

Submission Response: Costs to businesses and consumers of card payments in Aotearoa New Zealand: Consultation Paper

From: Abhishek Sharma <[REDACTED]>

Sent: Tuesday, July 23, 2024 2:45 PM

To: Retail Payment System <PaymentsTeam@comcom.govt.nz>

Cc: Holly Cushen <[REDACTED]>

Subject: Fwd: Commerce Commission media release - ComCom sees potential for over \$250m reduction in payment fees for New Zealanders

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Hi,

It is a good review.

I would suggest a case study from India as they had a similar issue and brought UPI payment as a local proprietary tool to kill visas and master cards.

It is an easy UPI that works on stores and online.

[UPI: Unified Payments Interface - Instant Mobile Payments | NPCI](#)

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From: Commerce Commission <media@comms.comcom.govt.nz>

Date: Tue, Jul 23, 2024 at 8:29 AM

Subject: Commerce Commission media release - ComCom sees potential for over \$250m reduction in payment fees for New Zealanders

To: <[REDACTED]>

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Media release

Issued 23 July 2024

ComCom sees potential for over \$250m reduction in payment fees for New Zealanders

The Commerce Commission is consulting on the potential to reduce hundreds of millions of dollars a year in costs to New Zealanders using the Mastercard and Visa payment networks – affecting nearly all consumers and businesses.

This is part of the Commission’s responsibility to promote competition and efficiency within the retail payment system – the most used financial service in Aotearoa New Zealand.

Commission Chair, John Small, says consumers spend approximately \$95 billion using Mastercard and Visa each year in New Zealand which costs businesses – and ultimately consumers through higher retail prices and surcharges – around \$1 billion annually.

“We think this cost is too high, especially when compared to our international peers, and see the potential to reduce these fees by more than \$250 million per annum,” says Dr Small.

When someone uses a Mastercard or Visa card without inserting it in a terminal, the business receiving the payment is charged a ‘merchant service fee’.

“We see the opportunity to reduce a significant component of the merchant service fee, which should in turn allow businesses to reduce retail prices as well as surcharges, for the benefit of their customers.”

Dr Small says the Commission also believes these fees are unnecessarily complex which could be increasing the surcharges consumers face.

“Reducing and simplifying these fees could reduce surcharges or even remove the need for surcharging altogether in some cases. This would also make it easier for consumers, the Commission and industry to identify where surcharges are excessive. Surcharges should only reflect the costs of accepting these card payments and we are exploring changes to fees which could see surcharges reduced to 0.7% or less.”

He says this consultation also asks questions about other issues the Commission considers may require attention such as a lack of innovation and pace, which may be barriers to new and more secure payment options made possible through open banking.

“Our focus is on the greatest benefit to consumers and merchants, and we see scope to both reduce fees and increase choice for the long-term benefit of New Zealand consumers and businesses.”

The Commission is seeking views on the issues covered in the paper which affect nearly all businesses – large and small – and consumers, to inform its next steps by 4pm on 20 August 2024. The paper can be found [here](#). Feedback can be provided via

this [form](#) which is tailored to consumers and merchants. Alternatively responses can be submitted to retailpaymentsystem@comcom.govt.nz using the submission template found [here](#).

Media contact

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Commission media releases can be viewed at: <https://comcom.govt.nz/news-and-media/media-releases>

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Regards//
Abhishek Sharma

[REDACTED]