

Reviewing Australia's Payments System Reforms – A Progress Report

**Cards & Payments Australasia
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Overview

- ❑ The review process
- ❑ Input to the review
 - consultation
 - use of payment instruments
 - costs
- ❑ The regulation debate
- ❑ ATM reform

The Review Process

- ❑ **Commitment from 2002**
- ❑ **Launched with Issues Paper, May 2007**
- ❑ **Conference, November 2007**
- ❑ **Consultation document, April 2008**

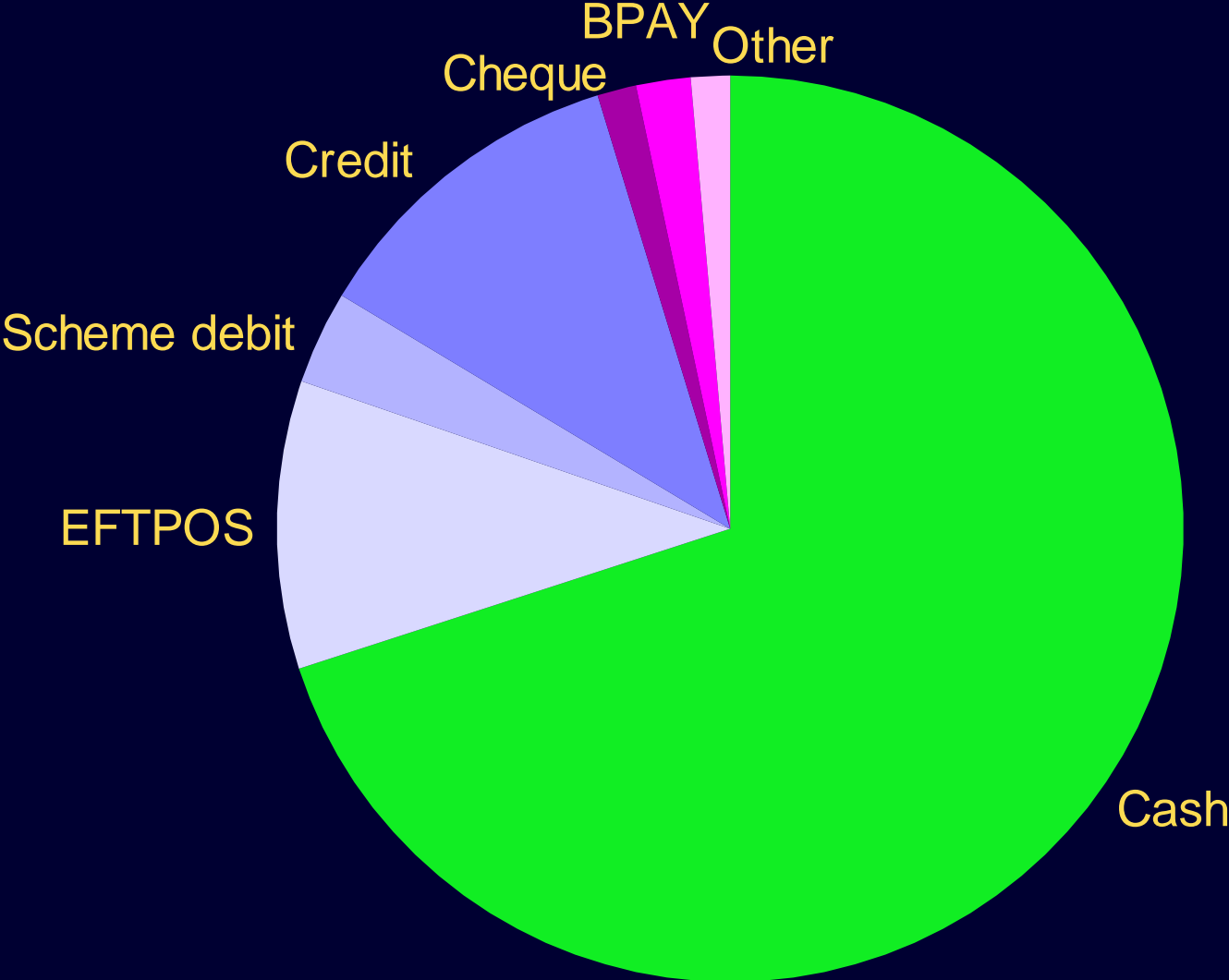
The Consultation Process

- ❑ Interchange regulation most contentious
- ❑ Three broad positions
 - continue regulation
 - remove all regulation
 - remove interchange regulation
- ❑ Self-regulation?

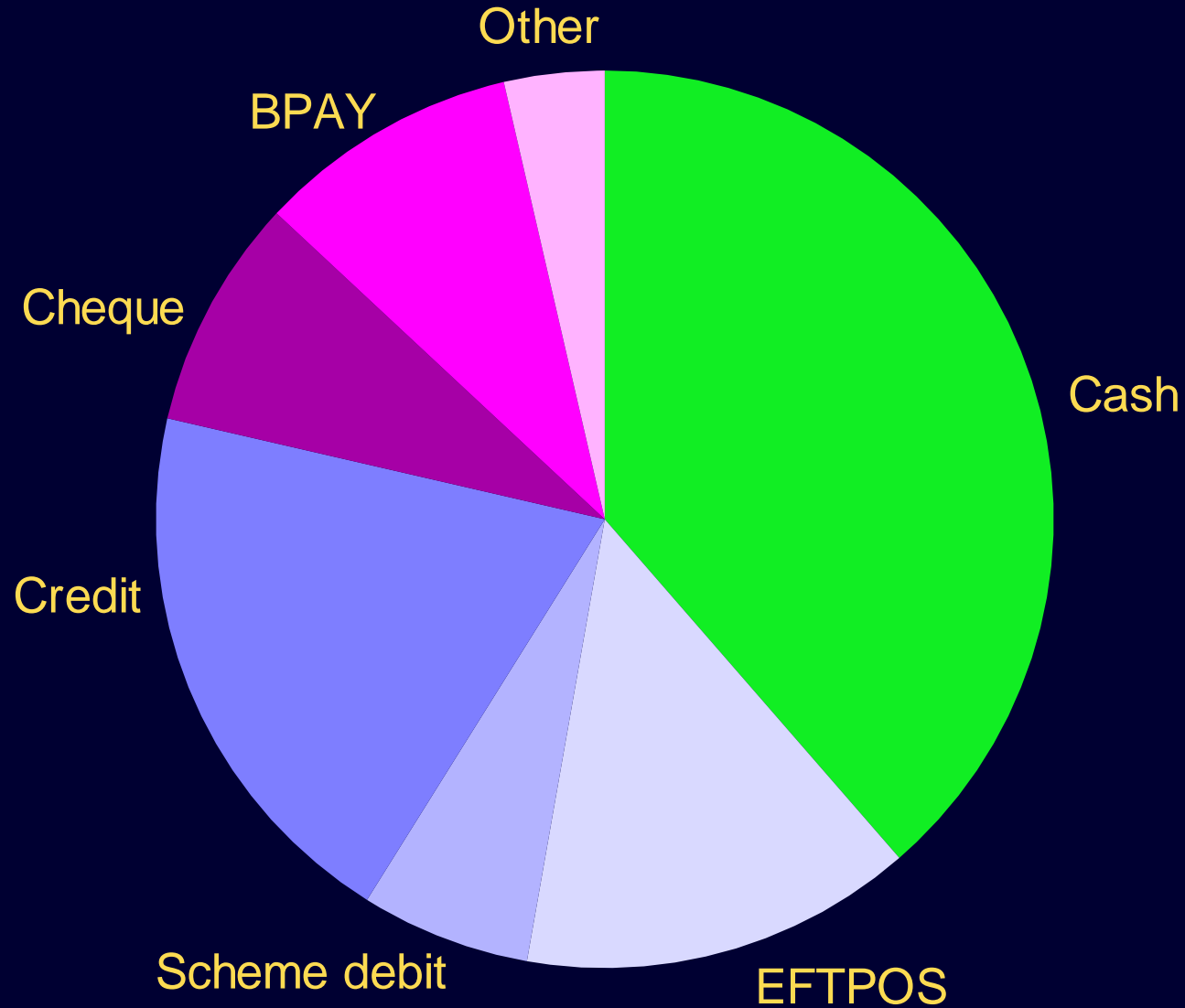
Use of Payment Instruments

- **Diary study**
- **Focus on consumers**
- **First reading on use of cash**

Payment Share by Number

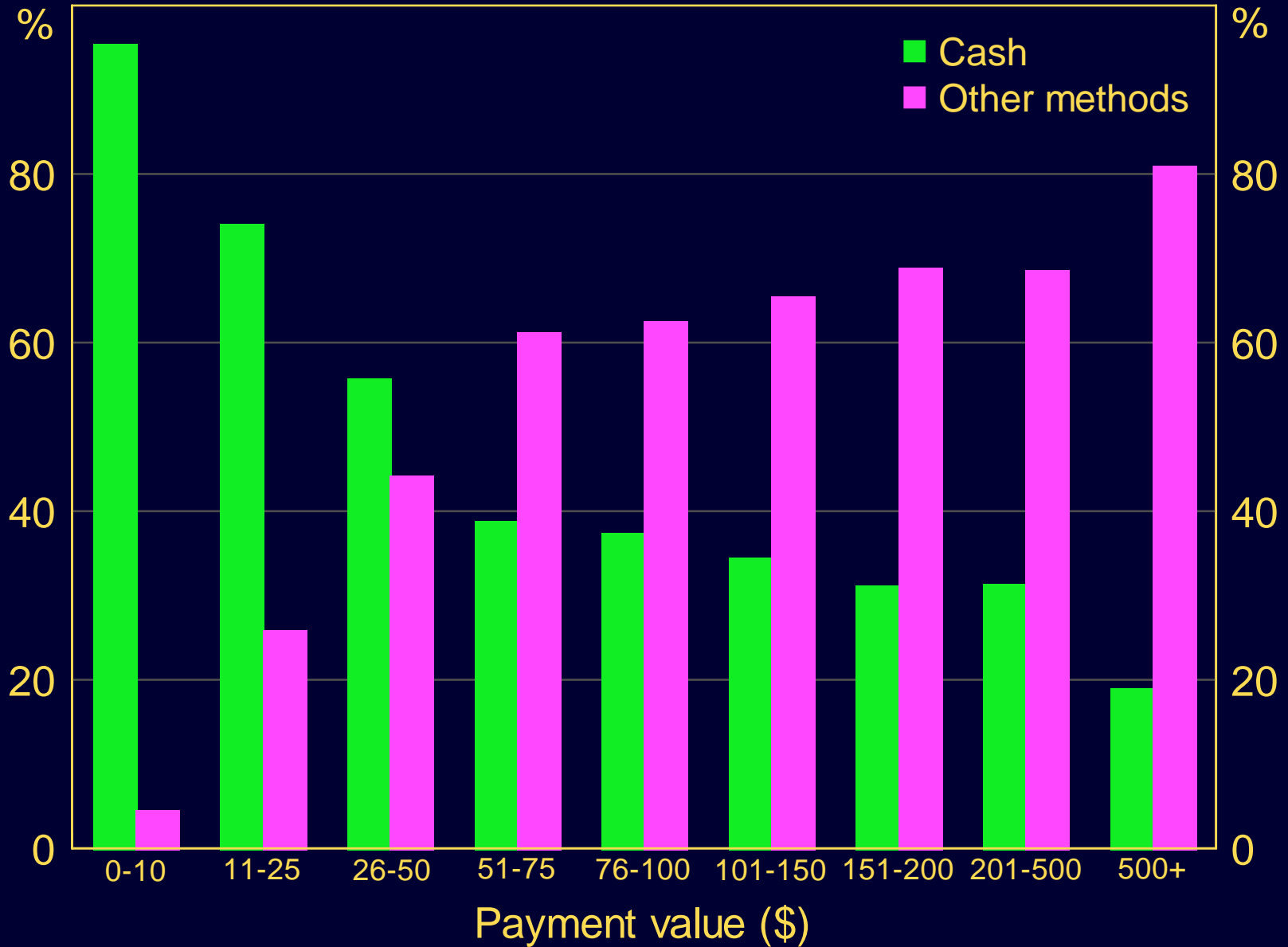


Payment Share by Value

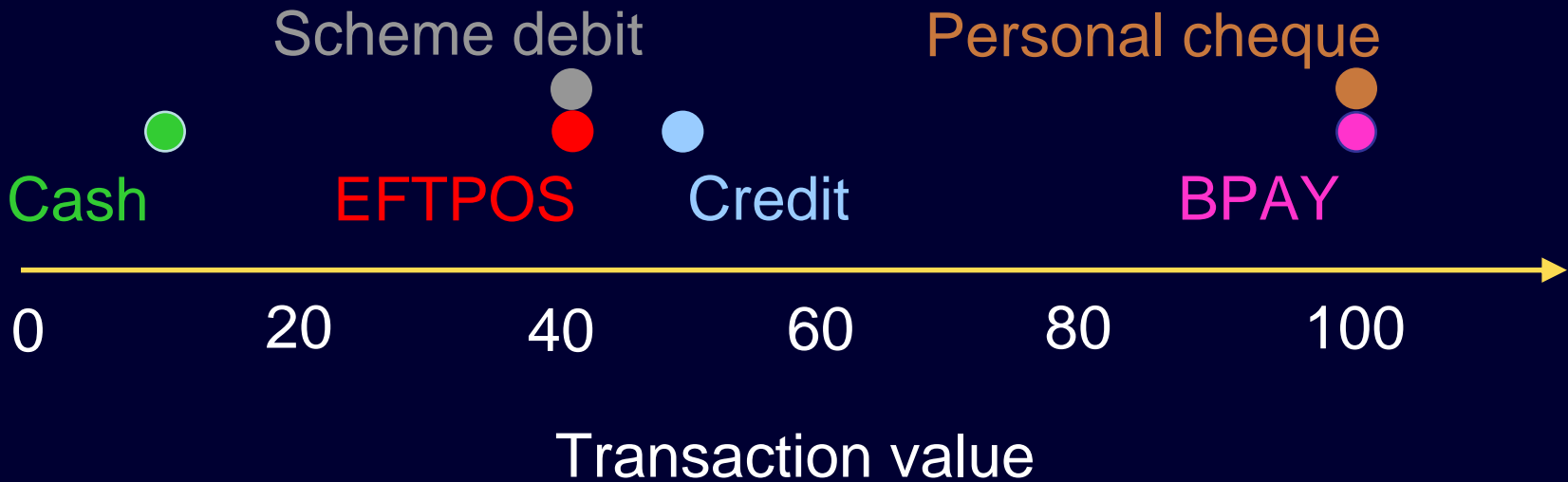


Use of Cash

Per cent of number of payments



Median Payment Values

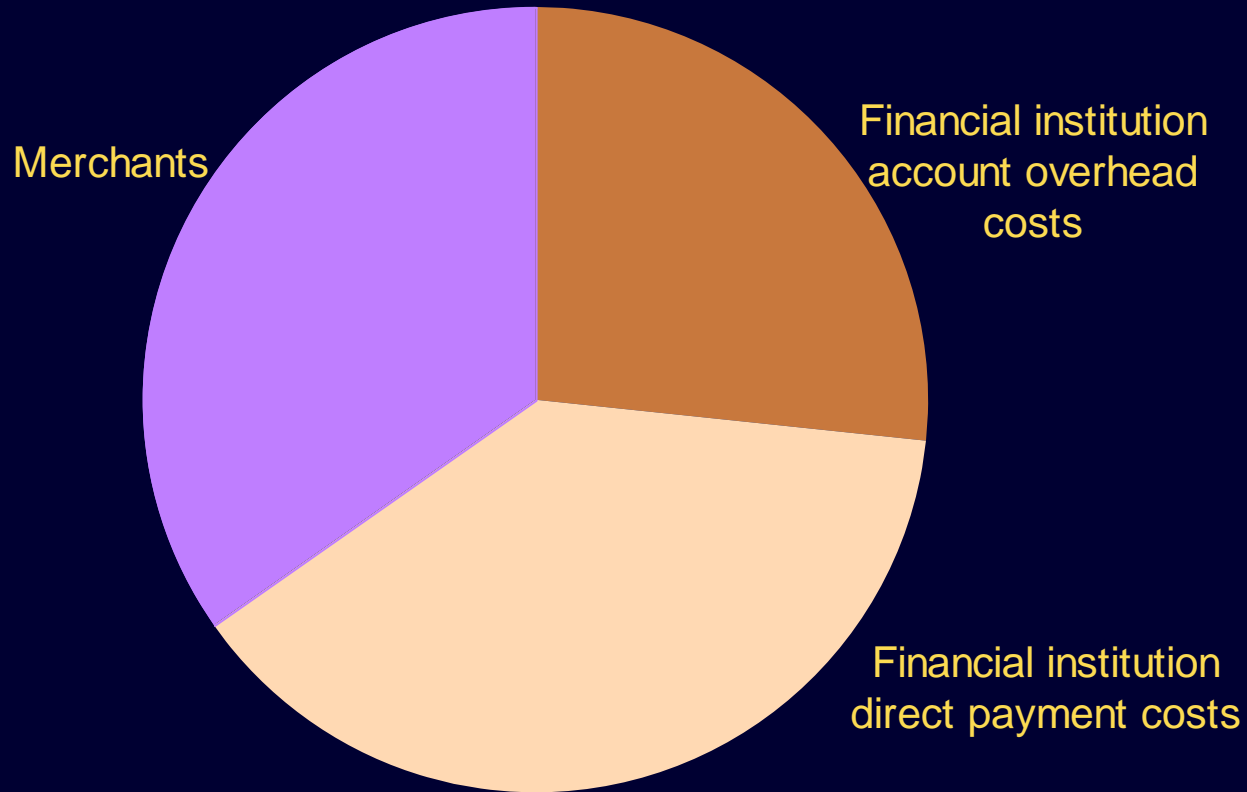


Cost of Payments

- ❑ Relevance to policy
- ❑ Joint study, 2000
- ❑ Updated study, 2006/07

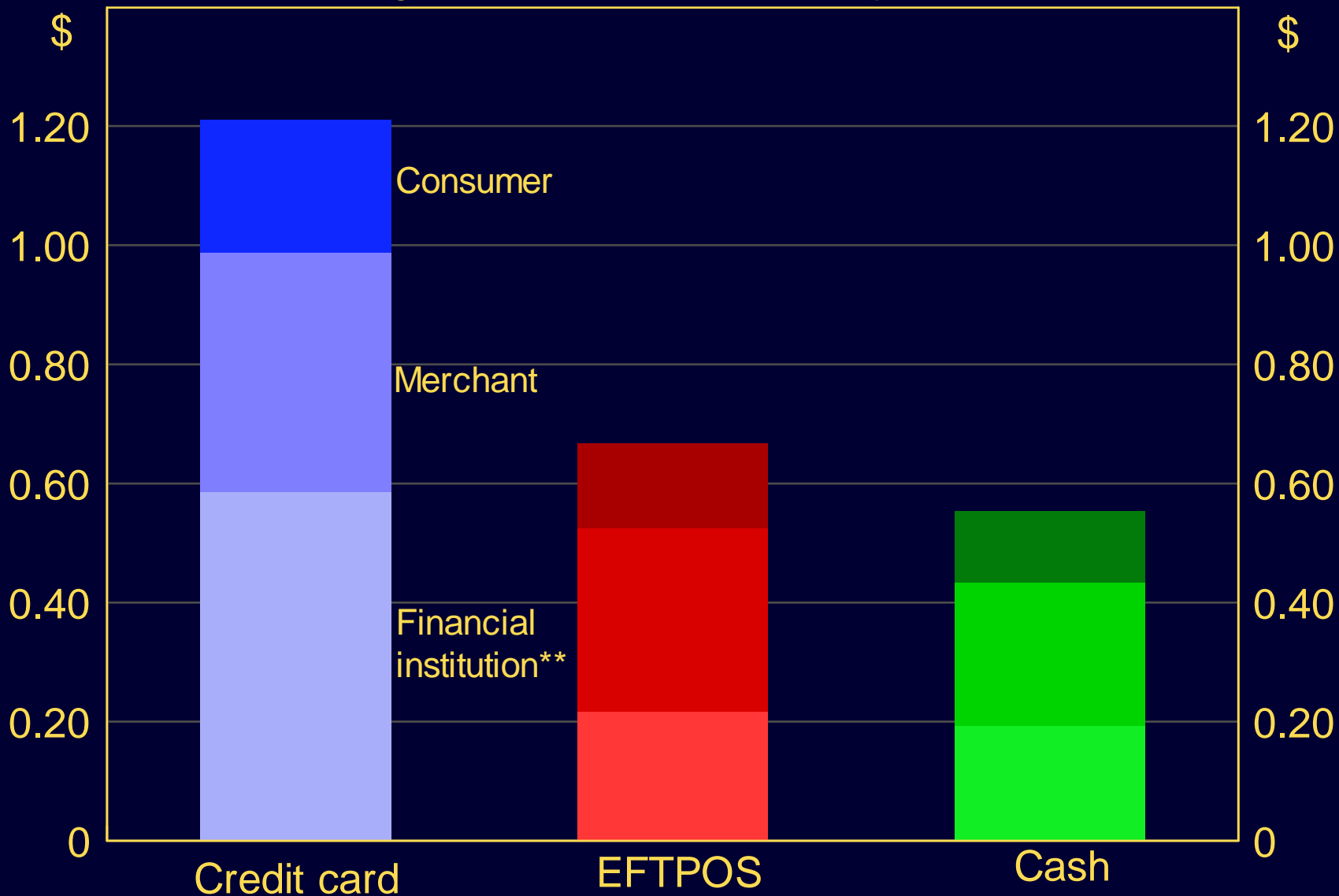
Aggregate Costs of Payments by Individuals

□ Around 0.8 per cent of GDP



Total Payment Costs*

Per average transaction for each payment method



* Resource costs excluding account overhead costs

** Including costs of currency production for cash

The Regulation Debate

- What is the market failure?
- Have the reforms met their objectives?
- Are there alternatives to interchange regulation by RBA?
 - removal of restrictions
 - self-regulation

Removal of Restrictions

- ❑ Surcharging increasing

Merchants Surcharging Credit Cards

Per cent of surveyed merchants



Source: East & Partners

Merchants Planning to Apply a Surcharge

Per cent of surveyed merchants



Source: East & Partners

Removal of Restrictions

- ❑ Surcharging increasing

BUT

- ❑ Surcharging difficult at point of sale

- ❑ Pressure on interchange fees still up

- ❑ Removal of further restrictions?

Self-regulation

- ❑ Nothing concrete yet
- ❑ Would schemes be part of it?
- ❑ Would it include 'self-regulation' of interchange fees?
- ❑ How to bind participants?
- ❑ How to include various stakeholders?

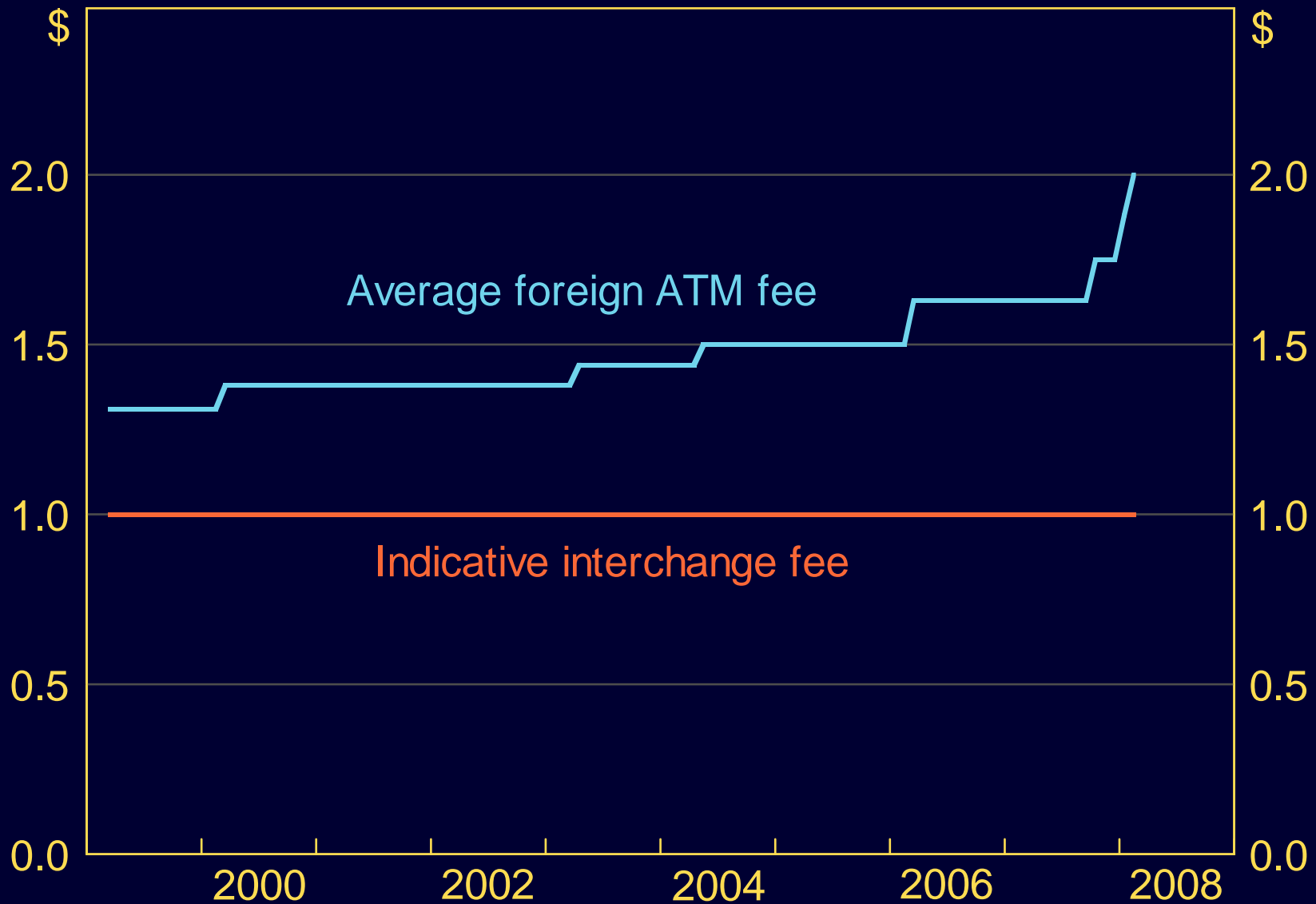
ATMs

- ❑ Process underway
- ❑ Board's preferred date October 2008
- ❑ Industry targeting March 2009

Potential Advantages of New System

- ❑ Competition between ATM operators
- ❑ Transparent pricing to consumers
- ❑ ATMs at more costly locations
- ❑ Foreign ATM fees disappear?

Foreign ATM Fee at Four Largest Banks*



*Simple average of foreign fees on main transaction account at each bank
Sources: Cannex; RBA calculations

