



## Hospitality New Zealand

**TO ECONOMIC DEVELOPMENT, SCIENCE AND  
INNOVATION COMMITTEE**

**SUBMISSION ON**

**RETAIL PAYMENT SYSTEM BILL**

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### **About Hospitality New Zealand:**

1. Hospitality New Zealand (“Hospitality NZ”) is a member-led, not-for-profit organisation representing approximately 3,000 businesses, including cafés, restaurants, bars, nightclubs, commercial accommodation, country hotels and off-licences.
2. Hospitality NZ has a 119-year history of advocating on behalf of the hospitality and tourism sector and is led by Chief Executive Julie White. We have a team of seven Regional Managers located around the country, and a National Office in Wellington to service our members.
3. Hospitality NZ has a Board of Management, made up of elected members from across the sectors of the industry, and an Accommodation Advisory Council, made up of elected members from the accommodation sector.
4. We also have 18 local Branches covering the entire country, representing at a local level all those member businesses which are located within the region. Any current financial member of Hospitality NZ is automatically a member of the local Branch.
5. This submission relates to the Retail Payment System Bill.
6. Enquiries relating to this submission should be referred to Sam MacKinnon, Senior Policy Advisor, at [sam@hospitality.org.nz](mailto:sam@hospitality.org.nz) or 021 026 72441.

### **Overview:**

7. Hospitality New Zealand welcomes the opportunity to comment on Retail Payment Systems Bill.
8. Our membership consists primarily of small and medium businesses for both food and beverage and accommodation. For food and beverage, these businesses primarily conduct high-volume, low-value transactions. From a transactions’ perspective, hospitality operators are beholden to the fees and costs of card providers and have almost no control over the cards they accept, given consumers demand access to the functions of such cards.
9. Over a period of years consumers in New Zealand have been incentivised by banks and card schemes away from (mostly) free EFTPOS cards to credit and debit cards that have additional functions, or benefits, but that have much higher costs. The costs of these cards are invisible to the consumers and it is businesses that are forced to carry these costs.

10. Furthermore, while domestic EFTPOS has been free in New Zealand for several years, the charges levied on the merchant for contactless debit and credit card transactions have, in recent years, been 2-3 times higher on average than in markets like Australia and the UK. Interchange is one component of the merchant service fee charged to a hospitality operator by its bank, and a key difference between New Zealand and other markets is that there has, to date, been no regulation of interchange fees here in New Zealand.
11. COVID-19 has also resulted in a large increase in online or phone transactions, where payments are made without a card present. These services have an even higher merchant service fee due to the additional security measures that are provided to protect these transactions.
12. This signifies further changes in the way consumers behave, and is an indicator of the fast-moving environment in which these regulatory changes are being made. It is important that this work is as forward thinking as possible.
13. Overall, we strongly support the Bill. We support the proposed reduction in interchange fees, and better regulation on the retail payments system. However, we support Retail NZ's assertion that there are some ways the Bill can be strengthened to better support both the retail and hospitality sectors, further align the overall intent of the Bill and to head off some downstream impacts at the first opportunity.

### **Specific Comments:**

#### **Role of the Commerce Commission**

14. Hospitality NZ supports the functions designated to the Commerce Commission in Part 1 Clause 6 of the Bill.
15. The ability for the Commission to monitor competition and efficiency will ensure the retail payments system continues to operate coherently. Additionally, conducting inquiries into any matter relating the payments system, and producing reports that are publicly available will increase transparency for merchants.

#### **Interchange fees**

16. Schedule 1 Subpart 3 of the Retail Payments Bill outlines the initial pricing standard for each designated network.

17. As a sector it is encouraging to see lower caps on credit card and online debit interchange fees.
18. Strong incentives now exist for customers to transition from traditional EFTPOS towards new forms of contactless payment such as contactless debit i.e., Apple and Android Pay. This translates to a higher acceptance cost for the merchant per transaction. Merchants choose which payment method they accept based on the costs and benefits of doing so. Smaller businesses are likely to only accept EFTPOS due to tight margins, leaving them disproportionately affected if they choose to switch on contactless payments.
19. While we support the move to regulate interchange fees, we'd expect that over time these caps would be reviewed and subsequently lowered, as has occurred in markets like Australia and the UK.

#### **Foreign Issued and Commercial Cards**

20. Schedule 1 Subpart 3 of the Retail Payments Bill exempts commercial credit payments and foreign issued cards from being subject to new limits on interchange fees.
21. Currently, interchange fees for commercial cards sit somewhere around 2%, considerably higher than the capped rate for consumer cards. Commercial cards are often a significant element of smaller hospitality operator's cost structures.
22. Similarly, foreign issued cards have interchange fees set far higher than standard credit. This will disproportionately impact merchants who are reliant on tourists carrying foreign issued cards.
23. We recommend the Committee takes action to review limits on interchange fees for commercial and foreign issued cards.

#### **A comment on Buy Now Pay Later schemes**

24. Buy Now Pay Later (BNPL) systems have exploded in both availability and significance over recent years, and come at a much higher cost to the merchant.
25. BNPL schemes have recently become available for some hospitality venues in Australia. We note that while not currently available in New Zealand, it is conceivable that the likes of Afterpay may pursue expansion in the New Zealand market through hospitality venues.

26. As we saw with the sudden prevalence of Apple Pay and the like, and the changing nature of payment options for consumers that enabled banks to go back to charging vendors high interchange fees, the retail payments space moves much quicker than Government is able to. Therefore it is surprising that BNPL schemes are currently outside the scope of this Bill.
27. We are aware that MBIE is consulting at present, but given the overlap between the two areas, we endorse Retail NZ's sentiments, and believe that BNPL schemes must be considered in legislation intended to regulate retail payments systems.

**Conclusion:**

28. We thank the Economic Development, Science and Innovation Committee for the opportunity to provide input into the consultation.