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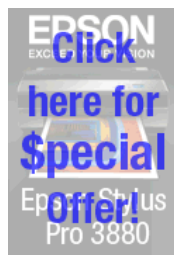
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New EFTPOS fees for retailers proposed

February 24, 2011: Australia's 1.2 million small businesses could be hit with significant bank fee increases under potential changes being considered to EFTPOS fees and charges, according to Australia's sole independent EFTPOS payments provider, Tyro Payments.

The changes are being considered this month by the EFTPOS Australia Payments Limited (EPAL) Board. The EPAL external Board consists of representatives of the banks, as well as CUSCA (rediATM), Woolworths and Coles, along with three independent directors. There is no representative for smaller retailers.



'Currently the merchant service fee paid by small business is low, because the card-issuing bank pays four to five cents for every EFTPOS transaction. That might be about to change. A new regulation of the Reserve Bank of Australia allows the banks to charge up to an average of 12 cents instead, said Jost Stollmann, Tyro CEO.

The result would be a fee of up to 17 cents to be paid by merchants, given the existing charge was also reversed.

'No decision has yet been made by EPAL. There are a range of outcomes that could be reached. However, if EPAL reverses and increases the interchange fee, and the banks pass those increases on to the merchants, it will hit small businesses. They could eventually pass the costs onto customers by way of higher charges or withdraw from offering EFTPOS all together for smaller transactions.'

According to the Reserve Bank of Australia, nearly 2 billion EFTPOS debit card transactions occurred in Australia last year. Every cent increase to EFTPOS transaction fees by issuer banks potentially translates into additional revenues of approximately \$20 million for those banks. Since the beginning of the year, EPAL commenced charging 2 cents on EFTPOS transactions to fund its own operation.

'In my opinion, if EFTPOS fees increase, it does nothing to help Australia's debit payment system to compete. Any increase of EFTPOS fees makes EFTPOS more expensive and reduces the cost advantages versus the more expensive global networks,' said Mr Stollmann.

'Any EFTPOS fee increase transfers millions in fees from merchants and acquirers to the card-issuing banks. It is money acquirers and merchants urgently need. They are the ones who have to invest into making EFTPOS accessible.

'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.

'...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.'

Mr Stollman claims that the changes 'will cost the Australian merchant community in the order of a quarter of a billion dollars in additional transaction fees, on two billion EFTPOS debit card transactions per year.'

In a letter to customers, he expressed concerns that not only would fees be raised, but small business would be charged fees simply to access the EFTPOS system.

He also noted that small businesses could get a worse deal than the big retailers as they are not represented on the EPAL board.

EPAL's managing director, Bruce Mansfield, said the final decision would be coming in early March.

Mark Woodfield from Photo Barn, Burwood, initially brought this issue to the attention of *Photo Counter*, noting Tyro's activism on the matter was an example of 'small players attempting to keep the dominant market forces in check'.

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- Still quite low
- Patchy
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'We've been a tyro merchant for several years now, and couldn't be happier with their service!' he said.

'In addition to lower transaction costs, we were able to use our internet connection (the terminal handles all the security issues) and discard the dedicated phone line for the traditional bank merchant terminal...and always happy to support an innovative company that can improve our bottom line - we're saving about \$1,200 per annum ongoing.'

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