



22 July 2022

Mr Chris Baxter
Project Manager
Price Monitoring and Regulation Division – Transport
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000

Via: transport@esc.vic.gov.au

Dear Mr Baxter,

Visa submission to the Victorian Essential Services Commission on the *Taxi Non-cash Payment Surcharge Review 2022*

Visa welcomes the opportunity to contribute to the Victorian Essential Services Commission (ESC) consultation on the *Taxi non-cash payment surcharge review 2022*. Our submission follows Visa having contributed to the ESC's review of the taxi non-cash payment surcharge in 2019.¹

In considering surcharging in the taxi industry, it is important to recall that the Australian Competition and Consumer Commission (ACCC) has shared the following advice reminding businesses (minus the taxi industry) that surcharges should not exceed the cost of acceptance: "The RBA has said that as a guide, [the cost of acceptance for] e-payments through the domestic eftpos system ... are ... mostly below 0.5 per cent. Accepting a Visa or MasterCard debit transaction may cost a business around 0.5-1 per cent of the transaction value. Credit cards usually have a higher cost for businesses and may cost up to 1-1.5 per cent for Visa and MasterCard, and between 1.5-2 per cent for an American Express card payment."² Independent, Visa-commissioned research

¹ See, for example, Visa (2019), "Submission on Taxi Non-cash Payment Surcharge Review" and Visa (2019), "Taxi Non-Cash Payment Surcharge Review 2019: Draft decision", both at: [Taxi non-cash payment surcharge review 2019 | Essential Services Commission](#)

² See [Q&A: Payment surcharges | ACCC](#)



undertaken in April 2022 and involving close to 1000 businesses found that the average surcharging amount for card transactions was below 1.5 per cent.³

It is against that backdrop and for more detailed reasons outlined below, Visa recommends the removal of the separate surcharging regime for taxis in Victoria as well as the rest of Australia. We support a level playing field which would see the taxi industry included in the Reserve Bank of Australia's (RBA) Standard No. 3 of 2016: Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions.⁴ In the absence of that outcome, we would support a substantial reduction in the maximum surcharges for Victoria's taxi industry, which are significantly higher than the average surcharge in other industries.⁵

In support of this position, Visa provides below: (a) an overview of our perspectives on surcharging; (b) Visa's views on the ESC's approach and methodology for assessing the taxi non-cash payment surcharge; and (c) responses to the ESC's specific questions in the 2022 review consultation paper.

Overview: Visa's perspectives on surcharging

Visa maintains a global policy of opposing merchant surcharging. In Australia, surcharging is expressly permitted by regulation. Given that context, we support the ACCC's efforts to ensure excessive surcharging practices in Australia are prohibited.⁶

Visa welcomes that the ESC says that one of its objectives is to "promote the long-term interests of Victorian consumers".⁷ However, permitting surcharging does not assist in meeting that objective for a range of reasons. Firstly, Visa notes that Nobel Laureate economist Jean Tirole and his colleagues have observed that a nearly ubiquitous feature of "international experiences with surcharging" is that "[t]ypically, surcharges are only announced at the point of sale, after consumers [have] incurred significant shopping costs".⁸

³ Retail Finance Intelligence Pty Limited (2022), Australian Merchant Accepting Program April 2022 Survey. This is a quantitative survey Visa commissioned, and it was conducted by Retail Finance Intelligence in an independent capacity. The April 2022 survey references survey results from the October 2019 survey.

⁴ The standard is available at [Standard No.1 of 2016: The Setting of Interchange Fees in the Designated Credit Card Schemes and Net Payments to Issuers \(compilation\) \(rba.gov.au\)](https://www.rba.gov.au/standards/2016/standard-no-3)

⁵ These surcharges are four per cent (including GST) for most non-cash payment methods and six per cent (no GST payable) for Cabcharge payments and any other commercial passenger vehicle specific payment instruments. Essential Services Commission (2022), "[Taxi non-cash payment surcharge review 2022: consultation paper](#)", [Taxi non-cash payment surcharge review 2022 | Essential Services Commission](#), p1

⁶ Australian Competition and Consumer Commission (2017), "Excessive payment surcharge ban" press release, <https://www.accc.gov.au/media-release/excessive-payment-surcharge-ban>

⁷ Essential Services Commission (2022), "[Taxi non-cash payment surcharge review 2022: consultation paper](#)", [Taxi non-cash payment surcharge review 2022 | Essential Services Commission](#), p2

⁸ Helene Bourguignon et al. (2014), "Card Surcharges and Cash Discounts: Simple Economics and Regulatory Lessons", www.competitionpolicyinternational.com, Volume 10, Number 2, <https://core.ac.uk/download/pdf/47163529.pdf>, p19

The experience of Australian consumers and international visitors is no exception in that regard. In Australia, consumers have been estimated to pay nearly \$A1.6 billion in surcharge fees annually.⁹ And a 2018 survey of 2,012 Australians found that 94 per cent said they thought card surcharges were excessive and 68 per cent said they would halt a purchase if they learnt there would be a surcharge at the Point of Sale (PoS).¹⁰ In 2021, independent research commissioned by Visa and conducted by a consultancy, CLEAR, asked Australian consumers to indicate the most important benefits when using their debit card. It found that security-related benefits were most important (73 per cent), followed by no additional charges when paying (70 per cent). This was equal to keeping personal data confidential and being alerted to potential fraud (both 70 per cent).¹¹

Secondly, surcharging runs the risk of disincentivising consumer uptake of secure, transparent and reliable electronic payment systems. This is understandably particularly the case for low-income consumers – with most of them now using electronic payment systems rather than cash. In this regard, it is important to note that cash in Australia is expected to account for only 2.1 per cent of sales at PoS by 2024.¹² Such disincentives are particularly misplaced when governments increasingly recognise the benefits of electronic payments to reduce the impact of the black economy and thereby increase tax revenues which fund public goods for the community.¹³

Surcharging also does not necessarily benefit the taxi industry - including given that its competitors do not surcharge across the board. As a result, in applying surcharging the industry disincentivises consumers from using taxis (vs other similar services). By comparison, the absence of surcharging results in a level playing field for transport service providers competing for the same consumer base.

In addition, surcharging does not take account of the costs associated with cash (which people often mistakenly see as a cost-free means of payment).¹⁴ These costs include the financial and time costs associated with processing, securing, managing and transporting cash as well as the possible theft of cash by staff or others and inaccurate cash handling. In an assessment of 100 cities at different stages of digital maturity

⁹ PYMNTS.com (2017), "Australia Officially Bans Excessive Credit Surcharges", [Australia Bans Excessive Credit Surcharges | PYMNTS.com](https://pymnts.com/news/australia-bans-excessive-credit-surcharges/)

¹⁰ Square (2018), "Research Shows 94% of Australian Consumers are Against Card Surcharges", <https://squareup.com/au/en/townsquare/surcharging-fee-free-stores>

¹¹ CLEAR (2021) 'Uncovering preference for routing debit transactions in Australia' research commissioned by Visa in May 2021. Based on survey of 2,045 Australian debit cardholders aged between 18-75 years undertaken in an independent capacity.

¹² FIS Global Payments (2021), "The Global Payments Report", <https://worldpay.globalpaymentsreport.com/en/>

¹³ Australian Government (2018), Response to the Black Economy Taskforce Final Report, <https://treasury.gov.au/publication/p2018-287474/>, p19

¹⁴ In this regard, Visa notes that the ESC appears to share this perspective in the 2022 consultation paper, given the following statement: "When customers purchase a good or service using payment methods other than cash the merchant ... incurs a cost of accepting this payment (p7).

(including two Australian cities), a study found that on average businesses spend 2 per cent of revenue per month for incoming non-digital payments.¹⁵ By comparison, applying no surcharge results in ensuring that there is a level playing field among all forms of payment.

Exchanging cash and giving the correct change is also an inefficient use of time (when taxi drivers could be increasing income by engaging their next customer). Exchanging cash also has the potential to add friction and dissatisfaction to the consumer experience (in addition to potential friction already in place as a result of surcharging). Seeking to remove friction from the consumer experience - whether regarding payments or in other ways - is increasingly best practice in the broader retail industry.

In addition, digital payments are critical in helping the taxi industry continue to onboard to - and participate in - a highly digital 'new normal'. Surcharging, on the other hand, skews taxi industry incentives to the industry's longer-term detriment. For instance, in the short run, a taxi driver might resort to surcharging because it appears to be no more than a cost-cutting mechanism but, in the long run, the driver risks real growth.

The growth of digital payments has important impacts on the economy that surcharging could inhibit. Greater economic activity spurred by digital payments supports higher employment and improvements in wages and workers' productivity. A study conducted by Visa, in collaboration with Roubini ThoughtLab, finds that increased usage of digital payments can add to a city's GDP and support additional jobs, while worker productivity and wages would be expected to increase as well.¹⁶

As the trend towards digital commerce continues to increase, Visa is working with its partners to help more Australian businesses, including taxi operators, to accept digital payments securely and conveniently. For example, Visa's Tap to Phone technology can transform a merchant's smartphone¹⁷ into a PoS device, without the need for a separate payment terminal. A recent YouGov study of over 1,000 Australian consumers¹⁸ found that 45 per cent would be likely to use the payment option if available, citing ease of use (50 per cent), time savings (44 per cent), security (43 per cent) and eliminating the need to carry cash (42 per cent).

The ESC's approach and methodology for assessing the taxi non-cash payment surcharge

¹⁵ For further details on the benefits of electronic payments to economies, see the Visa-commissioned report (2017), "Cashless Cities: Realising the benefits of digital payments", <https://usa.visa.com/dam/VCOM/global/visa-everywhere/documents/visa-cashless-cities-report.pdf>

¹⁶ Ibid.

¹⁷ Tap to Phone technology is available on Android NFC-enabled devices

¹⁸ Visa commissioned an online study, conducted by YouGov, to better understand consumers' perception of 'Tap to Phone' services in Australia. YouGov surveyed 1050 Australians nationwide between 8 July to 12 July 2021.

Visa welcomes that the ESC will look at comparable costs in other sectors as a check on the reasonable costs of accepting and processing non-cash payment transactions – as occurred with its 2019 review.¹⁹ However, unlike in the 2019 review, the ESC has not expressed as part of the 2022 review an intention to use the RBA standard on merchant surcharging to help assess the reasonable cost of accepting and processing non-cash payments.²⁰ Visa encourages the ESC to do so.

In addition, we would encourage the ESC’s list of reasonable costs to align as much as possible with the RBA’s list of such costs – which is currently not the case. For example, the RBA allows for the inclusion of “fees for the rental and maintenance of payment card terminals”²¹ rather than the ESC’s broader “operating expenditure including maintenance depots to undertake payment terminal repair or swap over”.²² The RBA excludes from reasonable costs staff training, adding “... staff time employed in operating payment terminals or training to operate payment terminals would not be eligible.” By comparison, the ESC includes in its list of reasonable costs “direct and indirect labour costs associated with processing non-cash payments.” The RBA excludes general business costs but the ESC includes in its list of reasonable costs “administration expenses, marketing and advertising costs”. We encourage the ESC to align its list of reasonable costs with that of the RBA.

Visa’s response to ESC questions

In response to Q1 in the consultation paper, Visa notes that while we do not have specific data on taxi surcharging, independent research we commissioned found that while the total volume of in-person card transactions may have fallen due to COVID-19 lockdowns (and surcharging with it), the proportion of card-accepting merchants levying surcharges on card payments has remained relatively consistent since 2019.²³ More broadly, Visa agrees with the ESC’s view that ultimately its focus should be on “tracking costs and revenues over the longer term as the basis for setting surcharges, rather than short term aberrations in market conditions and data”.²⁴

In response to Q2-4, Visa wishes to highlight that since the ESC’s 2019 review of taxi non-cash payments surcharging, technology has improved the way consumers book and pay for taxi services – with booking and paying via websites and apps rapidly reducing the need for two terminals.²⁵ Visa’s Tap to Phone technology referenced

¹⁹ Essential Services Commission (2022), “[Taxi non-cash payment surcharge review 2022](#)”, [Taxi non-cash payment surcharge review 2022](#) | Essential Services Commission, p15

²⁰ Essential Services Commission (2018), “Taxi non-cash payment surcharge review 2019”, p10

²¹ For RBA references in this paragraph, see [Guidance Note: Interpretation of the Surcharging Standards - November 2012 | RBA](#)

²² For ESC references in this paragraph, see Essential Services Commission (2022), “Taxi non-cash payment surcharge review 2022”, [Taxi non-cash payment surcharge review 2022 | Essential Services Commission](#), p1.

²³ RFI (2022), Global H1 Merchant Acceptance Council

²⁴ Essential Services Commission (2022), “Taxi non-cash payment surcharge review 2022”, [Taxi non-cash payment surcharge review 2022](#) | Essential Services Commission, p2.

²⁵ [The Impact of Technology on Taxi Hire - RideBoom](#)

earlier in this submission is another example of how technology can improve the way consumers pay taxi services and other businesses. The ESC itself notes this broad development in its consultation paper.²⁶

Visa data shows that Taxi Payments have grown to represent 88 per cent by transaction count in the website/app/Card Not Present space over the 2020-2021 calendar years – with a mere 12 per cent by transaction count in the terminal/Card Present space in the same period. By comparison, in calendar year 2019 the relevant figures were 83 per cent and 17 per cent respectively. This illustrates that there is no need for two terminals in a taxi. Furthermore, as outlined above, new technologies such as Tap to Phone enable merchants to transform their smartphones²⁷ into PoS devices, removing the need for a separate payment terminal. As a result, we anticipate a further downward trend regarding terminal usage in taxis in the immediate years ahead. This indicates that the growing use of websites and apps as well as Tap to Phone to make payments will be permanent changes in costs for the taxi industry.

Visa has welcomed the opportunity to provide our views to assist the ESC in its consideration of taxi non-cash payment surcharging. We are available to help the ESC further on this matter if needed as it continues to undertake the current review.

Yours sincerely,



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²⁶ Essential Services Commission (2022), “Taxi non-cash payment surcharge review 2022”, [Taxi non-cash payment surcharge review 2022](#) | Essential Services Commission, p7.

²⁷ Tap to Phone technology is available on Android NFC-enabled devices

About Visa

Visa is the world's leader in digital payments. Our mission is to connect the world through the most secure, reliable and innovative payment network - enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device for everyone, everywhere. As the world moves from analog to digital, Visa is applying our network, people, products and scale to reshape the future of commerce.

In Australia, Visa has offices in Sydney and Melbourne. Together with our Australian financial institutions, fintech and merchant clients, and our technology partners, we are committed to building a future of commerce that fosters Australian economic growth and innovation.

Visa is working to expand acceptance across the payments ecosystem, ensuring that every Australian can not only pay, but also be paid in a secure and convenient way. One way we have furthered these efforts is by partnering with Quest Payment Systems and The Big Issue, the independent magazine sold by homeless, marginalised and disadvantaged people, to enable Big Issue vendors to accept digital payments. We also launched #WhereYouShopMatters, an initiative focused on supporting Australian small businesses through education and promotion. Since 2020, Visa has worked with Australian not-for-profit, Global Sisters, to provide business mentoring and coaching to aspiring businesswomen who recently graduated from Global Sisters' small business education program.