



**Qantas Airways Limited Submission to
Credit card surcharges and non-transparent transaction fees: a study by the
Commonwealth Consumer Affairs Advisory Council**

Qantas takes its legal obligations very seriously. In implementing and administering its card payment fee Qantas has at all times complied with all applicable laws and in particular the Australian Consumer Law.

In all its price advertising and through all sales channels Qantas notifies consumers from the outset when a card payment fee applies. This appears on every page of our online booking process where fares can be selected and on every price advertisement. As stated in these disclosures, there is always an option to avoid paying a card payment fee.

Qantas has always offered fee-free payment options and ensured consumers are appropriately notified of fees where applicable.

In setting these fees, Qantas takes into account:

- The overall cost of accepting cards
- Compliance with applicable laws, including the Australian Consumer Law
- Ease of communicating fees to consumers
- Ease of applying the fees to the transaction total
- Availability and cost of technology required to deliver various options
- Contractual obligations
- Market forces

The overall cost of accepting cards is significantly more than the merchant service fees that are often quoted publicly, including by Choice. They include the cost of technology, equipment and services for payment processing, the cost of establishing necessary infrastructure, costs payable to other parties such as gateway or switching fees, fraud and fraud prevention costs and other security and compliance costs.

The RBA, in reviewing the Surcharging Standards, acknowledged that merchants incur such costs and are entitled to charge fees in relation to card acceptance. In addition, merchants are entitled to determine whether their surcharge is applied as a flat dollar or ad valorem amount and whether it is applied on a blended or differential basis. However, the effect of the revised standards on merchants who use blended surcharges is to limit the amount to the “reasonable cost of acceptance” of the lowest cost card.

Qantas regularly reviews its card payment fees. When all relevant costs are taken into account, Qantas does not recover more through surcharges than the overall costs we incur as a result of accepting card payments.

The revised RBA Surcharging Standards which came into effect on 18 March 2013 allow card schemes to introduce rules limiting merchant surcharging to the “reasonable cost of card acceptance”. This term is defined in detail by the RBA in its Guidance Note.

Since the release of the RBA’s Guidance Note Qantas has undertaken extensive work to align its card payment fee calculation methodology to the RBA model. In addition, Qantas has worked with its technology providers to introduce new functionality to add flexibility in the manner in which the card payment fees can be applied. Implementation of related changes will follow shortly.

Qantas does not support further attempts at price regulation. Businesses need to manage their costs and risks, subject to existing applicable laws. Existing laws are adequate to protect consumers.

Qantas Airways Limited
21 June 2013