



**Small Business
Development Corporation**

Our ref: D23/794

Director - Payments Policy and Strategy Unit
Financial System Division
The Treasury
Langton Cres
PARKES ACT 2600
Email: paymentsconsultation@treasury.gov.au

Dear Director

A STRATEGIC PLAN FOR THE PAYMENTS SYSTEM – CONSULTATION PAPER

I am writing to offer support from the Small Business Development Corporation (**SBDC**) for payments system reform including the development of a Strategic Plan for the future of Australia's payments system (**the Strategic Plan**).

As Small Business Commissioner of Western Australia, I recognise the critical nature of Australia's payments system to the economy, enabling everyday commerce between consumers, business and government and allowing even the smallest business to participate in the global marketplace.

Cashflow has long been identified as one of the most significant issues and barriers to growth for Australian small businesses. An efficient, effective payments system that enables choice for small businesses to ensure they have access to lowest cost options for their everyday business transactions is essential to maintaining a healthy cashflow.

According to [SmartCompany](#), many Australian retailers pay a premium when they process card payments, potentially missing out on cheaper transaction options every time customers tap-and-go or use a digital wallet. I understand that some merchants charge up to four times as much as a transaction processed via EFTPOS and while these fees may be small per transaction they can add up to a significant portion of small business revenue and affect cash flow unnecessarily.

Least-cost routing (**LCR**) will give business owners the power to choose which payment network will handle tap-and-go card payments, placing the business in control of the fees and/or charges.

The Australian Small Business and Family Enterprise Ombudsman (**ASBFEO**) has been advocating for LCR as the default, ensuring terminals automatically funnel payments through the lowest-cost network, which is a position the SBDC strongly supports.

Whilst it is positive to see small business transaction costs and LCR included as a supporting initiative in the consultation paper (i.e. *'Reduce small business transaction costs, by supporting the availability of least-cost routing'*), I believe more is required to fast track the availability and enablement of LCR especially for mobile digital wallet transactions that aren't expected to be made available until the end of 2024.

Lack of automation is still inflating merchant costs and stronger government intervention may be required to ensure small businesses aren't paying unnecessary fees and charges in years to come.

Other aspects of importance to small business contained in the consultation paper include cyber security and promoting competition.

Cyber security is an increasing threat to small businesses who often don't have adequate time or resources to dedicate to this matter. Ensuring a safe, secure and resilient system is crucial to the effective functioning of the Australian economy and provides an essential service to customers, business and government.

Facilitation of greater access to payment systems will support greater competition between, and innovation from, payment service providers ensuring small business customers have greater choice and receive value for money.

The SBDC welcomes the consultation process and I look forward to the release of the Strategic Plan.

Yours sincerely



 David Eaton
SMALL BUSINESS COMMISSIONER

6 February 2023