

Fee changes wrong, says Tyro

Australia's first new entrant into the Eftpos business in more than 14 years, Tyro Payments Limited is more than a little concerned about the recent proposed redirection of interchange fees. What its CEO Jost Stollman finds equally disturbing is the lack of fight shown by the retailers this decision will affect.

By Jeff Salton.

While Tyro, Australia's only independent payments provider, has welcomed the Federal Court's decision in the case ALDI stores versus Eftpos Payments Australia Limited (ePAL), criticising ePAL for failing to be clear and open that some retailers and consumers might be impacted by the decision to raise Eftpos interchange fees(1), its CEO, Jost Stollman, asks: "Where is the pushback from retailers?" "While Coles and Woolworths will escape the charges, the retailers' banks will be hit with a cost increase of nine to 10 cents per Eftpos transaction(2). To the extent that these fee increases are passed through, many battling smaller retailers will be worse off than before," Mr Stollman said.

"We know that banks will be better off, but with retailers and consumers threatened with a potential \$150 million additional burden?(3) Many retailers will not be able to absorb those costs. This fee increase comes at a time when Australian shops and consumers are doing it tough: Australians certainly do not need the risk of further charges to access their own money with their debit card.

"Banks should first deliver a safer, reliable and better payment experience to Australian consumers before they consider increasing fees."

Mr Stollman said that 389,000 retailers had rolled out 700,000 Eftpos terminals and debit card transactions had grown almost tenfold from 313 million in 1996 to 2.5 billion in 2011, with more than 83 per cent of these using the Eftpos network.

Yet, a major bank reported yet another Eftpos outage recently, he said.

"If you take out the two big players – Coles and Woolworths – and Medicare, that's still an awful lot of transactions, many of those conducted by smaller retailers," Mr Stollman said.

"The industry is in dire need of innovation. That is what we demand from the industry and

what Tyro delivers. We believe in fair and transparent fees.

"We certainly consider it unfair for Australia's shops to face the risk of up to 10 cents higher Eftpos costs, when Coles and Woolworths continue to be paid five cents for each of their Eftpos transactions.

"The Eftpos fee should stay where it is currently set, four to five cents contributing to the costs of acquirers and retailers to offer the consumer a safe and low-cost debit card payment solution."

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.

The company holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution and operates under the supervision of the Australian Prudential Regulation Authority.

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.

Mr Stollman said the company's transparent payment solutions are uniquely merchant-focused, enabling reduced fees, greater productivity, better cost-management and a superior payment experience for consumers.

(1) Interchange fees are payments made between the retailer's bank or financial institution (known as the acquirer) and the Eftpos cardholder's bank or financial institution (known as the issuer). Today, the issuer pays a regulated fee of four to five cents to the acquirer, contributing to the investment into the Eftpos infrastructure including Eftpos terminals. The new fee proposal reverses the fee flow, so that the issuer charges five cents to the retailer's bank. This bank may, or may not, pass on the cost increase to the retailer. The retailer may, or may not, pass on the increase to the consumer.

(2) Interchange fee for Eftpos transaction of \$15 and more increases by none cents to 10 cents, transactions of less than \$15 and Medicare increase by five cents, and all transaction are charged a new one cent ePAL scheme fee.

(3) The ultimate burden remains to be seen. There are two billion Eftpos transactions per year charged now between five and 10 cents more in interchange fee and a new one cent in ePAL scheme fee. Some banks have already passed on the fee increase, others have not decided yet, and others have decided to not pass on the fee increase at this point. ■