

20 January 2016

Competition and Consumer Policy  
Building, Resources and Markets  
Ministry of Business, Innovation & Employment  
PO Box 1473  
Wellington

**Re: Submission on Retail Payment Systems consultation**

Hospitality NZ welcomes the opportunity to support Retail NZ on their submission commenting on Retail Payment systems consultation. Through the extensive work Retail NZ (RNZ) has completed on this issue and with consultation with our own members we support the submission submitted by RNZ.

Further to the support of RNZ, Hospitality NZ would like to outline some important factors to our own industry and some of the costs incurred.

The Hospitality Association is a statutory body created by the Hotel Association of New Zealand Act 1969. The Association has been restructured from the Hotel Association to reflect the breadth of diverse operations in the sector including restaurants, café bars, taverns, country hotels, motor inns, off-licensed premises and large accommodation units. We believe the name "Hospitality New Zealand" reflects this diversity.

Through membership servicing of approximately 3,000 members throughout New Zealand, Hospitality New Zealand is able to gauge the views and experiences of a wide variety of New Zealand hospitality businesses.

Membership of Hospitality New Zealand is voluntary, is primarily funded by member subscriptions and comprises predominantly small businesses. There is also a perception that Hospitality New Zealand, through its advocacy, speaks for and represents the interests of the hospitality industry as a whole.

1. The majority of Hospitality businesses are small to medium enterprises who are regularly charged a premium rate for the interchange fees compared to that of larger commercial enterprises. The introduction of greater regulation and transparency of how their fees are calculated will assist in reducing the costs of running a business for what is the majority of the New Zealand business community.
2. As an industry we understand the desire for lower levels of government administration and its impacts on business. We also see this issue as causing substantial financial burden on our members and desire greater transparency and ability for our members to understand the true costs posed to them.
3. We want to specifically note that we agree with MBIE's view that card payment systems are inefficient as discussed in Issue 1: Economic inefficiency in the credit

card market as part of the consultancy paper. Also Issue 2: Increased prices for all consumers, with only higher-income consumers benefiting from rewards. We believe that there's a regressive wealth transfer from less well-off kiwis (who tend not to access high rewards cards) to better well-off kiwis (who do).

4. As an industry Hospitality relies heavily on card payments. Last December was the first time that there was over \$1 Billion in transactions for the Hospitality industry. This comes as part of a total of \$10.93 Billion spent via cards in our sector in 2016.
5. While only 46% of total card spend in NZ last year (\$37.3 Billion of a total \$79.6 Billion) was on credit cards, the remainder (\$42.2 Billion) from debit cards, is increasingly being used through contactless payments which in most instances incur similar fees to that of credit cards.
6. One area of concern as discussed in Issue 4 is the restrictive nature of the current system for new 'disruptive' technologies to enter the market without the advantages afforded to larger credit and debit schemes who can include reward systems partially funded through service fees of card functions charged to retailers. With ease of payment being a priority for businesses as well as being able to offer a greater range of services to customers. The high barriers to entry for a new product may harm the potential increase in spend seen with the increased range of payment methods.
7. While the industry see's the introduction of new technologies as a positive step and understands the need to pay for these services, the ability to negotiate a reasonable and fair price for a small to medium business is difficult especially if there is no benchmark or transparency from the supplier as to the actual cost.

**Recommendation: In the first instance a regulatory body is formed to address the issues around inefficiency and competition. We would envision a spectrum of policy tools to address the policy issues arising from the operation of the payments card system.**

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dylan Firth', with a long horizontal stroke extending to the right.

Dylan Firth  
Advocacy and Policy Manager