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## INSIDE BUSINESS

# First person: Unaffordable EFTPOS

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REBECCA NASH, PRESENTER: Australians like to use their cards when they shop and they especially like to use EFTPOS. Literally billions of transactions take place in Australia in a year. But there are big changes happening later this year to the way those payments are processed, and according to one independent operator in the EFTPOS industry, that could make the system unaffordable for many small businesses.

JOST STOLLMANN, CEO, TYRO: Australia can be proud that it has a great domestic debit card system. We all should worry about that this domestic alternative to the global scheme survives.

REBECCA NASH: You may never have heard of Tyro, but it's actually Australia's smallest bank. Not an ordinary bank, mind you; it has \$10 million on hand and won't take deposits. That's because it's simply there to process EFTPOS payments.

JOST STOLLMANN: We are now four years in operation. We are serving 4,000 merchants. We are processing \$2 billion worth of transaction per year and we have about 6,000 terminals out there.

REBECCA NASH: Taking on the big four banks has meant any success is hard won.

JOST STOLLMANN: One challenge all along is to flatten barriers. Initially it was gaining access and the Reserve Bank had to force access. Then it was overcoming the fact that the big banks were unused to new entrants and thus didn't know how to accommodate it.

REBECCA NASH: SMEs are Tyro's principal market and one way Tyro has tried to distinguish itself is by tailoring its software for each client.

JOST STOLLMANN: So that the white cloth table restaurant gets his EFTPOS solution and medical practice gets its EFTPOS solution. These different merchants have different requirements.

REBECCA NASH: Two years ago, Australia's banks and big retailers formed a company called ePal to manage and develop the EFTPOS system. Recently it announced significant changes to the charges for each payment.

JOST STOLLMANN: In the old days the banks paid the merchant community for each EFTPOS transaction. From now on the merchants will have to pay five cents instead of getting five cents and then Coles and Woolworths sitting around the table in their companies said, "But not with us. We don't like to pay this." They have direct contracts with the banks. They continue to be paid five cents. Nobody's treated equally now and the SME community has now to pay what I call an EFTPOS tax.

REBECCA NASH: ePal argues that the new system will fund the upgrades needed so that EFTPOS keeps up with Visa and Mastercard.

JOST STOLLMANN: Now the big banks, they've done it for Visa and Mastercard, so they have to do it for the domestic EFTPOS system. But the major investment is actually the 325,000 merchants out in the field who have to upgrade 700,000 EFTPOS terminals. So we are slapping them now with more fees and then we expect them to carry the burden of the upgrade.

REBECCA NASH: Tyro fears making merchants pay mean some will decide it's simply not worth their while.

JOST STOLLMANN: The merchants will have to decide on whether his profit margin is fat enough to absorb it or whether he has to increase prices or whether he refrains from offering EFTPOS to his clients.

REBECCA NASH: The new bank plans to fight being forced to implement the new fee structure.

JOST STOLLMANN: It discriminates against somebody who's an acquirer only. Don't forget the big banks have it as a revenue line. We're also repudiating it for our SME customers. Not only would they be charged higher, but they also would have a competitive disadvantage versus Coles and Woolworths.

REBECCA NASH: Jost Stollmann believes encouraging the establishment of more new banks will in itself restrain anti-competitive behaviour and encourage innovation.

JOST STOLLMANN: We have to make Tyro significantly more successful and I think Australia needs more Tyros. So we need to think through how we encourage, nurture more new entrants and innovators in the banking space and also in other spaces.

ALAN KOHLER: Rebecca Nash reporting.

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