

10 July 2024

File Ref: IRC-6232

Tēnā koe [REDACTED]

Thank you for your email of 26 March 2024 to Wellington City Council (the Council) requesting the following information:

- *All correspondence and reports informing the Council's decision to reduce payWave fees*
- *And how much it has gathered in payWave changes in the past five years vs how much it has cost in processing the transactions?*

Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA). Each of your points is addressed below.

Recently the Council retendered the contract for the provision of the on-street parking system in Wellington, and a change of merchant services provider occurred. Having a new merchant services provider has provided the opportunity for Council to renegotiate the fees that are charged to the council each time a customer uses a bank card to pay for an on-street parking session. This work was informed by Commerce Commission guidelines that were recently issued to retailers that apply a surcharge for processing a transaction through the banking system, while ensuring that the Council is not making any undue profit from the surcharge.

The review resulted in a reduction in the surcharge for payWave payments made at the Council's parking meters from 50 cents to 30 cents per transaction, and a new 30 cents surcharge has been introduced for users of the Tory Street and Clifton Terrace parking buildings. The PayMyPark app transaction fee for casual use has also reduced from 50 cents to 30 cents. App account holders will continue to pay a percentage-based transaction fee when topping up their account.

This parking surcharge covers the transaction and merchant fees that Council is charged by its merchant service providers when a customer uses a debit or credit card to make a payment. The Council does not retain this transaction fee. It pays for merchant service fees, payment service provider fees, supplier payment facilitation fees and GST.

Going forward, the Council will regularly review its parking payWave surcharge, which is set based on user data to ensure that it recoups costs fairly without making an undue profit.

Your request for all correspondence and reports informing the Council's decision to reduce payWave fees is provided with this response. Please note that some information has been withheld under the following sections of the Act:

- Section 7(2)(a) – to protect the privacy of natural persons
- Section 7(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
- Section 7(2)(f)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority in the course of their duty
- Section 7(2)(g) – to maintain legal professional privilege

As per section 7(1) of the LGOIMA, I do not consider that in the circumstances of this response, the withholding of this information is outweighed by the other considerations which render it desirable to in the public interest to make the information available.

You have asked how much money has been obtained by Wellington City Council in payWave charges in the past five years compared with processing costs. Our information is not in the format that enables five years' data to be collated easily, and so this part of your request is refused under section 17(f) of the Act, on the grounds that the information cannot be made available without substantial manual collation.

You have the right, by way of complaint under section 28(1) of the LGOIMA, to request an investigation and review of the Council's decision by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Nāku noa, nā

Susan Sales
Senior Advisor Official Information
Official Information team

From: Mel Goodger
Sent: Tuesday, 15 August 2023 9:20 am
To: Karina Young; Kevin Black
Cc: Eugene Kwa
Subject: RE: Commerce Commission: Appropriate payment surcharging

Follow Up Flag: Follow up
Flag Status: Completed

Kia ora Karina,

We have x2 types of new parking meters.

-Micro Meter x260 which accept paywave only
-Universal Meter x140 which accept paywave and cash.

The PayMyPark app has x2 options -casual users and account users. Casual users pay by credit/debit every time and there is a transaction fee (currently 50c)
Account users top up their account (So generally higher transaction value -3g \$20, \$40, \$50, \$100, \$200) and they can do that via credit/debit or account2account.

Hope this is helpful.

Ngā mihi
Melanie Goodger
Parking Services

From: Karina Young <Karina.Young@wcc.govt.nz>
Sent: Monday, 14 August 2023 11:22 pm
To: Kevin Black <Kevin.Black@wcc.govt.nz>; Mel Goodger <Melanie.Goodger@wcc.govt.nz>
Cc: Eugene Kwa <Eugene.Kwa@wcc.govt.nz>
Subject: Commerce Commission: Appropriate payment surcharging

Hi all,

As part of the recent surcharging review work that the Commerce Commission recently kicked off they also released the below publications to Merchants (us) about what fees make up an appropriate surcharge.

[Retail-Payment-System-Appropriate-payment-surcharging-explained-July-2023.pdf \(comcom.govt.nz\)](#)


This advice effectively addresses what we were discussing around the metric charge.

Also do the new machines accept any other forms of payment, other than contactless card? Eg cash or eftpos?
Via the PaymyPark app is there an account2account option so customers can top up their account without paying a surcharge?

Ngā mihi,
Karina

Karina Young

Financial Controller | Finance and Business | Wellington City Council

E Karina.young@wcc.govt.nz P s 7(2)(a) W Wellington.govt.nz 

Appropriate payment surcharging explained

Accepting different payment methods can impose different costs on you as a merchant. A surcharge is an extra fee charged to recoup any additional cost from your customers where they choose to use a way to pay that is more expensive for you to provide. This note explains how you can surcharge appropriately.

Fees that make up appropriate surcharges



What is a merchant service fee?

The merchant service fee is the fee you pay to your acquirer (also known as a payment service provider) for accepting certain means of payment. It varies from one payment service provider to another but many offer rates of 0.7% for contactless debit card transactions and 1.5% to 2% for domestic credit card transactions.

Other payment options such as international, commercial card payments and buy now, pay later are generally higher again.

You can check with your payment service provider if you are not sure of your merchant service fee rates and should make sure you are on a plan that works best for your business. If your

business has grown since you set up your merchant facility with your payment service provider, you may be able to obtain better merchant service fee rates.

There is no merchant service fee for cash, Eftpos or where a debit card is inserted or swiped through your terminal.

What costs might be included in a surcharge?

Appropriate surcharges should be no more than your additional cost for accepting that particular payment method or group of payment methods.

In most cases, this will be your merchant service fee for that payment method.

The associated cost of doing business and the operating costs required for all payment methods are generally not related to specific types of payments and are more the cost of doing business i.e. POS costs, staff costs, electricity costs. These costs should not be included in any surcharge.

Choosing to surcharge

Surcharging can allow you to recoup the costs of higher cost payment methods or help you avoid these costs where your customers respond by using lower cost options.

Surcharging is not going to be beneficial to all merchants in all circumstances.

When deciding if surcharging is best for your business, you may want to consider the:

1. additional cost of accepting the different payment options;
2. cost of surcharging – for example, it may take staff and consumers longer to process a payment;
3. impact on your customer experience – applying surcharges and the time taken may impact the speed of the transaction and the customer experience; and
4. impact on revenue – in some cases, you may lose customers or gain customers depending on the payments methods you adopt and any surcharges you apply.

Appropriately surcharging

To surcharge appropriately you must:

1. be transparent about the surcharge and the customer's options ahead of paying it;
2. provide your customers with at least one alternative payment method that does not incur a surcharge; and
3. set surcharges so they do not exceed the additional cost of accepting the retail payment that the surcharge applies to. In most cases, this is likely to be the merchant service fee for those payments.

Appropriate surcharges can be different for different types of payments (e.g. contactless debit vs. credit). Surcharges can also be the same for multiple payment options of a similar type (e.g. all those payments where you pay the same fee).

Where there is a single surcharge for payment methods that are of the same type, it is important that the surcharge considers the relevant revenue shares of each payment method and is not a simple average of the different costs. Please refer to the example of appropriate surcharging below.

Does there have to be a different surcharge for each payment method?

You can choose to surcharge different rates for different payment methods but may want to consider how complex this makes the customer and staff experience.

Is there a way to avoid surcharging my customers?

All merchants have the ability to recover the costs of payments directly through the price of the goods and services you sell, avoiding surcharges completely. However if you do surcharge, there should be at least one payment method which is not surcharged.

The methods will vary from one merchant to another:

- If you mostly accept in-person payments, the option should be Eftpos and debit cards that are inserted and swiped as they do not incur any transaction specific costs for you.
- If you are online only, or your customers purchase predominantly online, this will depend heavily on the type of transaction. For example, with time dependent transactions, some card based payments may be the lowest cost to your business whereas with non-time dependent transactions (such as regular bill payments) an internet banking payment may be the lowest cost method.
- You should contact your payment service provider to help determine your lowest cost option and if there is an alternative available to you and your customers when implementing surcharges.

What does it mean for a surcharge to be transparent?

Surcharges must be clearly displayed, for example, by adding information to your website where your customers pay online or for in person payments, placing a sign close to your terminal.

Your customers should be made aware that a surcharge will be payable when they make a decision on which payment method to use, so they can decide whether to pay the surcharge or use a different method.

For in person payments you should ensure that your notice is prominently displayed where your customers pay.

For online payments the notification of any surcharges and alternative ways to avoid surcharges should be prominently displayed prior to the payment being made.



Example of appropriate surcharging

A business accepts debit and credit payments. The costs to that business are:

- \$30 a month for hiring the payment terminal; and
- \$15 a month for the network connection fee; and
- 0.7% to accept contactless debit which are 40% of their payments; and
- 1.5% to accept Mastercard and Visa credit cards which account for 20% of their payments.

In this example 40% of the payments are free as Eftpos and debit cards that are inserted or swiped do not attract any form of surcharge.

The remaining 60% of transactions that are capable of being surcharged can be calculated as follows:

	Share of total transactions	Share of transactions being surcharged	Per transaction cost	Weighted average surcharge
Contactless debit	40%	66.7% (40/60)	0.7%	0.47% (66.7x0.7)
Credit	20%	33.3% (20/60)	1.5%	0.50% (33.3x1.5)
Total	60%	100%		0.97%

If the business wants a single rate of surcharge for contactless debit and credit transactions, that surcharge should be no more than the weighted average of the fees for accepting those two types of payment (the per transaction cost above). Given the relevant payment shares in the example above where 60% of payments can be surcharged:

1. The share of each of the costs needs to be taken into account.
 - Contactless debit represent 40% of the total value of transactions, but 66.7% of the transactions that are a cost the business ($40\%/60\% = 66.7\%$)
 - Credit represents 20% of the total value of transaction, but 33.3% of the transactions that are a cost the business ($20\%/60\% = 33.3\%$)
2. Taking the different costs for the payments into account to get a weighted average cost which can be used as the surcharge rate:
 - the costs (0.7% and 1.5%) are multiplied by the relevant shares (66.7% and 33.3%) and added together (0.47% and 0.5%) to get the weighted average of 0.97%
3. If the business wants different surcharge rates, they would be 0.7% for contactless debit and 1.5% for Mastercard and Visa credit cards.

Please note that this calculation would not include the cost of the terminal or the network connection fee as they are both required for all payments.

In both circumstances there should be adequate signage showing that customers who choose to pay with a contactless debit card or a credit card will incur a surcharge and the relevant amount of either 0.97% where a single surcharge rate is used or, 0.7% and 1.5% respectively, while there is no surcharge for Eftpos and debit cards that are inserted or swiped.

The calculation above is an example and you should contact your payment service provider to assist you in establishing what surcharges you can apply to the specific payment methods you offer.

From: [Mel Goodger](#)
To: [s 7\(2\)\(a\)](#)
Cc: [Eugene Kwa](#); [Karina Young](#); [Kevin Black](#)
Subject: Surcharge Model- update
Date: Friday, 18 August 2023 4:24:36 pm
Attachments: [Surcharge Model WCC PMP Casual.xlsx](#)

Hi [s 7\(2\)\(a\)](#)

Just an update on where we are at with the transaction fee.

We also have to take into account the GST proportion of our income as the expenses are GST exclusive where income is Inclusive.

After doing so it looks like the best fee at this stage is around 0.30cents per transaction, [s 7\(2\)\(b\)\(ii\)](#)

We will also need to have this signed off internally by our CFO before we confirm officially the amount.

Anyhow we will keep in touch- we expect to have an answer back from [s 7\(2\)\(b\)\(ii\)](#) by COB Tuesday

Ngā mihi

Melanie Goodger

Commercial Operations Team Leader | Parking Services | Wellington City Council

P [s 7\(2\)\(a\)](#)

E melanie.goodger@wcc.govt.nz | W Wellington.govt.nz

[s 7\(2\)\(a\)](#)

From: Karina Young <Karina.Young@wcc.govt.nz>
 Sent: Monday, 14 August 2023 10:55 pm
 To: Eugene Kwa <Eugene.Kwa@wcc.govt.nz>
 Cc: Mel Goodger <Melanie.Goodger@wcc.govt.nz>
 Subject: RE: Surcharge Model

Hi Eugene,

Great work on pulling this model together. I was having another think about what I mentioned earlier about having to factor in that the costs are GST excl and the income is GST incl. When we looked at it from an individual transaction level it wasn't material. However given the monthly volumes it does become material.



I have tweaked the model slightly, just to deduct GST from the Income and it does make the analysis at the 25c very close to break-even \$981, so less room for error if the payment profile changes towards longer parking.

	A	B	C	D	E	AG
1						
2	Proposed WCC Meter Fee Structure Calculation from					
3		Unattended Transaction Fee	\$			
4		Merchant Fee Credit Card	\$			
5		Merchant Fee Credit Card	\$			
6		Max Fee Causal	\$	0.25		
7						
8				CASUAL PAYMENTS		
9		Parking Credit Purchased	\$	1.00	\$	1.25
10		Fee	\$			
11		Merchant/Bank Fee	\$			
12		Merchant/Bank Fee	\$			
13		Total 3rd Party Fees	\$	0.14	\$	0.14
14		Max Fee Charged	\$	0.25	\$	0.25
15		Variance	\$	0.12	\$	0.11
16						
17		Monthly average transactions				
18		Service fee applied to monthly charge	\$			
19						
20		Income	\$	4,809.06	\$	8.63
21		Expense	\$	2,596.89	\$	4.79
22						\$ 981.61
23						

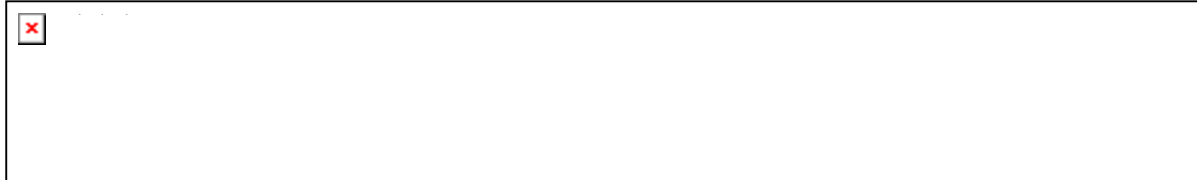
Ngā mihi,
Karina

Karina Young

Financial Controller | Finance and Business | Wellington City Council

E Karina.young@wcc.govt.nz P s 7(2)(a) W Wellington.govt.nz |  

The information contained in this email is privileged and confidential and intended for the addressee only.
If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents.
If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.



From: Eugene Kwa <Eugene.Kwa@wcc.govt.nz>

Sent: Friday, 11 August 2023 3:17 pm

To: Karina Young <Karina.Young@wcc.govt.nz>; Mel Goodger <Melanie.Goodger@wcc.govt.nz>

Subject: Surcharge Model

Hi all,

Here is the model built to understand the surcharge fee along with average volumes built into from the info Mel provided.

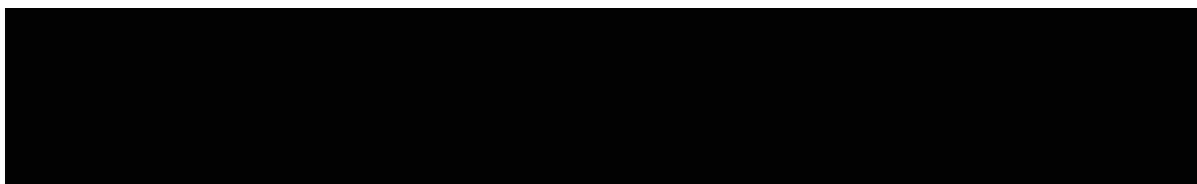
Hope this helps understand things better.

Eugene Kwa

Management Accountant | Wellington City Council

M | s 7(2)(a) | E eugene.kwa@wcc.govt.nz | W Wellington.govt.nz |  

The information contained in this email is privileged and confidential and intended for the addressee only.
If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents.
If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.



From: Eugene Kwa
Sent: Wednesday, 20 March 2024 9:13 am
To: Karina Young
Subject: Surcharge Model
Attachments: Surcharge Model v2.xlsx

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Karina

As per our conversation I have updated the model not including pre-auth charges, there is no difference to the overall figures and 30c is still the correct amount we should be charging.

Ngā mihi,

Eugene Kwa

Management Accountant | Finance Business Partnering | Wellington City Council

M |  | E eugene.kwa@wcc.govt.nz | W Wellington.govt.nz |  

The information contained in this email is privileged and confidential and intended for the addressee only.
If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents.
If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.

From: Mel Goodger
Sent: Thursday, 10 August 2023 11:35 am
To: Eugene Kwa
Cc: Karina Young
Subject: FW: Merchant Service Fees - Parking Services
Attachments: s 7(2)(b)(i)

Kia ora Eugene

Also attached now is 4 months (April- July) of parking meter transactions in the zip file. If you need more data than this let me know. Each spreadsheet is one weeks worth. Karina will come have a chat with you today about the modelling we need you to start working up so we can finalise what our transaction fee needs to be.

s 7(2)(f)(i) So will keep you looped in on that too.

Thanks. We will check in again soon on this.

Ngā mihi
Melanie Goodger
Parking Services

Out of scope

s 7(2)(b)(ii)

Out of scope

From: Margo Ray <Margo.Ray@wcc.govt.nz>
Sent: Monday, January 29, 2024 3:21 PM
To: Karina Young <Karina.Young@wcc.govt.nz>
Subject: RE: Parking Machine 50 cent Fee Breakdown

Kia ora Karina

Are you able to get your comments through to me today please?

Thanks, Margo

From: Karina Young <Karina.Young@wcc.govt.nz>

Sent: Wednesday, January 24, 2024 10:52 PM

To: Margo Ray <Margo.Ray@wcc.govt.nz>

Subject: RE: Parking Machine 50 cent Fee Breakdown

Hi Margo,

s 7(2)(a) just confirming that I will reply to you on Monday with some additions.

There are couple of things I think could be included such as explaining that with the previous parking meter set-up we had a preauthorisation mechanism in place. This meant we were incurring double charges for some portions of the merchant fee. With the new parking meters this preauthorisation has been removed.

Ngā mihi,

Karina

[Karina Young](mailto:Karina.Young@wcc.govt.nz)

Financial Controller | Finance and Business | Wellington City Council

E Karina.young@wcc.govt.nz **s 7(2)(a)** W Wellington.govt.nz | |

From: Kevin Black
Sent: Monday, 16 October 2023 2:02 pm
To: Karina Young; Mel Goodger
Cc: Eugene Kwa
Subject: RE: Proposal to reduce parking meter surcharge

Follow Up Flag: Follow up
Flag Status: Completed

Hi all,

I have worked through the paper and have noted my comments either as comments or through the track change's function.

Karina – if you are happy with my comments and changes then we can go through and finalise the document and start putting it through the sign-off process.

I have a meeting with James on Wednesday afternoon and will update him on this work. Meantime I have added him into the list of recipients for this paper.

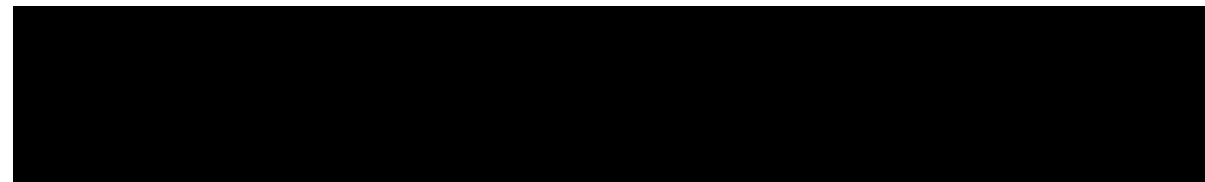
Thanks

Kevin Black

Parking Services Manager | Customer & Community | Wellington City Council

M s 7(2)(a) | E kevin.black@wcc.govt.nz | W Wellington.govt.nz |

The information contained in this email is privileged and confidential and intended for the addressee only. If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents. If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.



From: Karina Young <Karina.Young@wcc.govt.nz>
Sent: Friday, 13 October 2023 10:10 am
To: Kevin Black <Kevin.Black@wcc.govt.nz>; Mel Goodger <Melanie.Goodger@wcc.govt.nz>
Cc: Eugene Kwa <Eugene.Kwa@wcc.govt.nz>
Subject: Proposal to reduce parking meter surcharge

Hi Kevin and Mel,

I have finally had some time to review the initial memo that was created re the proposal to reduce parking meter surcharge. This took me much longer than anticipated as I have had to rewrite significant portions of it to focus it on the process we have taken in making our recommendation to reduce to the fee to \$0.30c. [@Kevin Black](#) so this memo will look significantly different to what you had previously commented on.

Can you please both review and edit the updated memo as appropriate. Please add in anything else you think is appropriate and has been missed. There are also areas that will need your significant input.

The appendix's still need to be added.



As well as this memo going to Andrea, does your Chief also need to be across it?

s 7(2)(f)(i)

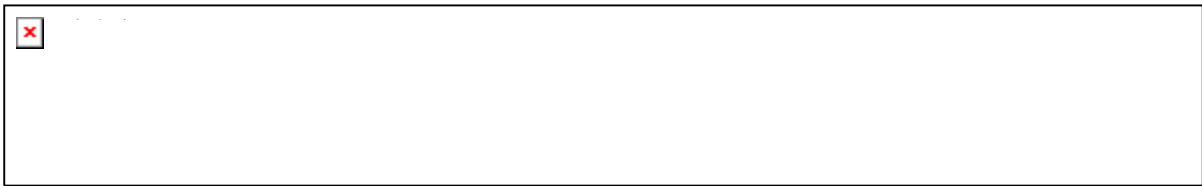
Ngā mihi,
Karina

Karina Young

Financial Controller | Finance and Business | Wellington City Council

E Karina.young@wcc.govt.nz P s 7(2)(a) W Wellington.govt.nz  

The information contained in this email is privileged and confidential and intended for the addressee only. If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents. If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.



Memorandum

Date: 31 October 2023
To: Andrea Reeves (Chief Financial Officer), James Roberts (Chief Operating Officer)
From: Kevin Black (Manager Parking Services), & Karina Young (Financial Controller)
Cc: Mel Goodger (TL Commercial Operations), Eugene Kwa (Management Accountant)
Subject: Parking Surcharge Model – Proposed new rate for on-street meter parking

PARKING SURCHARGES

Summary

1. The memo proposes reducing the current \$0.50 (GST incl) per transaction merchant fee surcharge for on-street parking meter transactions to \$0.30 per transaction.
2. We request that the Chief Financial Officer and Chief Operating Officer approve the recommended merchant surcharge fee reduction.

Background

3. On 19th June 2023 a memo '*decision required - parking services fees*' was prepared by Kate Harris, Team Leader Financial Accounting. The next steps from the memo were to undertake an analysis on reducing the merchant surcharge charged to on-street parking users, based on the merchant costs for the new parking meters being installed. This memo provides the results of this analysis.
4. The Council currently surcharges \$0.50 per transaction for on-street parking meters when customers pay by credit card using the parking meter. This surcharge is intended to cover the merchant fees that Council is charged by its merchant service providers for the use of credit cards.
5. Parking users can also use the PayMyPark app, provided by s 7(2)(b)(ii) when paying for parking. App users are charged a casual payment fee of \$0.50 per transaction, on the basis that it was consistent with other Council parking charges. PayMyPark users also have the option to create an account and top-up their balance by credit card or using Account2Account and are charged a transaction fee based on the value of the transaction (ranging from \$0.60 to \$10.12). This fee revenue is retained by s 7(2)(b)(ii) to cover the merchant fees they incur.
6. The *Retail Payment System Act 2022* enabled the Commerce Commission to monitor the retail payment system and regulate designated retail payment

networks. The Commerce Commission have put a spotlight on the wider merchant surcharging industry including issuing guidelines to retailers on 'appropriate payment surcharging'. The Commerce Commission sent a request to Council to explain their current surcharging practises.

7. There has previously been media interest in the current surcharge by Council on the \$0.50 transaction fee on parking meters.
8. The Parking Services business unit have now signed a contract to replace all the on-street parking meters with a current go-live date of 2nd January 2024. The supplier of the new parking meters is § 7(2)(b)(ii). This has also involved changing the merchant services provider from § 7(2)(b)(ii) § 7(2)(b)(ii).
9. Given the above three factors, it is timely that a review of the merchant surcharge that Council charges parking users for credit card payments be undertaken to assess the reasonableness against associated costs and against the Commerce Commissions recently released merchant surcharging guidelines (see appendix 4).
10. This memo discusses the proposed new surcharge rate for the new § 7(2)(b)(ii) managed on-street parking meters given the merchant costs will be different to the current costs for the existing meters that are being replaced.

Discussion

11. Parking Services and Finance formed a working group to firstly look at which supplier to use as the merchant provider and secondly understand the new merchant fees under the new § 7(2)(b)(ii) meters and the likely surcharge rate that would achieve passing these costs on to parking users without making a profit. This Council team consisted of Kevin Black, Mel Goodger, Karina Young and Eugene Kwa.
12. It was also agreed that whatever surcharge that was applied by paying at the meter, should be the same amount that § 7(2)(b)(ii) would apply to 'casual' users via PayMyPark. Therefore, where appropriate, § 7(2)(b)(ii) also formed part of the merchant fee discussions.
13. The current merchant provider is § 7(2)(b)(ii) § 7(2)(b)(ii) were approached to provide their fee proposals. Further investigation of the new parking machine set-up meant that the payment technology for the new machines could only integrate with § 7(2)(b)(ii) end-to-end merchant processing services. As such § 7(2)(b)(ii) was identified as the only possible merchant provider.

§ 7(2)(b)(ii)

15. Fee modelling was undertaken to analyse the anticipated total monthly merchant fee expenditure for Council under the new fee structure, based on actual parking data from April-July 2023. This data included variables such as information on the number and value of transactions per month. The data on the variables is important as the actual fee charged by **s 7(2)(b)(ii)** is a mix of:

- A flat fee per month for the service;
- flat fee per transaction;
- % fee per transaction based on the value of the transaction.

s 7(2)(b)(ii)

17. The total average volume transactions per month was approx. 324,000 with transaction value ranging from \$1 to \$36.

18. The analysis undertaken is presented in appendix 2. It shows that \$0.30 per transaction is the amount that best achieves the objective of recovering the merchant service fees charged to Council without making undue profit.

19. Based on the new fee structure, and applying that to the average monthly April-July 2023 dataset:

s 7(2)(b)(ii)

- If the merchant surcharge fee that Council charges to parking users was \$0.30 per transaction, then the revenue collected would be \$84,453.20 (GST excl).
- This would result in an under recovery to Council of \$1,129.72 (GST excl).

20. If this surcharge amount was increased to \$0.35 per transaction, this would result in an over-recovery of \$12,945.81.

21. As such the recommendation is that the appropriate amount for the surcharge would be \$0.30 per transactions. This would ensure that revenue received from the surcharge is in line with fees incurred by the Council.

22. We note that each month the volume and value of transactions may fluctuate so it will always be difficult to set a surcharge amount that will exactly recover the costs the Council incurs. Also, future undecided factors, like the number of carparks available, could mean that the actual outcome is different to this analysis. However, based on the current state, we believe that the four months of data used provides a realistic average approximation of the likely monthly charges going forward.

s 7(2)(g)

24. The proposed timing for the introduction of implementing the reduction in the surcharge is 1st April 2024. This is the earliest feasible date to implement the change as the new metering system is going live on 2nd January 2024 and unfortunately this analysis was not completed in time to include this change of transaction fee for that date. Therefore, to ensure sufficient development time to make the required change to the new system post go live will be 1 April 2024.
25. Separate to the issue of merchant surcharges that is addressed in this paper for on-street parking, Parking Services, will in the new year also look at the merchant surcharge approach taken at both Tory Street (\$0.50 surcharge) and Clifton Terrace (no surcharge) and bring forward any recommendations for change to ensure that we are operating within the recently released Commerce Commission guidelines.
26. Parking Services also note that Council does not consistently surcharge customers in all other area of Council operations where payment for services is accepted by credit card (through terminals or online), other than the Rates online payment module. This is something that should be reviewed to ensure consistency of approach across Council, perhaps through the development of a strategy with respect to recouping merchant fees.
27. The financial implications to Parking Services current 2023/23 budget of this reduction in fee would be a reduction in revenue of \$56k per month. This may be partially offset by other reductions in fees charged to Council by the change in merchant providers. This impact on this financial year would only be for three months, but the overall reduction in revenue resulting from the collection of less fees needs to be reflected in the budgets currently being prepared for the LTP 2024.
28. Appendix 4 provides guidance issued by Commerce Commission on 'appropriate payment surcharging'. We have taken this guidance into account in proposing to reduce the fee to \$0.30 per transaction.

Recommendation

29. We recommend that the merchant fee surcharge on the on-street parking machines should be reduced from the current \$0.50 per transaction to \$0.30 per transaction (GST incl). This would align the monthly revenue generated from the surcharge to directly offset against the Council's actual merchant service and facilitation fees it in incurs.
30. The new merchant fee structure the Council will be charged once we move to the new parking meters. The proposed timing for implementing this change is 1st April 2024.
31. Council will also work with s 7(2)(b)(ii) so the reduction in merchant fee is consistently applied to 'casual' users via PayMyPark at the same time.
32. If approved, Parking services will engage with s 7(2)(b)(ii) on implementing the change and the communication plan to the public.

33. We request that the Chief Financial Officer and Chief Operating Officer approve the recommended merchant surcharge fee reduction.

7(2)(a)

*Kevin Black
Manager
Parking Services*

7(2)(a)

*Karina Young
Financial Controller
Finance and Business*

7(2)(a)

*Andrea Reeves
Chief Financial Officer
Executive Leadership Team*

7(2)(a)

*James Roberts
Chief Operating Officer
Executive Leadership Team*

Appropriate payment surcharging explained

Accepting different payment methods can impose different costs on you as a merchant. A surcharge is an extra fee charged to recoup any additional cost from your customers where they choose to use a way to pay that is more expensive for you to provide. This note explains how you can surcharge appropriately.

Fees that make up appropriate surcharges



What is a merchant service fee?

The merchant service fee is the fee you pay to your acquirer (also known as a payment service provider) for accepting certain means of payment. It varies from one payment service provider to another but many offer rates of 0.7% for contactless debit card transactions and 1.5% to 2% for domestic credit card transactions.

Other payment options such as international, commercial card payments and buy now, pay later are generally higher again.

You can check with your payment service provider if you are not sure of your merchant service fee rates and should make sure you are on a plan that works best for your business. If your

business has grown since you set up your merchant facility with your payment service provider, you may be able to obtain better merchant service fee rates.

There is no merchant service fee for cash, Eftpos or where a debit card is inserted or swiped through your terminal.

What costs might be included in a surcharge?

Appropriate surcharges should be no more than your additional cost for accepting that particular payment method or group of payment methods.

In most cases, this will be your merchant service fee for that payment method.

The associated cost of doing business and the operating costs required for all payment methods are generally not related to specific types of payments and are more the cost of doing business i.e. POS costs, staff costs, electricity costs. These costs should not be included in any surcharge.

Choosing to surcharge

Surcharging can allow you to recoup the costs of higher cost payment methods or help you avoid these costs where your customers respond by using lower cost options.

Surcharging is not going to be beneficial to all merchants in all circumstances.

When deciding if surcharging is best for your business, you may want to consider the:

1. additional cost of accepting the different payment options;
2. cost of surcharging – for example, it may take staff and consumers longer to process a payment;
3. impact on your customer experience – applying surcharges and the time taken may impact the speed of the transaction and the customer experience; and
4. impact on revenue – in some cases, you may lose customers or gain customers depending on the payments methods you adopt and any surcharges you apply.

Appropriately surcharging

To surcharge appropriately you must:

1. be transparent about the surcharge and the customer's options ahead of paying it;
2. provide your customers with at least one alternative payment method that does not incur a surcharge; and
3. set surcharges so they do not exceed the additional cost of accepting the retail payment that the surcharge applies to. In most cases, this is likely to be the merchant service fee for those payments.

Appropriate surcharges can be different for different types of payments (e.g. contactless debit vs. credit). Surcharges can also be the same for multiple payment options of a similar type (e.g. all those payments where you pay the same fee).

Where there is a single surcharge for payment methods that are of the same type, it is important that the surcharge considers the relevant revenue shares of each payment method and is not a simple average of the different costs. Please refer to the example of appropriate surcharging below.

Does there have to be a different surcharge for each payment method?

You can choose to surcharge different rates for different payment methods but may want to consider how complex this makes the customer and staff experience.

Is there a way to avoid surcharging my customers?

All merchants have the ability to recover the costs of payments directly through the price of the goods and services you sell, avoiding surcharges completely. However if you do surcharge, there should be at least one payment method which is not surcharged.

The methods will vary from one merchant to another:

- If you mostly accept in-person payments, the option should be Eftpos and debit cards that are inserted and swiped as they do not incur any transaction specific costs for you.
- If you are online only, or your customers purchase predominantly online, this will depend heavily on the type of transaction. For example, with time dependent transactions, some card based payments may be the lowest cost to your business whereas with non-time dependent transactions (such as regular bill payments) an internet banking payment may be the lowest cost method.
- You should contact your payment service provider to help determine your lowest cost option and if there is an alternative available to you and your customers when implementing surcharges.

What does it mean for a surcharge to be transparent?

Surcharges must be clearly displayed, for example, by adding information to your website where your customers pay online or for in person payments, placing a sign close to your terminal.

Your customers should be made aware that a surcharge will be payable when they make a decision on which payment method to use, so they can decide whether to pay the surcharge or use a different method.

For in person payments you should ensure that your notice is prominently displayed where your customers pay.

For online payments the notification of any surcharges and alternative ways to avoid surcharges should be prominently displayed prior to the payment being made.

