



## Motor Trades Association of Australia

The General Manager  
Adjudication Branch  
Australian Competition & Consumer Commission  
PO Box 1199  
Dickson ACT 2602

### **Applications for Authorisation Nos A 30224 and A30225 in relation to EFTPOS interchange fees**

I am writing in response to your letter of 24 February 2003 seeking comment on the above applications for authorisation.

The Motor Trades Association of Australia (MTAA) is the national peak body for the whole of the retail, service and repair sectors of the Australian automotive industry. It represents some 80,000 small and medium enterprises with a turnover of some \$80 billion. It is likely that most of those enterprises would offer EFTPOS facilities and they thus have a vital interest in the outcome of the ACCC's consideration of the applications for authorisation.

MTAA has been provided with a copy of the submission to the ACCC made by the Australian Retailers Association and is in basic agreement with its contentions and its recommendation that the authorisation not be granted. In view of the comprehensive nature of the argument presented therein MTAA does not wish to do other than advise that the views of ARA warrant the closest consideration. This is particularly so in regard to the views about the likely limits on the entry of competitors and the possible lack of future investment in the network that might follow if the authorisation is granted.

MTAA is particularly concerned at the likely impact on small business if the authorisation is granted. It is MTAA's view that the proposal is designed to shift costs to merchants. This is explicitly stated in the Executive Summary wherein it is stated:

*"merchants will face higher costs as a result of acquirers independently deciding to seek to cover the cost of providing EFTPOS facilities from other sources of revenue following the loss of interchange fee revenue from issuers".*

In MTAA's view this likelihood is absolute but the impact of such a proposal will almost certainly be apportioned unfairly. Large businesses, most particularly, supermarket chains, oil companies and others will be able to use their market power to ensure that they do not face increased costs or that the costs otherwise likely to be imposed upon them will be able to be shifted. This in fact already occurs now in relation to merchant service fees avoided by the two largest supermarket chains in relation to card business of all kinds.

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The costs to be recovered will in all circumstances fall unevenly onto those businesses with no capacity to negotiate similar terms and conditions as their large competitors. Thus far from being equitably spread across all sectors and evenly passed on to consumers, the distribution of such additional charges may fall to an unnecessary degree on the least powerful. The effect of competition will have forced small business to absorb costs otherwise that had been shared largely according to market share.

The applicants even seem to have attempted to turn this argument to their advantage when they note that "Merchants...are unlikely to engage in widespread surcharging for the use of direct debit cards given the level of effective competition."

It is MTAA's view that the proposed authorised conduct would have the effect of reducing competition and would impose an unfair and inequitable additional burden on the cost of doing business for those in small business. It is recommended that the ACCC refuse the authorisation application.

Yours sincerely

  
MICHAEL DELANEY  
Executive Director 

28 March 2003