



**Accommodation
Association
of Australia**

**Commonwealth Consumer Affairs Advisory Council –
Credit Card Surcharges Study**

**Submission of the
Accommodation Association of Australia**

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INTRODUCTION

1. The Accommodation Association of Australia welcomes the opportunity to provide input into the Commonwealth Consumer Affairs Advisory Council (CCAAC) study on and survey into credit card surcharges and non-transparent transaction fees.

ABOUT THE ACCOMMODATION ASSOCIATION

2. The Accommodation Association of Australia (the Accommodation Association) is the national industry body for the Australian accommodation industry.
3. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments in metropolitan, regional and rural Australia across all states and territories.
4. The Association's membership base includes almost 2000 properties and more than 110,000 guest rooms.
5. The Association's members include major hotel and motel chains, such as Accor Hotels, Hilton Hotels, Toga Hospitality, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, Best Western Australia and Quest Serviced Apartments.

THE ACCOMMODATION INDUSTRY – AN INTEGRAL PART OF TOURISM

6. Tourism directly contributes \$34.6 billion to Australia's gross domestic product (GDP), a 2.5 per cent share.¹
7. Tourism's total contribution to GDP (direct plus indirect contribution) is \$73.3 billion, a 5.2 per cent share of Australia's economy.²
8. There are 513,700 persons directly employed in the Australian tourism industry – 4.5 per cent of total employment.³
9. There are a further 393,400 persons indirectly employed in the Australian tourism industry.⁴
10. Along with education, tourism is Australia's leading services exporter.⁵
11. Tourism contributes \$23.7 billion or 8 per cent of Australia's total export earnings for all goods and services.⁶
12. Accommodation/food services provide 33.3 per cent of tourism's gross value added to the Australian economy, worth \$10.454 billion.⁷
13. There are 232,400 persons directly employed in the accommodation/food services sector of the Australian tourism industry and a further 12,000 are indirectly employed, meaning total employment in the Australian accommodation/food services sector is 244,400.⁸

¹ Tourism Industry Facts & Figures (at a glance), Department of Resources, Energy and Tourism/Tourism Research Australia, September 2012, Page 12

² Ibid, Page 15

³ Ibid, Page 13

⁴ Ibid, Page 19

⁵ Ibid, Page 14

⁶ Ibid, Page 14

⁷ Ibid, Page 18

14. There are 4241 tourism accommodation establishments in Australia.⁹
15. There are 226,555 tourism accommodation rooms in Australia and 636,001 bed spaces.¹⁰
16. Tourism's share of the Australian economy has been declining.
17. The number of domestic overnight trips since 2001 is down by 3.6 per cent.¹¹
18. The total number of domestic visitor nights since 2001 has fallen by 6.6 per cent.¹²
19. Tourism has a number of unique characteristics in comparison to other industries. These include:
 - It is highly labour intensive;
 - It requires the input of many service providers to contribute to the experience of the consumer;
 - It is dominated by a significant number of small businesses and has a high proportion of businesses which are located in regional and remote parts of Australia;
 - Tourism competes for the discretionary expenditure of consumers; and
 - Tourism businesses are facing rising taxation, employment and compliance costs.

SITUATION ANALYSIS

20. In July 2011, the Payments System Board conducted public consultation on potential modifications to the "no-surcharge standards" (the standards) that apply to credit card and debit card systems in Australia.
21. The Accommodation Association's position – through a formal submission – was that the standards should not be changed because tourism accommodation businesses do not impose excessive surcharges on customers who pay by credit card for goods and services provided by these businesses.
22. Despite this, following an initial round of consultation, the Payments System Board put forward three options for change.
23. In a supplementary submission, the Accommodation Association stated that if there is to be change, then the industry's preference was for Option 3 – to limit surcharges to a reasonable cost of acceptance of cards, with the minimum being the merchant service fee.
24. In such a scenario, the Accommodation Association also submitted that it would accept "reasonable cost" not being defined, apart from the minimum surcharge being the merchant service fee.
25. On 12 June 2012, it was announced that the Payments System Board had decided to vary the standards, with the changes taking effect from 1 January 2013.
26. The variation limited surcharges to the reasonable cost of card acceptance.

⁸ Ibid, Page 19

⁹ Ibid, Page 23

¹⁰ Ibid, Page 23

¹¹ Ibid, Page 38

¹² Ibid, Page 38

CREDIT CARD SURCHARGES IN THE ACCOMMODATION INDUSTRY

27. Australia's tourism accommodation businesses do not impose excessive surcharges on customers who pay by credit card for goods and services provided by these businesses.
28. Consistent with this, the Accommodation Association is not aware of any accommodation business in Australia which does not:
 - Comply with the standards which limit surcharges to the reasonable cost of card acceptance; and
 - Provide customers with adequate disclosure and transparency ahead of transactions and therefore, customers are well aware of the quantum of credit card surcharges, where such surcharges are levied.

CCAAC STUDY – PREMATURE

29. The Accommodation Association wishes to place on record its concern with the CCAAC being tasked to undertake a study on and survey into credit card surcharges at this time.
30. Notwithstanding that the accommodation industry is strongly committed to high levels of transparency through adequate provision of information about the level of credit card surcharges, the Accommodation Association questions why such activity is being conducted so soon after the variation to the standards took effect (1 January 2013).
31. Devoting time and resources into having input in this process so soon after this significant change seems an unnecessary regulatory burden and is inconsistent with the Federal Government's aim of reducing "red tape" for business.
32. Significantly, there has been little or no public policy attention on the issue of credit card surcharges since the new standards came into force.

CUSTOMER PAYMENTS IN THE ACCOMMODATION INDUSTRY

33. In 2013, the vast majority of customers of accommodation businesses in Australia pay for accommodation, food/beverages and other services provided by accommodation businesses by credit card or electronic funds transfer at point of sale (EFTPOS).
34. This means that any changes to the current payments system have the potential to have substantial cost ramifications for accommodation businesses.
35. Payment for goods and services provided by accommodation businesses can be made using alternatives to credit card.

SURCHARGE LEVELS IN AUSTRALIA'S ACCOMMODATION INDUSTRY

36. In the past seven years, businesses within Australia's accommodation industry have increasingly chosen to impose surcharges on customers who pay for goods and services using credit cards. There are some businesses within our industry that do not charge credit card surcharges.
37. For accommodation businesses that impose credit card surcharges, these surcharges take one of two forms:

- A fixed percentage of the payment amount; or
 - A fixed monetary fee.
38. The levels of surcharges are entirely at the discretion of individual businesses operating within the accommodation industry.
39. On behalf of the industry, the Accommodation Association rejects any suggestions that tourism accommodation businesses are using credit card surcharges purely as a means of raising extra revenue or “profiteering”.
40. The competitive nature of our industry means the practice of imposing credit card charges that represent significantly higher amounts than the costs of the business providing credit card services to customers is not sustainable from both a legal and business perspective. This contrasts with other sectors, e.g. taxis which have a payments system that is, effectively, a monopoly.

BLENDING OF SURCHARGES

41. Blending of surcharges or parity surcharging, where different credit cards are surcharged at the same rate despite difference in acceptance costs, takes place in some tourism accommodation businesses within Australia.
42. Tourism accommodation businesses which have this policy have taken into account a number of factors before choosing to have a flat surcharge for customers making payments using credit cards.
43. Such factors include, but are not limited to, business relationships between an accommodation business (merchant) and credit card companies, the fact that credit card transactions involve interaction with staff on a 24-hours-a-day/seven-days-a-week basis (these are the trading hours of many of Australia’s tourism accommodation businesses), the existence of different types of credit cards (premium cards, etc) and to minimise the expense of administration/red tape.
44. Blending of surcharges is a representation of market forces acting to reinforce healthy competition.

DISCLOSURE OF CREDIT CARD SURCHARGES IN THE ACCOMMODATION INDUSTRY

45. Accommodation businesses have a strong ongoing commitment to being open and transparent with customers about costs. This extends to room rates, food-and-beverage charges (where it is standard practice for customers to sign an acknowledgement of the charges they have incurred), incidental charges (such as internet access) or any other costs.
46. In line with this, accommodation businesses provide prominent and transparent disclosure of credit card surcharges to customers and potential customers.
47. There are many methods of disclosure within the industry, with the two major ones being:
- Signage at the point of sale; and
 - Staff seeking verbal permission from customers before charging them surcharges.

This reinforces the outstanding service culture that exists within Australia's accommodation businesses, a culture which is an integral part of the nation's tourism product and international reputation.

48. This is tangible evidence that our industry already has effective best practice measures in place to ensure adequate disclosure and transparency to consumers.

OBLIGATIONS OF MERCHANTS IN THE ACCOMMODATION INDUSTRY

49. There is intense competition among Australia's tourism accommodation businesses and the quality and quantity of businesses within the industry are such that if the costs, facilities, style and type of a particular accommodation establishment are not to the liking of the customer, then he or she invariably chooses to stay at a competitor hotel, resort, motel, motor inn, serviced/holiday apartment, bed and breakfast, guesthouse, backpacker or time-share.
50. The highly competitive nature of the industry means that the imposition of additional costs on consumers – such as credit card surcharges – is a major decision for an accommodation business.
51. Similarly, the level of such costs is determined only once a number of factors are taken into consideration, notably cost recovery. Therefore, there is a strong element of self-regulation around fees and charges, including credit card surcharges, in Australia's accommodation industry.
52. In the rare event that a customer at an accommodation business has concerns about disclosure/transparency relating to credit card surcharges, the customer has a number of methods to ensure his or her grievance is heard and acted upon. These include:
- Making a direct complaint to the business concerned;
 - Lodging a complaint with relevant consumer advocacy organisations;
 - Lodging a complaint with relevant government departments and agencies; and
 - Posting information on online industry forums about the nature of the complaint.

In addition, media interest in the issue of credit card surcharging is always high, meaning an environment exists where there is an extremely high level of accountability in the accommodation industry on this issue.

CONCLUSION

53. The Association looks forward to further engagement with the CCAAC on this important issue and would be pleased to arrange a site visit of a tourism accommodation business if it would give the Council greater insights into the practical applications of the current surcharging regime.

Date: 4 July 2013