

The Great Credit Card Government FlimFlam Scam Complements of the cynical cynic

To start with: I am not the holder of a credit card. However the change in the credit card fee structure will (as the GST did not lower prescription drug costs) not reduce any costs to the consumer as the Government would like us to believe, in fact it will increase costs to the consumer. Let's take a look at the series of events from the eyes of the cynical cynic. I suggest you keep this document (should it get published) and review it a year after "the change" and see if it is not the reality rather than just the ramblings of the cynical cynic.

Yea right, the banks are going to take a \$900,000,000.00 hit to their profits...and the executives are going to reduce their salaries and bonus checks to make up for the shortfall! And next week it will rain manna from heaven.

Yes, it will reduce the charges between banks and shift this cost to the acceptor of credit transactions. This will move us consumers from a rather efficient system involving a few players to a very inefficient system involving many small players. The small and numerous merchants will have no power to control the credit card companies and banks in any way, shape, or form which will cause an increase in costs that will be passed on to the consumer. The credit card companies and banks will see this as a way to reap even bigger net fees due to "increased costs to administer the program" (sound like the drug companies and GST yet???).

This will shift profits from the banks (not that they are not making enough without these) and let me remind you again that we have yet to see a bank take it on the chin. Rest assured, they will continue to make the outrageous profits they are accustomed to (how else could the directors and the executives lay claim to the exorbitant salaries they draw?) and the only way that is possible is to charge even more for the "services" they provide, close more "marginal" country branches, and retrench a few thousand additional employees (easy to do when offering fewer or no services). And that only means that you and I will take it in the chin again.

The banks have already started to hike the fees in anticipation. A couple of months ago the National increased the amount you must have on deposit to have "free transactions" from \$20,000.00 to \$35,000.00 (a 75% increase). Now please convince me that the accountants do not know how many people that threw into the "pay as you go" category! The Bendigo just changed my account from 12 free transactions to a credit of \$7.50 per month and is now charging my account for transactions and then issuing the credit. At an average rate of \$1.25 per transaction this amounts to 6 free transactions per month or a 100% increase in fees collected. Again, convince me that the accountants don't know this. There have been other increases and one bank actually insists that their customers wanted the increases (are we stupid or what??).

On my personal account I use a debit card that is processed through Visa. My May account had 44 transactions and at the end of the month I had a record of all transactions and could look at spending patterns (a good thing on a fixed income). Using my debit card this would have cost \$30.80 in transaction fees. Once the system changes it will add at least this amount to my monthly costs because I will either pay it to the banks or to the merchants when they charge me a fee for using the credit card. This would also apply to all the people who have equity loans on their homes that are tied to credit cards. I was talking to a person the other day that was going to move to an equity loan so they could pay their home off earlier but they are now going to wait until they see the cost involved with credit card transactions.

The merchants are not going to lower the cash price (unless they can screw the gov't out of taxes – more on this later) rather they will increase the price of a credit card transaction by 5% or more depending on the power of the credit card companies to charge transaction fees (they ain't gonna take any unfavorable profit adjustments on the chin (see banking profits above)). Being as the system is less efficient I see these costs going up. So we have now increased the cost to purchase goods and services. All retailers that I have asked how much they are going to lower prices for cash have had a good laugh about it.

I recently purchased a lounge room suite and tried to negotiate a “cash” price with the merchant and we discussed the proposed change in credit card costs. First, he just sighed when I asked for the “cash” price and said he would rather take credit cards because the banks were now charging to count cash when he turns it in (so much for the cost savings using cash). He also said that he (and other small merchants) would, most likely, not be able to charge a premium for credit transactions because of the competitive nature of their business so they will just eat any charges and pass them on to the consumer in the price of the product (which is what they do today). I am sure that the banks, the utilities, the airlines, the rental car companies, the petrol companies, and the government will have no problem charging a credit card “cost” premium. Large monopolistics and near monopolistics will certainly be able to tag on any extra charges while the everyday merchant will eat the costs.

And I am sure that the airlines and car rental companies are going to love taking cash. Most will not take cash and require a credit card. Many small purchases are already cash and the large ticket items will continue to be credit card or check which will increase costs to the consumer.

Consumers cannot use checks in place of credit cards because the Government, in it's infinite capacity to tax the little guy, finds it necessary to imply a debit tax when one spends their own money that has been already taxed through the GST and the annual tax bite (they also tax our interest). If we do use checks then we are talking another increase in consumer cost. Due to fee structures and the lack of the debit tax in the United States, the principal payment method is via check.

Of course we will now be required to carry more cash to avoid these increased charges and we will have to carry a lot because the ATM fees will be going up so the banks can replace the profits lost on processing the credit card transactions. Debit card

transactions will have to increase because you will no longer be able to use the “free” credit card processing feature available on many debit cards today. A debit card will be a debit card and will have an “enhanced” debit card transaction fee.

The government claims that this will increase competition. Think for a moment that in the United States, with a population of 15 times that of Australia, there are only 5 “major” credit cards: Visa, Master Card, Discovery, American Express, and Diners Club. What the government is proposing is that a population the size of New York State will have more competition than the United States. The cost of setting up a processing system for a credit card is enormous and the only reason that Discovery came on the scene is because Discovery was backed by Sears (one of the largest retailers in the U.S). Yes, some retailers have their own credit cards but that is also true in Australia now, so how is that going to change???

It will be good for small business because with the great influx of cash into the economy they will be able to pocket more \$\$\$ and avoid more GST and personal income taxes than they already do. And the Government can add another few thousand tax collectors to only catch the honest guy who makes an honest mistake. The guy who wants to beat the system can do it very easily in a cash society and there is not really much the Government can do about it.

It will be good for the druggies because they will know that more and more people are carrying more and more cash to avoid the new increased costs associated with non-cash transactions and increased ATM fees. These are, most likely, the only “consumers” to benefit from the latest flimflam scheme put forth by our government. Their \$\$\$ per robbery ratio will increase significantly so we would expect robberies to go down right? WRONG!!! Being as the \$\$\$ per robbery is going to increase significantly there will be more incentive to rob more so they can increase their standard of living. Sound like the banks???

So my friends, who wins? Every one except the consumer. I am sure that the government acted in good faith and thought they were doing the right thing (just like the GST and the debit tax on your own money) but in my mind I have the following question: Is it a requirement for all politicians to take stupid pills each day after they are elected or is this just another ploy (like increased prescription costs) to divert our attention from the new proposals for them to increase their take with free digital cameras, free lifelong first class travel, millions of dollars in super, taking unmarried friends on junkets, and taking off on holidays at the taxpayers (me and you) expense to warm climates in the winter?

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