

27<sup>th</sup> of March 2018

Productivity Commission  
GPO Box 1428  
Canberra ACT 2610

**RE: Submission to the Productivity Commission Inquiry into Competition in the Australian Financial System**

By Email: [financial.system@pc.gov.au](mailto:financial.system@pc.gov.au)

The Australian Lottery and Newsagents' Association (ALNA) is the peak national industry body representing Lottery Agents and Newsagents' who along with affiliated state lottery associations, represent these small businesses in almost every rural town, regional centre, urban and metropolitan shopping centre in Australia.

There are over 4000+ Lottery Agents and Newsagents' in Australia. They are an important and trusted part of Australian communities and approximately 2.5 million Australians shop at their local agency every day. Our members therefore make a significant contribution to the Australian economy, employing over 20,000 people and generating an estimated annual turnover of \$6 Billion. Agencies have commercial relationships with over 25,000 other businesses, further demonstrating their valuable contribution. We are one of the largest and independent retail channels in our community.

The Association is broadly supportive of the recommendations in the Productivity Commission Draft report into Competition in the Australian Financial System.

Our main area of interest in the Draft Report's recommendations is those on the payments system. The rapidly growing cost of merchant payment acceptance is now one of the biggest issues ALNA members complain to us about when contacting the Association. ALNA has for a number of years raised concerns in regard to the cost of interchange fees for card payments, and the forced routing of contactless payments that have resulted in merchant costs being higher in Australia than we believe they could be for small retailers.

ALNA was pleased with the important recommendations in the Draft Report and we wanted to provide this submission in support of those recommendations, whilst also recognising the important work done by the Reserve Bank of Australia with reforms to assist in reducing merchant payment costs in recent times.

ALNA strongly agrees that there needs to be more competition in the payments system to drive down costs for merchants and consumers. From our perspective, it has been disappointing in recent years that with the rapid growth and consumer preference for contactless payments, that EFTPOS

(eftpos Payments Australia Ltd.), which received significant investment through a period of increased interchange that was largely paid for by small merchants, has not been able to bring low cost contactless Tap & Pay™ payments to market more quickly. Given, “Australia has the fourth highest number of non-cash payments per person, the highest level of contactless card use in the world and digital payments are growing at an estimated 10% per year,” small merchants have paid the price for Networks still being able to prioritise routing and a lack of competitor’s available to merchants for contactless payments. It is our view that merchants should be quickly given the choice of least cost routing for contactless payments, and that consumers be given access to override this through the offering of dual payment choice in Australia. Increased competition in the payments market is essential and the EFTPOS network contactless model when fully realised will hopefully provide some increased competition along with other market entrants.

ALNA supports the commissions recommendation’s that *“Merchants should be given the ability to choose the default network to route contactless transactions for dual-network cards.”* And; *“The Payments System Board should also require that neither a scheme, nor any of its participants (including issuers and/or acquirers), can prevent merchants from setting (or asking their acquirers to set) the default route.”*

The commission has also recommended in their report the banning of interchange fees, they say, “Any remaining fees should be directly related to the costs of operating the system. “

ALNA broadly agrees that such fees should be limited or banned where possible and made transparent and published. Interchange should not be allowed to be used for revenue raising but only for operating the system. We recognise the need to ensure that merchants are still protected from fraudulent transactions and that efficient investments in the payment systems continue innovation, but this needs to be transparent in the scheme. What we want is sensibly lower fees for merchants overall.

ALNA also recognises and broadly supports the conclusions of the submissions made by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and the Reserve Bank of Australia on the draft report.

On behalf of ALNA members, we appreciate your time and consideration of these important issues and their impacts on our industry and the Australian community.

Yours sincerely,

Ben Kearney  
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Australian Newsagents’ Federation T/as Australian Lottery and Newsagents Association