

Credit cards will squeeze margins, fuel traders

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Fuel retailers are not keen on the use of credit cards as, in their present format, the move will squeeze their government-set retail margin, according to a fuel retailers' body.



Image courtesy of [FreeDigitalPhotos.net](#).

The retailers' reluctance is a setback to the government's plans to introduce the credit card payment system in time for the Soccer World Cup next year.

In July, Energy Minister Dipuo Peters published regulations on the use of cards at forecourts. At the time, the Department of Energy said the use of the cards would reduce cash-associated crime at retail outlets. The regulations are for the use of debit, credit, cheque, fleet and garage cards.

But fuel retailers are not happy with the payment format. Accepting the cards would be costly, according to Fuel Retailers Association CEO Reggie Sibiya. A study on the cost of cash held at fuel stations had shown that the cost of a single transaction at fuel stations was 1.73% of the transaction. This was made up of 0.91% of fixed costs, which remain constant regardless of how much cash is held in the premises. The remaining 0.82% consisted of variable costs such as bank charges.

The retail margin of fuel retailers was fixed, while their operating costs were unregulated and not fixed.

"When the price of fuel increases, the associated costs increase in actual cents per litre whilst the (retail) margin remains the same," Sibiya said. The department sets the retail margin.

Speaking at a seminar in Johannesburg yesterday, Sibiya said: "The total card costs must be equal to variable cash costs, which is 0.82% ... and not more."

Sibiya said credit card payment was the fastest-growing noncash payment in the world. "It suits the customer very well," he said.

He said the fuel retailers had no problem using debit cards because their costs were 0.55%, while the credit card costs were 1.71% “which is way above 0,82%”. He said the retail margin could not afford a card cost of more than 0.82%.

He said an independent body such as the Payments Association of SA could regulate the interchange fee for cards.

Source: Business Day

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