



QANTAS AND VIRGIN SAY CREDIT CARD SURCHARGES DON'T RECOVER FULL COST OF PROCESSING PAYMENTS

News / Airlines



Consumers are not the only ones being stung with paying by **credit card**, with Australia's two major carriers telling a Senate committee their **surcharges** and booking fees **recover** less than the reasonable the cost of **processing** credit card **payments**.

Qantas group executive for government and international affairs Andrew Parker said credit and debit card processing costs were "material" and went beyond merchant service fees, covering fraud prevention, equipment, infrastructure and people costs in addition to "substantial investments" in developing technologies.

"Overall, Qantas recovers less than its total of card acceptance through card surcharges," Parker told the Senate Economics References committee in Canberra on Monday.

"In fact in 2014/15 our analysis has shown and I am happy to share with the Senate today, Qantas recovered 81 per cent of its reasonable cost of card acceptance as defined by the RBA's guidance note.

"Unfortunately this point is consistently ignored by Choice and other voices."

Parker said about 10 per cent of Qantas passengers and one-third of Jetstar passengers paid for

their flights via a free-free payment option. Further, the lowest Jetstar fares had the highest number of fee-free payments.

Also, the cost of processing credit card payments varied between card types. While the often quoted figure is that merchant processing fees were about 0.81 per cent for Visa and Mastercard, Qantas head of sales and commercial planning David Orszaczky said the airline paid “significantly more than that”.

“We believe that the average across the market of 0.81 is heavily weighed down by a number of large retailers, particularly the large grocery chains who would be paying well below the average figure,” Orszaczky said.

“In Qantas’s case, the average merchant service fee that we pay is a factor of the mix of the different types of cards that are used.

“The vast majority of cards that Qantas would accept for Visa and Mastercard are not standard cards attracting the lowest level of fees but they are at the higher end of the fees that are passed on by Visa and Mastercard.”

Virgin general counsel and group executive for corporate risk Adam Thatcher had a similar story for the Committee, saying its booking and service fee was not a credit or debit card surcharge but instead covered a broad range of costs related to the booking process such as the merchant service fee, fraud protection and IT infrastructure.

Also, like Qantas, Virgin incurred higher costs for processing credit and debit card payments than other merchants.

Thatcher said the airline negotiated the rate of the merchant processing fee “as hard as we can” with the banks. However, the airline had “very little control over them”.

“It is a significant number of millions of dollars that we are out of pocket by,” Thatcher said.

“These costs exceed the revenue collected by the fee by a material amount.

“There are significant costs to processing credit card payments.”

Prime Minister Malcolm Turnbull said in October the government planned to limit the cost of credit and debit card surcharges to the cost of processing those transactions from July 2016.

Summary of credit card booking fees for Australian carriers

Virgin Australia

\$7.70 per person per domestic booking

\$10 per person per short-haul international booking

\$30 per person per long-haul international booking

Jetstar

\$8.50 per passenger per domestic flight

\$8.50-\$12.50 per passenger per international flight

Tigerair Australia

\$8.50 per person per domestic flight

\$12.50 per person per international flight

Qantas

\$7 per person per domestic or trans-Tasman booking

\$30 per person per international booking

All airlines also offer at least one fee-free payment option such as POLI or direct debit

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