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Standing Committee on Economics  
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Parliament House  
Canberra ACT 2600  
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Dear Committee Chair, the Hon Ed Husic MP

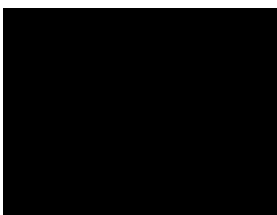
**Additional Questions: Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector**

The Council of Small Business Organisations Australia (COSBOA) thanks the Standing Committee on Economics for their invite to the public hearing held in Canberra on Wednesday, 25 February 2026.

The questions posed by the Committee go to the heart of the issues that COSBOA has long identified that small businesses are price-takers in a payments system that is designed around the interests of large merchants, card schemes and acquirers. We address each question in turn below at **Appendix A**.

Please reach out if the Committee has further questions or requests further information. The small businesses we represent are the backbone of the Australian economy. They deserve a payments system that serves them, not one that penalises them for being small.

Kind regards,



**Skye Cappuccio**  
CEO, COSBOA

## Appendix A

### 1. How does the current level of fee transparency affect a small business's ability to compare acquiring offers on a like-for-like basis?

COSBOA's position is that the current level of fee transparency only partly enables small businesses to make meaningful comparisons between like-for-like offers.

Merchant Service Fees are typically presented to small businesses as a single blended or bundled rate. This masks the underlying components of interchange, scheme fees, and acquirer margin. This then removes the competitiveness of the acquirer to justify or reduce their margin, since the merchants have no visibility into what the margin is. Given that contracts vary significantly in structure, making direct comparisons is extremely difficult without financial expertise. As raised by the Reserve Bank of Australia's (RBA) 2024 Issue Paper 'the cost of card payments is often opaque and difficult to understand...for merchants.' Small business merchants lack the time, resources, or financial literacy to decode complex fee schedules, and acquirers have little commercial incentive to simplify them.

Additionally, many hospitality small-medium sized businesses, for example, do not negotiate directly with an acquirer. Instead, they are onboarded via an Independent Sales Organisation (ISO) or Payment Service Provider (PSP) that provides the pricing interface, merchant support, terminal or pin pad supply, settlement support, and other payments-related services, while the merchant may still have an acquiring arrangement in the background. In those models, the merchant is often comparing bundled payments acceptance pricing rather than a simple standalone acquiring fee, and the ISO or PSP margin sits on top of the underlying wholesale acquiring costs.

Even where pricing is presented on an interchange-plus-margin (IC+) or interchange-plus-scheme-plus-margin (IC++) basis, transparency does not equal control. Interchange and scheme fees are set upstream and vary by card type, scheme, and transaction channel. Small merchants cannot control which card a customer presents, whether the transaction is domestic or international, or whether it comes through a higher-cost path. While a merchant may be able to identify cost components after the event, it remains difficult to compare offers prospectively on a true like-for-like basis or to forecast the actual cost of acceptance with confidence.

By contrast, simple or blended pricing can provide small businesses with greater certainty. In that model, the ISO or PSP takes on the complexity and pricing risk of forecasting underlying interchange and scheme fee variability. For many small hospitality and other operators, that certainty can counterintuitively be commercially valuable because they do not have the time, scale, or specialist capability to model highly variable wholesale payment costs across a wide range of cards and transaction settings.

A café owner in regional Queensland or a tradie in suburban Perth should be able to compare two acquiring offers on the same terms as a supermarket chain's finance team. Without standardised, mandatory fee disclosure, the acquiring market cannot function competitively for small business.

2. Some payment innovations that improve customer experience have increased costs for small businesses. Which payment methods or features have had the most significant cost impact?

Several payment innovations that have improved the consumer experience have simultaneously shifted significant cost onto small merchants, with no corresponding mechanism for relief or compensation.

For our member, the Australian Restaurant & Cafe Association, the most significant cost impacts have come from payment or features that either carry materially higher merchant fees or reduce the merchant's ability to steer to a lower-cost rail. In hospitality, the clearest examples are higher-cost credit products, card-not-present transactions associated with online and phone orders, and newer payment experiences that sit on top of the card rails without delivering equivalent reductions in merchant cost.

Contactless and mobile wallet payments have also been impactful. The RBA's retail payments data shows that by October 2024, mobile wallets accounted for around 44 per cent of device present transactions acquired in Australia<sup>1</sup>. RBA payments data itself shows that in October 2024 the number of contactless device present debit card transactions acquired in Australia using a mobile wallet was \$315.3 million and in December 2025 it increased to \$431.1 million<sup>2</sup>. The use of mobile wallets bring ease to many individuals, however, in many cases these transactions are processed over international card schemes (Visa and Mastercard) than the lower-cost domestic eftpos network even where a dual-network debit card is present, undermining the benefit that least-cost routing was designed to deliver. Again, for ARCA, the issue is not that every wallet or tokenised transaction necessarily attracts a separate higher merchant fee at the point of acceptance. Rather, wallet-related and tokenisation costs are typically incurred upstream in the payments chain, most commonly by card issuers, and are ultimately funded through the economics of the card system, including interchange and other network charges borne across the system. From the merchant's perspective, that means these costs are not necessarily transparent but can still contribute to the overall cost of card acceptance. Wallet-driven transactions can also weaken competitive pressure where routing choice and fee visibility lag consumer uptake.

Buy Now, Pay Later (BNPL) has also imposed disproportionate costs. Small businesses have faced strong commercial pressure to accept them to remain competitive. Consumers capture the benefit of deferred payment while the small business absorbs the costs.

QR-enabled payment journeys and digital ordering flows are also on an uptake. However, these have higher payment and fraud-management costs than a standard in-person debit tap.

We do not oppose payment innovation but call for regulatory frameworks that ensure the costs are transparent, contestable and fairly distributed.

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<sup>1</sup> Reserve Bank of Australia, Retail Payments October 2024

<sup>2</sup> Reserve Bank of Australia, Payments Data C2.1: Debit Cards – Original Series at <https://www.rba.gov.au/statistics/tables/xls/c02-1-hist.xlsx>

3. Given that transaction volume influences pricing, how does lower turnover for a single-venue business affect the rate it is offered compared with a large multi-venue chain?

From our understanding, large multi-location chains and retail groups can negotiate bespoke interchange-plus or cost-plus pricing, giving them significantly more transparency and leverage to drive margins down. Whereas single-location small businesses are typically offered blended flat rates or basic tiered merchant service fees structures with no visibility into underlying costs and no ability to negotiate.

Terminal costs and other fixed infrastructure costs are also spread across a far lower transaction volume for small businesses, increasing their average cost per transaction. Businesses least able to absorb payment costs pay the highest rates, while those with the greatest capacity to pay benefit from the lowest. For example, in the hospitality industry, if an average sale is \$10 rather than \$100, a percentage-based fee generates far less revenue for the provider on each transaction, even though many of the fixed servicing and support costs remain.

This compounds over time whereby lower margins mean less investment capacity, reinforcing the competitive disadvantage small businesses face against large businesses.

4. Can most small operators readily identify how much of their merchant service fee is interchange, scheme fees and the acquirer's margin?

Unfortunately, no. The majority of small business operators cannot identify how their merchant service fee is composed. Many small businesses receive a single merchant service fee percentage or flat fee on their merchant statement with no breakdown between interchange, scheme fees, and acquirer margin. They see one number and have no basis on which to query or challenge it.

Where merchants are on IC+ or IC++ pricing, they may be able to see interchange, scheme fees, and the acquirer margin retrospectively on monthly statements, but not in advance, and the total cost of acceptance is still not predictable because key cost drivers sit outside their control (for example, the mix of debit and credit, domestic and international cards, transaction channel, and, in some cases, wallet or tokenised transactions). This complexity, particularly around scheme fees, makes it difficult for small merchants to compare offers or forecast their likely cost of acceptance with any confidence. On simple or blended plans, merchants usually know the rate upfront but do not see the underlying breakdown. For many small businesses, simplicity and predictability are valuable, but this comes at the cost of transparency over who is being paid what.

COSBOA recommends mandatory itemised disclosure on merchant statements, mirroring the kind of transparency required in other regulated financial services, so that small businesses can at least understand what they are paying for, and meaningfully interrogate or compare those costs.