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Critics slam eftpos fees changes

Australian Broadcasting Corporation

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Reporter: Phillip Lasker

EFTPOS Payments Australia says a changed fee structure will enable financial institutions to invest in new technology.

Transcript

TICKY FULLERTON, PRESENTER: It may be slight, but retailers look like they'll be facing another headwind later this year.

The company that manages Australia's debit payments network has changed its fee structure.

EFTPOS Payments Australia says the changes will allow investment in enhancements like chip technology and mobile payments, making it a more effective competitor to the likes of Visa and MasterCard.

But the critics see it as nothing more than a big bank fee increase aimed at merchants and consumers.

Here's Phillip Lasker.

PHILLIP LASKER, REPORTER: It's hard to imagine new charges where everyone's a winner, but the company that runs Australia's debit card payment network has changed its fee structure, which sees more money going to the big banks that issue the plastic cards.

BRUCE MANSFIELD, EFTPOS PAYMENTS AUST: Now the reason we're doing that is to ensure they can then invest in newer technology and newer innovation, and therefore there is no need to charge the consumer.

PHILLIP LASKER: EFTPOS Payments Limited will lift the interchange fee for payment between the retailers' bank and the eftpos cardholder's bank from October. Now, instead of receiving five cents for smaller transactions, the merchant's bank will get nothing.

For transactions over \$15, the merchant's bank will now pay five cents instead of receiving five cents and the fee received for cash-out transactions will be reaccused from 20 to 15 cents.

It doesn't make sense to everyone using the payments system because eftpos was growing and proving cost-effective for businesses.

JOST STROLLMANN, TYRO PAYMENTS: Well I don't understand very well why they decided to increase the cost of

that system. It works out to nearly tripling it. To compete with the Visa and MasterCard network we make it more expensive so it's more competitive? It escapes me.

PHILLIP LASKER: Retailers won't escape higher fees. Tyro Payments says small business should expect to see merchant fees rise by an average 11 cents a transaction.

BRUCE MANSFIELD: There will be a flow-through in costs; we can't deny that, but it's going to come down to the competitive environment, and therefore as these costs flow through, some will flow through in some respect, others may not flow through.

If I was a merchant, I'd look at my mix of business and say, "Well what transactions are below \$15? What are above \$15? Can I offer cash out for example, which is the reverse revenue flow?" So I would expect when you look at the balance that a merchant sees in terms of its EFTPOS volume, the costs will be very, very minimal.

PHILLIP LASKER: But every cent counts in a hard-pressed retailing environment. EFTPOS Australia says the new fee structure will help upgrade the system to compete with the features offered by Visa and MasterCard.

BRUCE MANSFIELD: There's a dramatic move to the international debit product. So if we do nothing, we're likely to suffer significant losses over the years ahead and the demise of eftpos, as you'd expect. And therefore what I can guarantee you is that if it all moves to the international debit products, they'll be twice as expensive.

PHILLIP LASKER: But critics say the new fee structure channels money to the wrong places.

JOST STROLLMANN: I agree that we need to invest into those systems, but the investment actually comes from the acquirers and the merchants, not from the issuers.

PHILLIP LASKER: Where the money goes doesn't matter to small business because it won't be showing up in their till.

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