



11 March 2026

Hon Ed Husic MP
Committee Chair
House of Representatives Standing Committee on Economics
Parliament House
Canberra ACT 2600
Economics.reps@aph.gov.au

Dear Mr Husic,

Inquiry into schemes, digital wallets, innovation and the payments sector

Further to your additional questions arising from the public hearing held 25 February 2026, please see the answers below

1 AHA's submission highlights that blended plans result in lower-cost debit transactions subsidising higher-cost credit transactions. Around 39 per cent of merchants were on blended rate plans in 2024. From a consumer perspective, does that mean customers who use debit are effectively paying toward the cost of credit card rewards programs?

Yes. For example:

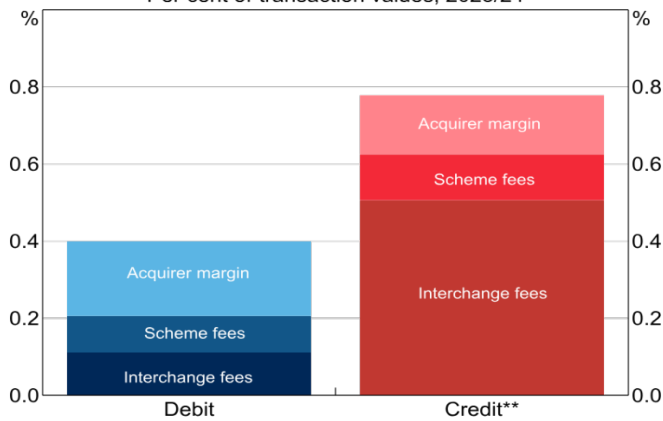
- A café sells advertises a cup of coffee at \$5.00.
- The rate charged by the Payment Service Provider to the café is 1.6% on all transactions – debit and credit.
- The cost to process the \$5.00 transaction at 1.6% is \$0.08.
- At present, the café is allowed to add that cost as a surcharge to the customer.
- So, the debit and credit customer will pay a final price of \$5.08.

The issue is that “behind the customer transaction”, the banks charge an “interchange fee”. The interchange fee is higher for a credit transaction than a debit transaction, as can be seen in the table published by the RBA¹ below.

¹ <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/backgrounders/backgrounder-on-interchange-and-scheme-fees.html>

Average Merchant Fees of Card Payments*

Per cent of transaction values, 2023/24



On 24 August 2024, to the House of Representatives Economics Committee, Comm Bank CEO Matt Comyn stated:

“... 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.”

So, it can be deduced by “following the money”, that via blended rates:

- Debit users pay the same surcharge as a credit user
- Due to higher interchange fees, the real cost to process a credit transaction is higher than to process a debit transaction
- Credit users receive benefits such as:
 - Borrowed funds
 - Interest free periods
 - Rewards programs, such as frequent flyer points, complimentary airline lounge passes and travel insurance.

This means that by paying a blended rate, merchants or debit card customer) are effectively subsidising the cost of credit card rewards programs.

2 Why do blended rate plans exist, and why do merchants have to accept them?

That is probably a better question for the Payment Service Providers as they are the ones who set the rates. From what they have told me, their argument is that “businesses prefer simplicity”. Or, as you heard at the recent inquiry, the banks prefer to “shield” their customers from the complexity.

Blended rate plans became the standard offering to small business after 2016. A loophole in the surcharge regulation allowed acquirers to argue that anything they charged a merchant could be justified as “cost of acceptance”, surcharged and marketed by them with language like “free EFTPOS”.

However, “simplicity” comes at a price which I do not believe is being explained to the businesses. small and medium businesses are hard-pressed to find anything but blended rate offers in the market without significant effort shopping around.

- The natural answer to the question of “Would you like something simple?”, is to say “Yes”.

- But perhaps the better question might be, “Would you prefer lower costs and more complexity – or higher costs and less complexity?”

Blended rate plans can be extremely beneficial for payments service providers. For example, Square offers six types of payment terminal – all of which charge 1.6% for in person transactions² Square also told the Reserve Bank that 100% of its transactions are least-cost routed. If all customers are paying 1.6%, they are not getting the benefit of the least cost routing, instead the difference, which can be over 1% in each transaction is pocketed by Square

It is also important to note that blended rates are not offered to large merchants, who are provided non-blended, cheaper pricing as standard.

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

There is no transparency on key elements of card acceptance pricing, making it almost impossible for small business to understand if they are getting a good deal or not. Scheme fees are completely secret and there is almost no information available about the scheme fee rebates that are applied to larger competitors.

There is also no information provided (even on published tables) about what qualifies businesses for various special or "strategic" interchange rates that appear to handed out to larger merchants as standard practice.

There is no “tool” that enables a like for like comparison that I am aware of. Businesses are most likely to just go online and shop around. The RBA is proposing such a comparison tool – which is a good idea.

4 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?

There is no disagreement that businesses should have to pay for innovations. The question is how much and how transparent are the costs that should be incurred. The banks claim one innovation to be that all customers should share in the cost of fraud. That sounds fair on the surface, until you realise that, for example:

- Most fraud occurs on products or services purchased from overseas
- Credit cards are the most common form of payment for good and services purchased overseas
- Yet debit card users pay the same fees as credit card users – thus subsidising credit users and their fraudulent transactions

It is also worth noting that almost every time a new "innovation" is introduced by the global card payments schemes, it is used to reduce competition and hikes prices. Whether it be contactless, mobile, click to pay or tokenisation, these "innovations" invariably create issues for alternative payments methods such as eftpos and make least-cost routing more difficult. Simultaneously, innovation such as dynamic least-cost routing, that would reduce prices for small business, is resisted and delayed.

² [Square Processing Fees, Plans, and Software Pricing](#)

Other ‘innovations’ such as accounting software or fancy terminals is not something that should be eligible or counted as part of cost of acceptance for a payment or part of a ‘blended rate’. Blended rates continue to obscure the real cost of payments.

5 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?

The clearest example of pricing difference between small and large business is eftpos – who publish all their interchange fees (full credit to them). Examples of eftpos pricing differential for debit transactions is below:

	Standard (e.g. pub, cafe)	DIFR 1 (e.g. Coles, Woolies)
In store debit card transaction greater than \$10.00	\$0.04	\$0.01
In store debit mobile transaction greater than \$10.00	\$0.07	\$0.01

I note that a “typical” regional hotel would process about 100,000 debit transactions per annum. So:

- the cost of the eftpos debit interchange fees for a pub would be \$7,000
- whereas the same number of transactions for Coles and Woolies would be \$1,000

The cost differential between small and large business in payments cannot be justified or explained by volume. There is no other industry that we are aware of that charges three to five times as much for a good or service based on the size of your business.

Interchange variations are even greater than this (as above). When you consider scheme fee rebates (which and not publicly disclosed), the variation would be much greater. Most network businesses such as telecoms and internet operators become cheaper as volume grows, but card processing costs for small business have increased.

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

A corollary to this question might be, “Does a small operator understand the difference between an interchange fee, a scheme fee and an acquirer margin?”

Please see the **attached** two merchant card statements (CBA and Tyro) as examples of what information the business receives.

I note the payment service providers say it is too difficult for them to process transactions at the cheapest possible rate – yet that precise information is set out in their statements. In the case of the CBA invoice for a bill of \$2529.68, there are over 70 different rates and fees down to the nearest 1/1000 per cent.

There is really no transparency on key elements of card acceptance pricing, making it almost impossible for small business to understand if they are getting a good deal or not. Scheme fees are completely secret and there is almost no information about the scheme fee rebates that are applied to larger competitors.

There is also no information provided (even on published tables) about what qualifies businesses for various special or "strategic" interchange rates that appear to be handed out to larger merchants as standard practice.

Conclusion

A key problem with this whole system is that the payment system providers have built such a complex and non-transparent system that the small and medium business operator has no hope of comprehending it – and thus ends up paying more than they should – especially compared to big business.

The Government said it was prepared to ban debit card surcharges, **subject to** safeguards ensuring both small businesses and consumers benefit from lower costs. We submit those safeguards can be achieved by:

- Separating the cheaper debit card fees from the more expensive credit card fees
- Allow businesses to continue surcharging on credit cards
- Mandate Dynamic Least Cost Routing to ensure that every single transaction is processed via the cheapest route which has the potential to deliver savings of 45% to 70% compared to current blended rates.

Yours faithfully,



STEPHEN FERGUSON
NATIONAL CEO