank issuer interests are served well with a potential yearly revenue increase of approximately \$20 million, per one cent interchange fee increase. However, such increases would also likely result in the EFTPOS system losing attraction for merchants and consumers.

EPAL also asserts that *“Changes to interchange fees will support our investment in the accessibility, security, convenience and efficiency of EFTPOS.”* It is however the retailers and acquirers, who face significant investment costs to make EFTPOS accessible everywhere and online, protect the cardholder data and offer an integrated seamless EFTPOS payment experience to the consumer.

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EPAL claims *“that EFTPOS remains the most competitive debit payment system available to Australian retailers”*. This is true as long as it remains somewhat under the Visa and MasterCard interchange fee. However, any increase in EFTPOS transaction fees will cause EFTPOS to become that much more expensive and the retailer’s ability to invest into EFTPOS and accept EFTPOS transactions would be reduced.

How would the newsagent react, if, for example, EFTPOS transactions increased by 10 cents? EFTPOS would possibly become too expensive for lower payment amounts. This is a significant growth segment, where debit card payments can displace the prevalent use of cash.

Why do big issuer banks need to consider raising the interchange bank fee and make EFTPOS more expensive? Why not just offer debit cards giving customers the choice to use either the Visa or MasterCard network or the domestic debit card network? Then the long-term future of a competitive and viable payments industry in Australia is ensured.

Tyro raises its voice for the SMEs. Every Australian should have a low cost access to his funds in his Government guaranteed bank account. Every merchant should have a low cost mean to accept card payments. The solution is today’s EFTPOS.

All the banks need to do is to maintain EFTPOS access, certainly not to make EFTPOS more expensive and less competitive.