

Taxi non-cash payment surcharge review 2019

Submission received through email

Date submitted: 9 January 2020

Submission written by: GM Cabs

On 11 November 2019, we published a further draft decision for the taxi non-cash payment surcharge review 2019. This further draft decision asks stakeholders for their views on our proposed decision on the maximum surcharge.

Email submission

It is extremely concerning given my previous submission to the Essential Services Commission in which I detailed our running costs, that you have proposed a further reduction in the service fee on non-cash payments to 3.64% (GST exclusive). This concern is further exacerbated by the fact that you have chosen to distinguish the set up and running costs of Cabcharge (A2B) from the rest of the non-cash payment industry in Victoria's taxis in allowing a 6% (GST exclusive) service fee on Cabcharge products.

I outline our reservations concerning your draft decision in this submission

- In my email to the ESC dated 15 February 2019, I provided a Profit & Loss statement for the first half of Financial Year 2019. I noted in my submission that the small profit margin we operate on is required to allow us to reinvest into a new fleet of EFTPOS terminals required with the impending closure of the 3G network. Your proposed reduction to 3.64% would leave us with an insufficient return and an inability to continue operations in Victoria post the 3G shutdown date.
- In your assessment of the actual costs, you have removed the costs associated with the following services:
 - Commission paid to drivers - GM Cabs cannot afford and do not pay commission to drivers;
 - Commission paid to networks - GM Cabs do not pay commission to networks;

- Docket cashing - The cost of docket cashing is immaterial as our offices and staff are used to issue EFTPOS terminals, maintain and service EFTPOS terminals, liaise with drivers and respond to their requests and cash dockets. Docket cashing is not a standalone service. Drivers are also charged a cashing fee to cover these costs;
 - Booking services: GM Cabs does not incur costs for booking services;
 - Driver Payment Cards: This is an immaterial cost and was not included in the Profit & Loss provided;
 - Lost Property: Passengers who lose property in taxis for which they have paid the fare on a GM Cabs EFTPOS terminal will always contact our office for assistance. This is unavoidable and is a cost of conducting business. Since we do not earn taxi fares, we cannot recover the administrative costs of providing these services to the travelling public;
- In allowing A2B a 6% service fee on their Cabcharge products, you have effectively provided them with a competitive advantage over all other market participants. The additional income allows A2B to compensate for the loss of revenue on the non-cash payments service fee with the additional revenue on the Cabcharge products. Unfortunately, we do not share this luxury. I would like to examine this decision further:
 - The Victorian Government ensures there is a Cabcharge EFTPOS in every taxi as it is the only terminal licensed to accept payment processes for the MPTP subsidy scheme granted to people with disabilities. Not only does Cabcharge have a monopoly on this business, it also earns an additional revenue stream from the MPTP scheme and in turn, a greater return on the investment in their EFTPOS fleet;
 - Consequently, all Cabcharge products may be easily processed through Cabcharge terminals thereby creating an immediate saving to Cabcharge of the 2.1 - 2.3% merchant and interchange fee payable for all other payment types;
 - The Cabcharge eTicket and Fastcard were introduced well before the service fee reduction 11% to 5% within Victorian Taxis. Has thorough analysis been given to the abundant revenues generated during this period to offset their development costs?
 - Cabcharge has further reduced the costs associated with the manufacturing and issuance of eTickets and Fastcards with their latest offering which allows their customers to download such products onto their smartphones;

The decision to grant A2B an additional 2.36% service fee on their products when the cost of acquisition of any Cabcharge product on a Cabcharge terminal is next to nil, can only be described as a monumental error by the ESC. In addition to the MPTP revenue, this puts Cabcharge at a significant competitive advantage to all other industry participants. This proposal threatens to undo the years of work and capital invested by GM Cabs and other market participants to break the monopoly A2B (Previously Cabcharge) held for so long.

In summary, an all-inclusive and non-partial service fee for all payment service providers across all card types of 3.63% is absolutely unsustainable and any favourable treatment granted to A2B for their Cabcharge products will almost certainly ensure they continue to operate in Victoria without competition.

Australia is one of the few countries in the world where every taxi is capable of accepting fares via a plethora of non-cash payment methods. In order to ensure this high level of service remains for the travelling public, I would like to once again request an increase in the Service Fee to 5.5% (GST inclusive)