

10 October 2025

Retail Payments System Amendment Bill Consultation
Finance and Expenditure Committee
Parliament Buildings
WELLINGTON

By email: fe@parliament.govt.nz

Retail Payment System (Ban on Merchant Surcharges) Amendment Bill - TIA Submission

Tourism Industry Aotearoa (TIA) welcomes the opportunity to submit on the Retail Payment System (Ban on Merchant Surcharges) Amendment Bill (the Bill). Ideally, we would have preferred to provide our feedback on this matter prior to the legislative process.

Tourism Industry Aotearoa

TIA is the peak body for the tourism industry in Aotearoa New Zealand. With around 1,200 member businesses, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure activities, attractions, retail, airports and airlines, transport, as well as related-tourism services.

TIA is sharply focused on ensuring the balanced growth of tourism and this is articulated in our key guiding documents and programmes. This includes the tourism industry's strategic framework, *Tourism 2050 – A Blueprint for Impact, He Pae Tukutuku, with the Vision of 'Enriching Aotearoa New Zealand through a flourishing tourism ecosystem'*.¹

One way that TIA advances the Tourism 2050 strategy is by working with Government and other stakeholders to ensure the policies and settings established work for tourism and for our members. This is important because we find that many policy initiatives that touch on tourism do not consider the nature of the tourism industry and its needs. When this occurs, TIA is always prepared to work collaboratively to ensure optimal outcomes, including for our members.

Government Growth Agenda

Earlier in 2025, the Government established its 'Going for Growth' agenda in order to lift living standards and stimulate faster economic growth. TIA supports this agenda and recognises that tourism, as our #2 export industry and with capacity to quickly grow, has a vital role to play in driving growth across the wider economy.

As such, TIA welcomed the June 2025 launch of the Tourism Growth Roadmap² by the Hon. Louise Upston, the Minister of Tourism and Hospitality, to grow the tourism industry, with the target to double the value of tourism exports by 2034. To drive this growth, initial effort is being placed on marketing New Zealand as a visitor destination, while seven workstreams are advanced to ensure the supply-side of the industry has the quality and capacity to grow.

¹ <https://www.tia.org.nz/tourism-2050/>

² <https://www.mbie.govt.nz/immigration-and-tourism/tourism/tourism-growth-roadmap>

Tourism Industry

Tourism is a major part of the New Zealand economy. It makes up 7.5% of GDP, 10.7% of employment and 17.2% of exports. Total visitor expenditure in the year to March 2024 was \$44.4b, comprising \$17b of international tourism and \$27.5b of domestic tourism. Government receives an average of \$542 of GST income from each of our international visitors. Tourism directly and indirectly employs 303,420 people.³

At one fifth of our export economy and one in ten jobs, tourism matters, and the systems we set up to support and enable tourism matter equally.

Tourism is also an industry of small and medium businesses. The exact number of businesses is, however, hard to establish given that tourism is defined by the customer and where they come from. As such, the tourism businesses span many other sectors. Stat NZ's Tourism Satellite Account does not define the number of tourism businesses, but it does identify that there were 23,697 working proprietors in tourism in the year to March 2024, reflecting the pervasiveness of tourism-related enterprises in our country.

Member Feedback

TIA has assessed the Bill from the perspective of our member businesses and from the visitors themselves. While we see the removal of surcharges as reducing friction at the point of a payment transaction, the removal of the ability to charge a surcharge to cover costs will create financial pressure on businesses. This is especially so for businesses that, due to the nature of their product or service, may be operating in a competitive market on narrow margins with limited ability to absorb the cost or adjust their prices.

TIA surveyed its members on the impact of the prohibition of surcharges:

- 54.3% said there would be a big impact
- 20.3% said there would be a small impact
- 25.4% said there would be no impact.

Comments received ranged from those that did not see a surcharge being the right approach to those who need to cover the payment system charges. Other comments included the need to address the level of the payment system charges, including '*...the government needs to address the fees charged by the banks,*' or '*...the government should be targeting banks, not small businesses.*'

Overall, the feedback reflected that operators are grappling with the payment charges and the best way for them to approach them. Notably, three quarters of respondents said that they would be negatively impacted by the prohibition of surcharges.

Key Submission Points

TIA submits that the Committee consider the following key points:

1. **Net impact of interchange fees and loss of surcharge.** TIA has examined the available data from the Commerce Commission of the overall interchange revenue and the surcharge revenues. From this, we are not convinced that the lowering of the interchange caps from early next year will sufficiently counterbalance the loss of ability to apply a surcharge. This means that **businesses currently applying a surcharge will be worse off once these changes have been made.** This means that the lower interchange caps that come into effect next year will not make much difference to these businesses.⁴

³ Stats NZ, Tourism Satellite Account, Year-ended March 2024.

⁴ Feedback from members cite information received from BNZ. One said they would save around \$134 per year compared the many thousands of merchant payment charges they will be required to pay. Another cited savings of \$974 from merchant payment charges in excess of \$35k.

2. **Difficult options for small businesses.** The implication of the loss of ability to apply a surcharge, is that tourism businesses will either have to 1) absorb the costs, or 2) adjust their pricing. Both are problematic for businesses that operate on lean margins and/or have product pricing that have threshold issues (e.g. \$499) or which needs to be set well ahead of consumption (e.g. tourism package pricing is typically set years ahead). TIA is concerned that in these circumstances, the loss of the surcharge will further squeeze the profitability or viability of businesses, especially when considered in relation to the other cost increases face by these businesses. The cumulative costs must always be considered when assessing the impact of a new policy or service charge.
3. **Businesses bearing the cost, not the banks.** The Commerce Commission is lowering interchange caps from early next year, and we note that the levels agreed are lower than initially proposed, with input from banks indicated as a reason for this. We are also mindful that New Zealand's interchange fees are twice that of Europe, for instance. Also, the regulated interchange fees are 60% of the merchant payment charges, meaning the other 40% of the charge is not regulated. Given that most businesses are 'price takers' of the charges from banks⁵, we are very concerned that bank charges will continue to remain high without justification or transparency around the real costs of providing the service.
4. **Limited benefit for consumers.** While the stated goal of the Bill is to reduce cost pressures on consumers, TIA does not see how this will be achieved if the businesses are forced to build the retail payment charges into the price of their service (or get out of business altogether). However, we do support the removal of 'friction' from the payment process, but we consider that the cost of achieving this should be more evenly shared between the banks and the businesses paying the merchant services fees.

Conclusion

TIA is concerned that the overall approach to regulating merchant payment charges, including the caps established by the Commerce Commission and the Bill under consideration to prohibit surcharges, places the onus on businesses. This is particularly so for the type of business models that currently warrants the use of surcharges, which includes many aspects of the tourism industry.

The outcome will be an additional cost pressure on businesses that they must either absorb or pass on via higher prices, and we are concerned that this may impact the viability of some businesses if surcharges are prohibited.

TIA considers that the prohibition on surcharges will impact tourism businesses, with 75% of TIA member respondents citing that they will be impacted, with this being a 'big impact' for 54%. On the other hand, there are benefits from steps to remove friction from the retail process that will improve the customer experience.

TIA supports a balanced approach where the merchant payment charges are sufficiently reduced so that the need for surcharges is removed. We believe that the level of the charges and the prohibition of surcharges needs to be addressed at the same time, and that the steps taken by the Commerce Commission are insufficient to achieve this.

Based on the perspectives set out in this submission, TIA does not support the decision to prohibit merchant surcharging.

⁵ Commerce Commission, Retail Payment System, 17 July 2025

Next Steps

We would be very pleased to support this submission with further information and request the opportunity to make an oral submission to the Committee. If so, please contact Bruce Bassett, Chief Advisor, 021 609 674 or bruce.bassett@tia.org.nz.

Many thanks for your consideration of this submission.

Ngā mihi,

A handwritten signature in blue ink, appearing to read 'R Ingram', followed by a period.

Rebecca Ingram
Chief Executive