



30 January 2026

Committee Secretary  
House of Representatives Standing Committee on Economics  
PO Box 6021  
Parliament House  
Canberra ACT 2600  
Via email: [economics.reps@aph.gov.au](mailto:economics.reps@aph.gov.au)

Dear Committee,

### **Digital payment schemes and emerging technologies**

We note the House of Representatives Standing Committee on Economics will inquire into matters relating to current digital payment schemes and emerging technologies. Please see the AHA submission below.

#### **Independent Payments Forum**

I also note the AHA is a member of the Independent Payments Forum and supports its submission.

#### **Card Based Payment Schemes**

On face value, the existing card-based payment system provides many efficiencies and benefits. For example, reduction of cash handling, speed of payment, customer ease, and relatively low fraud. However, digging a little deeper, there are issues with the broader payments system itself. This includes a lack of transparency, low customer understanding, expensive, and inequitable between small and large businesses.

Billions of dollars are involved with multiple parties involved, e.g. banks, credit companies, payment service providers. The fees are relatively minute but are across a broad range of daily transactions. It is nearly impossible to avoid the fees or the system

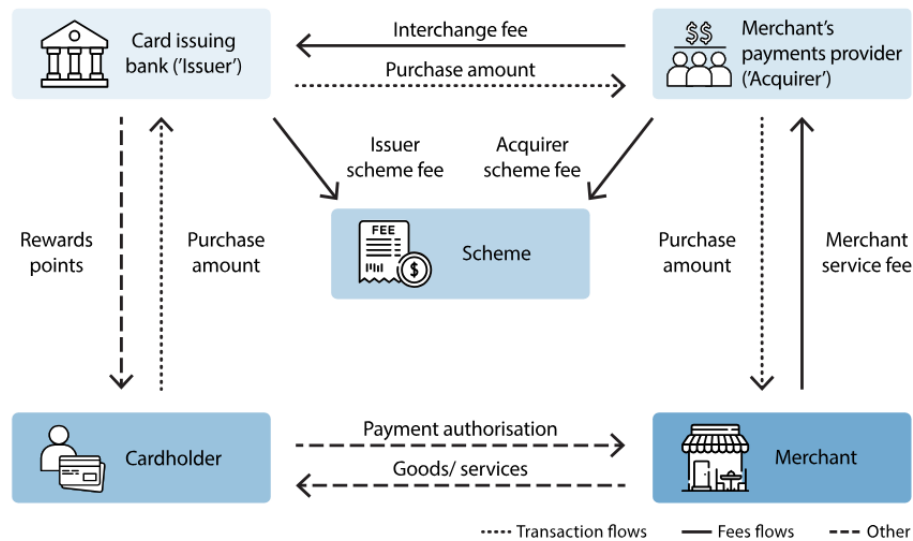
#### **Transparency**

As a starting point, the language of the payments industry is incomprehensible at best to most Australians. For example, such terms include “interchange fee”, “scheme fee”, “issuers”, “acquirers”, “least cost routing”, “cost of acceptance”, “dynamic least cost routing”, “acquirer margin”, “cost of acceptance”, “designated systems”, “blended plans”, “unblended plans”, “drip pricing”, “dual network cards”, and “drip pricing”.

That language might be OK for the banks and payments providers, but for a system that touches nearly all Australians nearly every day, it is not incomprehensible. The RBA acknowledges the cost of

card payments is “opaque and difficult to understand”.<sup>1</sup> If anyone has doubt as to the complexity of the electronic payments scheme, here it is as drawn by the RBA.<sup>2</sup>

Figure 1



## Affordability

Based on the sample of hotels below, a typical hotel would be paying circa \$30,000 to \$50,000 in debit and credit transaction fees per annum.

Location	Month	Monthly fees paid
Country NSW pub	September 2025	\$3,912.61
City pub	November 2025	\$4,032.62
Regional Vic pub	September 2025	\$2,529.68

Please also bear in mind that just because there has been an increase in card payments, that does not directly correlate to a reduction in cash management and transport costs.

## Inequity – small business v big business

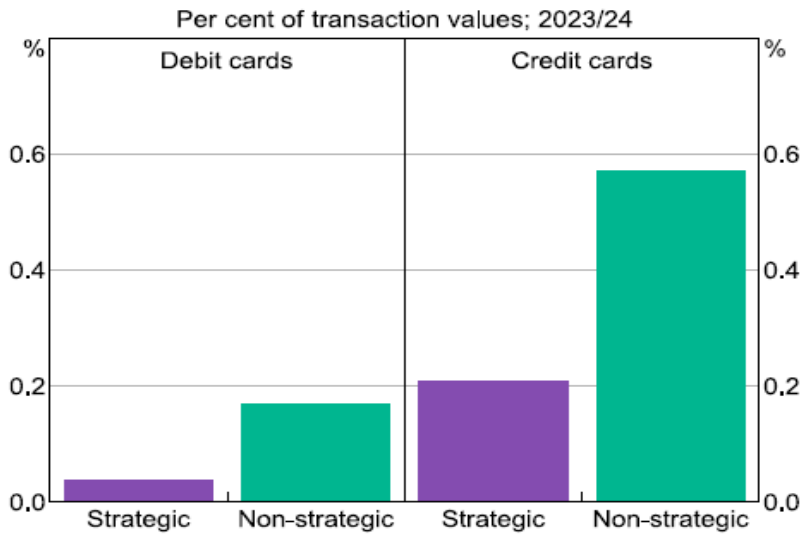
The RBA states “The cost of card payments is substantial for small businesses (non-strategic rate), which pay much higher fees per transaction than large businesses (strategic rate). Large merchants have the bargaining power to directly negotiate much lower ‘strategic’ interchange rates from the networks. They also benefit from lower payment costs due to economies of scale.”<sup>3</sup>

<sup>1</sup> [Merchant Card Payment Costs and Surcharging - October 2024](#) p7

<sup>2</sup> [Backgrounder on Interchange and Scheme Fees | Explainer | RBA](#)

<sup>3</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/backgrounders/backgrounder-on-interchange-and-scheme-fees.html>

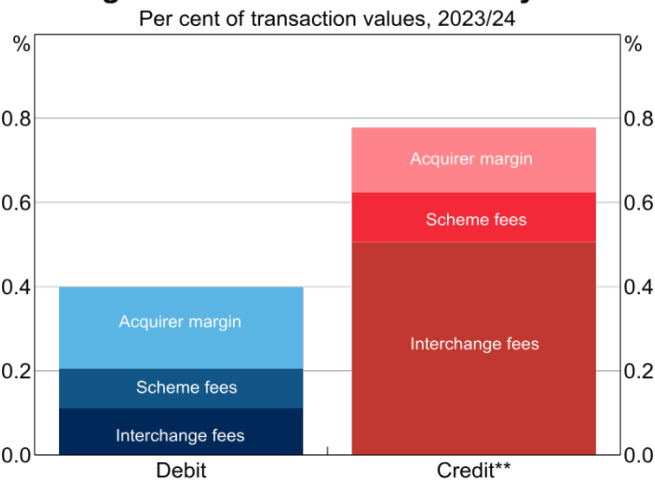
### Domestic Interchange Fees by Merchant Type\*



### Credit v debit

The underlying costs to process a credit transaction are at least twice that to process a debit transaction. The discrepancy is caused by credit cards offering “add ons” such as long credit terms, frequent flyer points, complimentary airline lounge passes and complimentary international travel insurance. See the table below.<sup>4</sup>

### Average Merchant Fees of Card Payments\*



90% of credit interchange fees are used by banks to fund their rewards schemes and is the main reason credit is more expensive than debit.

The payments system most often imposes the surcharge as a “blended rate”. For example, CBA offers a rate of 1.1% on all transactions – credit and debit. This has the effect of debit users subsidising credit users.

The transaction cost is currently borne by consumers who pay a surcharge. Although, the RBA is in the process of determining whether debit and/or credit surcharging will be prohibited – with the cost then to be absorbed by business – who ultimately will pass the cost back to consumers anyway.

<sup>4</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/backgrounders/backgrounder-on-interchange-and-scheme-fees.html>

### Credit card users get something for nothing

Nothing comes for free – but under the current RBA proposal, credit card users will be getting something for nothing – and cash users and debit card users will be paying for it. Credit cards come at more cost than cash and debit cards due to factors such as higher susceptibility to fraud risk and default risk. Other factors that make credit transactions more expensive are set out below.

Item	Cash	CBA Debit Mastercard <sup>5</sup>	CBA Ultimate Awards credit card <sup>6</sup>
Sign on bonus	No	No	100,000 Award points
Monthly rewards points	No	No	3 points per \$1 spent
Monthly fee	No	No	\$35 per month - waived if meets minimum spend
International Travel Insurance	No	No	Yes
Airport lounge passes	No	No	2 per annum
Interest free period	No	No	44 days

### Credit interchange fees prop up frequent flyer points

Banks recoup the cost of paying for the risks and benefits of credit cards via higher interchange fees. Remember, nothing comes for free. The RBA recognises cards that provide rewards to the cardholder (such as ‘gold’ or ‘platinum’ credit cards) have higher interchange fees, and:

- “Revenue from interchange can be used to fund consumer rewards programs that incentivise usage.
- A network that increases the interchange fee paid by the merchant’s payments provider to the card issuer enables the latter to pay more generous rewards to cardholders and increase use of its cards.
- With rewards programs, the cardholder may receive more in benefits through rewards than what it costs them to use the card.”<sup>7</sup>

On 24 August 2024, to the House of Representatives Economics Committee, Comm Bank CEO Matt Comyn expanded upon how credit card interchange fees prop up rewards programs:

*“... it's more than 90 per cent of the economics that we're receiving on the interchange side— we basically give back to the customer in the context of points, often through the purchase of frequent flyer points; it could be Qantas, or it could be others.”*

From the table above and Mr Comyn’s statement to the Economics Committee, it can be deduced that cardholder rewards programs such as Frequent Flyers could make up about 50% of the cost or processing a credit card transaction. None of these costs are present when using cash or a debit card.<sup>8</sup>

<sup>5</sup> [Debit cards | Compare debit card options](#)

<sup>6</sup> [Our Ultimate Awards Credit Card - CommBank](#)

<sup>7</sup> <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/backgrounders/backgrounder-on-interchange-and-scheme-fees.html>

<sup>8</sup> It is also worth noting that the RBA defines “Cardholder Rewards Programs” as a “non-eligible cost” related to card issuing and processing for domestic transactions.<sup>8</sup> If the quote above from Mr Comyn is correct, it suggests that interchange fee revenue is being used to fund loyalty programs such as frequent flyers, which they shouldn’t be as a “non-eligible” cost.

## Blended (or single) rate plans

'Blended' plans are often the default option offered to small businesses seeking a payment terminal.<sup>9</sup> The RBA notes around 39 per cent of merchants were on 'single (blended) rate' plans in 2024.<sup>10</sup>

### Why does it matter that credit is more expensive than debit?

Blended plans 'blend together' the cost of (cheaper) debit and (more expensive) credit transactions for a single price.<sup>11</sup> For debit card users, that single 'blended' price is higher than what it would be if debit transactions had their own price and credit was carved out.

### Debit subsidises credit

Cross subsidisation is a strategy where profits from one product are used to cover losses from another product. The RBA acknowledges that with a blended rate, debit card users cross subsidise credit card users.<sup>12</sup> The RBA notes:

*"Since the wholesale cost of credit transactions is on average much higher than for debit transactions, these blended rates are higher than those that would apply if debit transactions were priced separately."<sup>13</sup>*

### Separate debit from credit (ban blended rates)

The first step in decreasing fees is to increase the transparency of the current system. Especially for small business and consumers, "Blended rates" hide the problem. The problem being that debit users are paying more than they have to and credit users are paying less than they should.

At present, 97% of survey respondent hotels pass the cost of some or all items directly to their customers as a surcharge. When or if card surcharges are banned, those businesses will very likely pass the cost on indirectly to their customers by raising prices to accommodate the increased costs they will bear.

Businesses using a blended rate will not be able to separate a cheaper debit transaction from a more expensive credit transaction. So, in effect, all patrons will share the same transaction processing cost – with cash users and debit card users cross subsidising credit card users. That situation should be unacceptable to the RBA and Government.

Hence the need to separate cash and debit from credit, and continue allowing businesses to surcharge on credit transactions – as they the RBA will allow for cards "outside the system" such as American Express, Union Pay, and Diners Club.

<sup>9</sup> [https://www.commbank.com.au/business/payments/smart.html?ei=bhp\\_sixpack\\_smart](https://www.commbank.com.au/business/payments/smart.html?ei=bhp_sixpack_smart)

<sup>10</sup> RBA Consultation Paper 15 July 2025, p12

<sup>11</sup> [Merchant Card Payment Costs and Surcharging - October 2024](#) p17

<sup>12</sup> RBA Consultation Paper 15 July 2025, p21-23

<sup>13</sup> <https://www.rba.gov.au/publications/bulletin/2022/sep/the-cost-of-card-payments-for-merchants.html>

## Least Cost Routing

Debit and credit cards are processed via either EFTPOS or one of the international debit networks (Visa or Mastercard).<sup>14</sup> Least Cost Routing gives merchants the ability to route transactions via whichever of the networks costs them less.<sup>15</sup> The RBA claims:

*“As at the end of June 2025, over 80 per cent of merchants had LCR enabled for in-person transactions.”<sup>16</sup>*

The RBA claims this result has been built on the back of “strong encouragement” and “expectation”. On the surface, this may appear to be a good result – but scratch a bit deeper and all is not as rosy as it seems.

### Consumers and small business not getting the savings from Least Cost Routing

The RBA confirms Least Cost Routing is set by the Payment Service Provider (PSP) at the merchant level, rather than at the transaction level.<sup>17</sup> The extent, if any, to which the Payment Service Providers pass on savings to merchants are dependent on the pricing plan offered by the Provider. The RBA notes:

*“It is unclear whether the savings from LCR are being fully passed on to merchants, particularly to those on ‘single rate’ payment plans.”<sup>18</sup>*

The reality is whilst Payment Service Providers may have enabled Least Cost Routing, the merchants and their customers are not the ones receiving the benefit of the least cost. This is because the Payment Service Providers are pocketing the margin.

For example, a consumer being charged a blended rate of 1.6%, when the Least Cost Route is 0.5%, could be sacrificing as much as 1.0% in savings due to the margin being retained by the Payment Service Provider.

### ‘Dynamic’ Least Cost Routing

‘Dynamic’ Least Cost Routing maximises savings for consumers and businesses by routing every individual transaction to the cheapest network for that particular transaction. Dynamic Least Cost Routing is what the AHA believes should be mandated as the new standard at the transaction level. Unfortunately, the RBA says:

*“Most acquirers argued their current systems do not support dynamic least cost routing and that significant investment would be required to do so.”<sup>19</sup>*

A cynic would suggest that of course the invisible middlemen would say that. Dynamic Least cost Routing would erode their margins.

<sup>14</sup> [Merchant Card Payment Costs and Surcharging - October 2024](#) p16

<sup>15</sup> [Merchant Card Payment Costs and Surcharging - October 2024](#) p16

<sup>16</sup> [Update on availability and enablement of least-cost routing for merchants - Data as at June 2025 \(published August 2025\) | RBA](#)

<sup>17</sup> RBA email received 5 September 2025

<sup>18</sup> RBA Consultation Paper 15 July 2025, p61

<sup>19</sup> [Review of Merchant Card Payment Costs and Surcharging](#) p63

Fortunately, companies such as Adyen and IPSI have indicated they can implement Dynamic Least Cost Routing and deliver savings of 45-70% compared to current blended rates.<sup>20</sup> The table below shows a comparison of the benefits of Dynamic Least Cost Routing.<sup>21</sup>

<b>Amount per annum</b>	<b>Cost at blended rate 1.4%</b>	<b>Cost at Dynamic Least Cost Routing</b>	<b>Saving</b>
\$1M in debit transactions	\$14,000	\$4,160	\$9,840
\$2M in debit transactions	\$28,000	\$8,320	\$19,680
\$5M in debit transactions	\$70,000	\$20,800	\$49,200
\$10M in debit transactions	\$140,000	\$41,600	\$98,400

Just because the incumbent Payment Service Providers current systems may not support Dynamic Least Cost Routing, that is no reason for the RBA not to mandate a new system lowering the costs for consumers and small businesses.

If the RBA mandates Dynamic Least Cost Routing, prices will not be forced to rise by as much as they will otherwise. The RBA is relying on competition to drive the price down<sup>22</sup> – but competition has not worked so far.

### **Conclusion**

Thank you for the opportunity to have made this submission.

Yours faithfully,



**STEPHEN FERGUSON**  
**NATIONAL CEO**

<sup>20</sup> [Adyen halves merchant costs with AI-enabled dynamic routing](#)

<sup>21</sup> Independent Payments Forum, submission to RBA September 2025, p18

<sup>22</sup> [Review of Merchant Card Payment Costs and Surcharging](#) p63