

Outside the apmasphere

Innovation and entrepreneurship

[Home](#) [About Ben White](#) [Business interests](#) [Archive](#)

[Subscribe to RSS](#)

Time to hold nerve on transaction surcharging

by [Ben White](#) on [OCTOBER 5, 2011](#)



Visa and Mastercard have launched a new campaign against credit card merchant service fee surcharging, spurred it seems by the recent changes to the Eftpos system. Their press releases have seeded a range of [recent articles](#), all written from the Visa/Mastercard perspective. The Visa/Mastercard line cynically hides their self interest behind allegations of ‘rip-off’ merchants.

Today [a feature in The Australian](#) sets out some of the issues involved, noting that banks in Australia earn about \$1.8B a year in merchant fees. This is a drag on the economy and is not in any way justified by the poor levels of innovation in the payments industry generally. The banks spend an enormous amount of money on gesture innovation without any attempt to actually make money flow any quicker or cheaper. See

[LATEST](#) [COMMENTS](#) [TAGS](#)



Leave the definition of marriage up to individuals

DECEMBER 6, 2011



Pakistan lessons worth heeding in Iran

DECEMBER 5, 2011



Credible solutions for the Euro

DECEMBER 4, 2011



NBN salvation watch

NOVEMBER 7, 2011



Trojan horse inside the Euro gates

NOVEMBER 2, 2011

[Project Mambo](#) as exhibit A. There are so many others.

Visa and Mastercard earn the rest of the fee pie. They have every interest in hiding fees from consumers and in turn perpetuating the myth that paying for things is “costless.” Few understand how the payments industry works and how much it costs small business to make their cash flow. Hitting retailers on the head for passing on a cost which, in many cases, represents a significant part of their margin, is obnoxious.

The article also misstates history by stating that the intent of the policy was meant to “bring down the cost for customers paying cash or using Eftpos, as they would no longer be subsidising shoppers who paid with a credit card.” This was not the sole goal. The intent was also to expose the true costs of the payment to the consumers, which would in turn force innovation and increase competition for the provision of merchant services.

The Reserve Bank’s courageous reforms, surcharging being one, have been largely successful and I set out the data showing this in an [earlier post on this subject](#). Total merchant fees are now about \$1B less than what they would have been left unchecked.

Australia is a pioneer in allowing retailers to surcharge consumers for fees incurred in the payments transaction. It has demonstrably lowered merchant fees in Australia and reflects well on the professionalism of the Reserve Bank and APRA. It is driving innovation in the payments industry, some of which is not yet commercialisable but will be available in 2012.

It’s time to hold our nerve on surcharging.

RECENT TWEETS

[@LyndseyDouglas](#) how about 1 star for worthiness in general... 69

days ago

RT [@awelder](#): It takes years of journalism to sniff out news like this: <http://t.co/qBe84uh7> 87 days ago

200 attend tonight's landlord night at Ray White Mordialloc. Amazing. Congrats to Greg Scherwinski and his team. 91 days ago

The latest build of Field Agent 2 looking good. Love the new reporting options. Shame the official forms so boring. Should be on iTunes eom. 91 days ago

Good article from Alister Maple-Brown from Rockend talking about the cloud and opportunities for property managers. <http://j.mp/pkSGyL> 92

days ago

Follow [@benbwhite](#) on Twitter