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**Queensland
Government**

Hon. Merri Rose MP
Member for Currumbin

**Minister for Tourism and Racing and
Minister for Fair Trading**

31 MAR 2003

Mr Tim Grimwade
The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

**MINISTERIAL
URGENT**

Dear Mr Grimwade

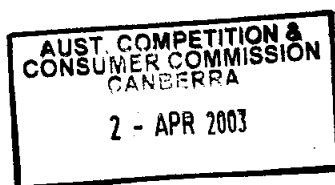
I refer to your letter of 26 February 2003 regarding Applications for Authorisation Nos A30224 and A30225 in relation to EFTPOS interchange fees.

Several assumptions are made in support of the applicants' submission, namely:

- that competition between issuers in the retail banking market is likely to lead to cost reductions being passed on to cardholders;
- acquirers are likely to increase merchant service charges so as to replace the income stream previously provided by interchange fees. Competition in retailing is likely to see merchants recover their higher costs through a general (although inconsequential) rise in the price of goods and services, rather than through surcharges for the use of EFTPOS;
- the proposed conduct is, therefore, likely to mean consumers face a lower relative cost of using EFTPOS compared with other means of payment. This is likely to lead to substitution by consumers towards use of debit cards and away from credit cards in their payment for goods and services. As argued by the RBA this will give rise to public benefits through improvements in the efficiency of the payments system as a whole; and
- if a merchant were to impose a surcharge on EFTPOS transactions, the merchant would also be likely to impose a (higher) surcharge on credit card transactions. In those circumstances, the proposed conduct would still be likely to lead to a net increase in customers' use of EFTPOS.

Under ACCC authorisation, any proposal for change to the current fee structure would need to meet a further public benefit test. Should the current proposed changes be authorised a review of the fee structure after 3 years, or earlier in the case of a material change in circumstances, should be able to determine whether the assumptions made have in fact eventuated and a more informed decision can be made on the merits of any future proposals.

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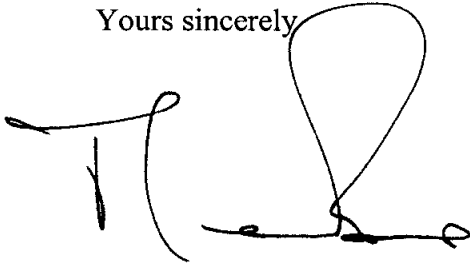


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I am happy to support in principle the current proposal which is likely to lead to cost reductions being passed on to consumers.

Thank you for the opportunity to provide a submission in relation to this authorisation.

Yours sincerely

A handwritten signature in black ink, consisting of a large loop followed by a horizontal stroke and a small flourish.

Hon. Merri Rose MP
Minister for Tourism and Racing and
Minister for Fair Trading