



Director – Payments Policy and Strategy Unit  
Financial System Division  
The Treasury  
Langton Crescent  
Parkes ACT 2600

Via email: [paymentsconsultation@treasury.gov.au](mailto:paymentsconsultation@treasury.gov.au)

To whom it may concern

Thank you for the opportunity to provide feedback to the consultation: *Strategic Plan for the Payments System*.

The NSW Small Business Commission (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The Commission's role includes:

- encouraging government agencies and larger businesses to enter productive working relationships with small businesses
- facilitating and encouraging the fair treatment of small businesses
- promoting a fair operating environment in which small businesses can flourish.

The Commission welcomes efforts to ensure the payments system is optimised to reduce small business transaction costs and to enable small businesses to compare the costs and benefits of various service providers more easily. This includes providing further education and promotion of least cost routing (LCR) to small businesses and extending a consumer data right (CDR) to merchant transaction data.

### **Reduce small business transaction costs through least cost routing**

The Commission supports reducing small business transaction costs through LCR. Unfortunately, small businesses continue to face barriers to reducing the cost of card acceptance. The Commission's July 2021 Small Business Survey revealed only 27 per cent of respondents indicated they have LCR in place, while 48 per cent had never heard of the term (see Appendix A, Q23b).

Overall the Commission observes that many small businesses do not deeply investigate their options and may be unaware of the alternatives. While some bank/terminal providers automatically provide LCR, merchant costs can vary depending on a business' circumstances and be difficult to navigate. Small businesses may also be unaware their provider does not have to be the same as the one used for general business banking, while others may benefit from non-price aspects of a provider's service offering.

This suggests further education and promotion is needed to boost awareness and uptake in addition to policy measures to promote competition, innovation and transparency. The Commission recently prepared guidance to provide tips to assist small businesses to get a better deal on card payment fees (see [Least cost routing and saving on card payment fees](#)).

The Commission notes future challenges may emerge if the prevalence of digital payments and single network debit cards make it more difficult for merchants to accept lower-cost alternatives. The Commission therefore supports ongoing monitoring and more interventionist measures should the RBA's stated expectations with regards to LCR and dual-network debit cards not be met.<sup>1</sup> In addition to setting industry expectations to ensure LCR is available and enabled, the Government could consider complementary actions to support the RBA's stated policy intentions, such as active engagement with card issuers and merchant services providers and ensuring the RBA possesses appropriate regulatory tools should uptake expectations not be met.

### **Expand CDR to card payments**

The Commission supports expanding the CDR to card payments to better facilitate small business decisions. The Commission endorsed extending the CDR to merchants in its submission to The Treasury's Payment Systems Review in February 2021.<sup>2</sup> An extended CDR would allow small businesses to compare the costs and benefits of various service providers more easily.

Small businesses are limited in terms of awareness of the payment system options that may be open to them and how these options compare in an assessment of key criteria. The Commission's July 2021 Survey revealed that 46 per cent of respondents had not reviewed whether their payment terminal provider was the best and/or cheapest one for their business (see Appendix A, Q23c). Only 18 per cent had compared options in the last 12 months.

Providing retailers with data about their own payment use, including volume of transactions by payment type, total fees charged and the average cost per transaction, would empower small businesses to more easily compare between acquirers.

Thank you for the opportunity to make a submission. If you require further information, please contact Megan Bennett at either [megan.bennett@smallbusiness.nsw.gov.au](mailto:megan.bennett@smallbusiness.nsw.gov.au) or (02) 9372 8767.

Yours sincerely

Chris Lamont  
**Commissioner**  
**NSW Small Business Commission**

Date: 06/02/23

---

<sup>1</sup> Reserve Bank of Australia (RBA) (2022). Least-cost Routing of Debit Card Transactions.  
<https://www.rba.gov.au/payments-and-infrastructure/debit-cards/least-cost-routing.html>

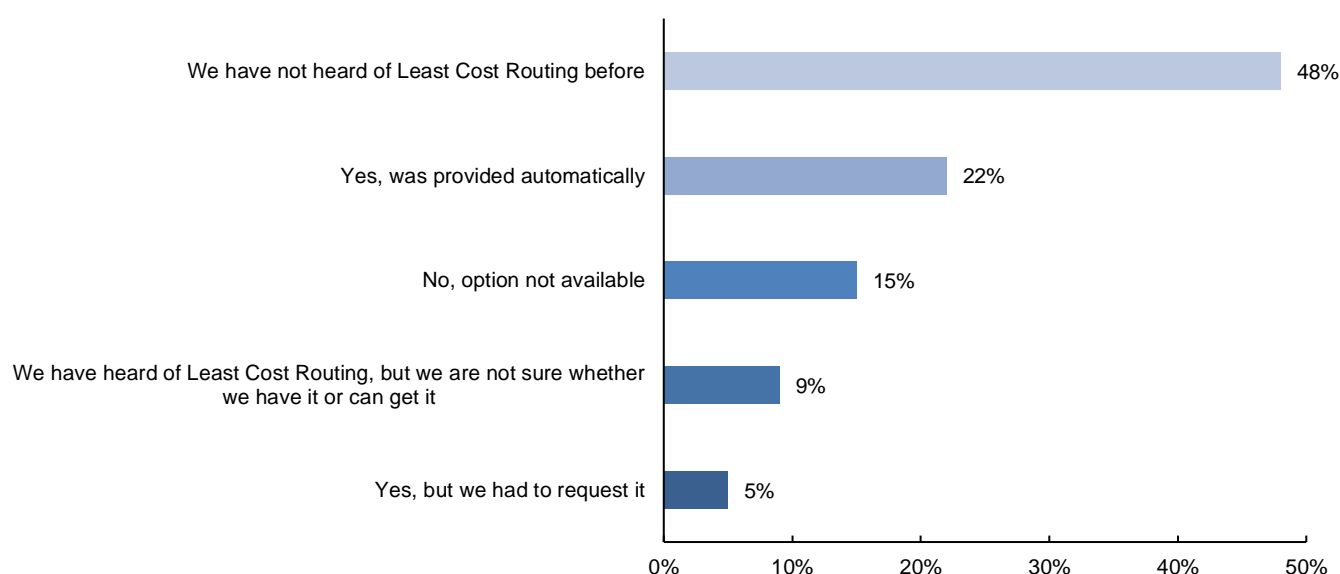
<sup>2</sup> NSW Small Business Commissioner (2021). Submission to Payment Systems Review.  
[https://www.smallbusiness.nsw.gov.au/sites/default/files/2021-02/NSWSBC%20Submission%20to%20Payment%20Systems%20Review%20CommonwealthTreasury\\_Feb2021.pdf](https://www.smallbusiness.nsw.gov.au/sites/default/files/2021-02/NSWSBC%20Submission%20to%20Payment%20Systems%20Review%20CommonwealthTreasury_Feb2021.pdf)

## Appendix A

Results from NSW Small Business Commission's July 2021 survey of small businesses

These respondents are those who previously indicated they accept payment from customers via a credit card/EFTPOS terminal.

**Q23b. Is your credit card/EFTPOS payment terminal(s) set up to use Least Cost Routing (where a Tap & Go payment automatically chooses the payment method with the lowest fees for your business)?**



**Q23c. When, if at all, did you last review whether your payment terminal provider was the best and/or cheapest one for your business?**

