



15 December 2023

Essential Services Commission
Level 8
570 Bourke Street
MELBOURNE VIC 3000

Via: transport@esc.vic.gov.au

Dear Essential Services Commission representative,

Visa's submission to the Victorian Essential Services Commission on the *Taxi Review 2024: Unbooked taxi fares and non-cash payment surcharge*

Visa welcomes the opportunity to contribute to the Victorian Essential Services Commission (commission) consultation on the *Taxi Review 2024: Unbooked taxi fares and non-cash payment surcharge*. Our submission follows Visa having contributed to the commission's reviews of taxi non-cash payment surcharging in 2019 and 2022.

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 ... [a]ccepting a Visa or MasterCard debit transaction may cost a business around 0.5-1 per cent of the transaction value. Credit cards 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."¹ Independent, Visa-commissioned research 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.²

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

¹ See [Q&A: Payment surcharges | ACCC](#)

² 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.

well as the rest of Australia³. 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 As the commission notes in its consultation paper⁵, card payments for hire cars and ride-sharing services are within the scope of the RBA's surcharging standard, while the taxi industry is omitted. In the absence of that outcome, Visa supports a substantial reduction in the maximum surcharges permitted to be charged by Victoria's taxi industry, which (as we have noted) are significantly higher than the average surcharge in other industries.⁶

In support of this position, Visa provides below: (a) an overview of our position on surcharging; (b) Visa's views on the commission's approach and methodology for assessing the taxi non-cash payment surcharge and (c) strong support for the introduction of a surcharging regime under which surcharging for the use of debit and credit cards in taxis in Victoria would be split (as occurs with surcharging in other parts of the Victorian – and broader Australian - economy). Throughout Visa's response here, we have addressed questions from the commission's consultation paper.

A. Visa's position on surcharging

Visa supports a level playing field among all forms of payment and protecting consumer choice at the Point of Sale (PoS). Visa believes that a consumer should be able to pay the same price for an identical product or service irrespective of the personal choices they make about their financial products, including payment cards. We recognise that in Australia, surcharging is expressly permitted by regulation and note that the Australian Competition and Consumer Commission (ACCC) has shared advice reminding businesses that surcharges should not exceed the cost of acceptance.⁷ We support the ACCC's efforts to ensure excessive surcharging practices in Australia are prohibited.⁸

B. Visa's views on the commission's approach and methodology for assessing the taxi non-cash payment surcharge

Visa welcomes that the commission says that one of its objectives is to "promote the

³ Visa acknowledges that this is beyond the scope of the commission's powers but the consultation provides a relevant opportunity to state this position.

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 Essential Services Commission (2023), [Unbooked taxi fare and non-cash payment surcharge review 2024 \(esc.vic.gov.au\)](https://www.esc.vic.gov.au), p10

⁶ 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.

⁷ See [Q&A: Payment surcharges | ACCC](#)

⁸ Australian Competition and Consumer Commission (2017), "Excessive payment surcharge ban" press release, <https://www.accc.gov.au/media-release/excessive-payment-surcharge-ban>

long-term interests of Victorian consumers⁹, particularly given the current challenging domestic economic circumstances many Australians are facing.¹⁰ However, permitting surcharging much higher than the RBA's guide on the cost of acceptance does not assist in meeting that objective for a range of reasons. Visa's submission in this regard focuses on four key points:

1. Australian consumers are impacted, and research indicates that consumers feel they are penalised for choosing a certain payment method;
2. Surcharging much higher than the RBA's guide on the cost of acceptance may disincentivise consumer use of taxis, compared with other industries such as hire cars and ride-sharing services;
3. Surcharging does not take account of the costs associated with cash;
4. Substantive changes and innovations in the industry continue the trend towards digital commerce and we are working with our partners to help more Australian businesses, including taxi operators, to accept digital payments securely and conveniently, which will enable more acceptance and reduce reliance on terminals.

Firstly, Visa notes that in Australia, consumers have been estimated to pay nearly \$A1.6 billion in surcharge fees annually.¹¹ Independent research commissioned by Visa and conducted by YouGov in Australia in 2023 found that when a surcharge is applied 89 per cent of respondents felt they were penalised for choosing a certain payment method, and 67 per cent of respondents disagree that these fees constitute a reasonable trade-off for the convenience of using a card.¹²

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).¹³

Secondly, surcharging risks disincentivising consumer uptake of secure, transparent and reliable electronic payment systems. The RBA's latest Consumer Payments

⁹ Essential Services Commission (2023), [Unbooked taxi fare and non-cash payment surcharge review 2024 \(esc.vic.gov.au\)](https://www.esc.vic.gov.au), p14

¹⁰ Visa (2023), [Consumer spending weakens in October amid elevated inflation and fuel prices - Australia SMI November 2023 \(visa.com.au\)](https://www.visa.com.au)

¹¹ PYMNTS.com (2017), "Australia Officially Bans Excessive Credit Surcharges", [Australia Bans Excessive Credit Surcharges | PYMNTS.com](https://www.pymnts.com)

¹² YouGov (2023) research commissioned by Visa in August 2023. Based on survey of 1018 Australian cardholders aged between 18-75 years undertaken in an independent capacity. The survey was conducted online between 31 August and 4 September 2023.

¹³ 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.

Study, which provides a comprehensive overview of consumer payment behaviour, found that the share of in-person transactions made with cash halved, from 32 per cent to 16 per cent, over the three years to 2022.¹⁴ This means that more Australians are using digital payments and, therefore, will be impacted by surcharging. This may especially impact low-income and vulnerable consumers who cannot necessarily afford to incur additional costs. Continuing to allow surcharging practices within the taxi industry at a level much higher than the RBA's guide on the cost of acceptance could be viewed as creating an unfair barrier for these Australians.

Such disincentives are particularly misplaced when governments increasingly recognise the benefits of electronic payments to reduce the impact of the shadow economy and thereby increase tax revenues which fund public goods and services for the community.¹⁵ The RBA has also expressed concern that routine surcharging of debit transactions is not a desirable outcome, given that debit cards are now the most prevalent payment method for retail goods and services, and are increasingly replacing cash for low-value transactions.¹⁶

In addition to the impact on consumers, surcharging does not benefit the taxi industry - especially given that its competitors (e.g., ride-sharing services) in Australia do not surcharge across the board. As a result, in applying surcharging the industry disincentivises consumers from using taxis and risks driving them to other transport services. By comparison, the absence of surcharging helps to encourage a level playing field for transport service providers competing for the same consumer base. The previously mentioned independent research commissioned by Visa and conducted by YouGov highlighted that additional fees can negatively impact the perceived value of the products and services offered by a business. A total of 87 per cent of respondents questioned the overall value and competitiveness of products and services when additional fees are applied.¹⁷

Surcharging also does not take account of the costs associated with cash (which people often mistakenly see as a cost-free means of payment).¹⁸ 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 (including two Australian cities), a study found that on average businesses spend 2 per

¹⁴ Reserve Bank of Australia (2023), [The Evolution of Consumer Payments in Australia: Results from the 2022 Consumer Payments Survey \(rba.gov.au\)](https://www.rba.gov.au/publications/2023/01/01/evolution-of-consumer-payments-in-australia), Abstract

¹⁵ Australian Government (2018), Response to the Black Economy Taskforce Final Report, <https://treasury.gov.au/publication/p2018-287474/>, p19

¹⁶ [Interchange fees | Review of Retail Payments Regulation - Conclusions Paper | RBA](#)

¹⁷ YouGov (2023) research commissioned by Visa in August 2023, as per footnote 12.

¹⁸ In this regard, Visa notes that the commission 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).

cent of revenue per month for incoming non-digital payments.¹⁹ By comparison, applying no surcharge results in ensuring that there is a level playing field among all forms of payment.

Furthermore, 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, and worker productivity and wages would be expected to increase as well.²⁰

The commission expressed interest in whether there have been substantive changes in the industry that have impacted the industry in a way that can inform the review²¹. Visa continues to observe that the trend towards digital commerce is increasing, and we are working with our 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 smartphone²² into a PoS device, without the need for a separate payment terminal. A number of acquirers have launched this technology to their business customer base²³, with a taxi-specific solution also available to support the needs of the taxi industry²⁴. A 2021 YouGov study of over 1,000 Australian consumers²⁵ found that 45 per cent would be likely to use Tap to Phone 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).

¹⁹ 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”.

²⁰ Ibid.

²¹ Essential Services Commission (2023), [Taxi fare reviews 2024 - Unbooked taxi fares and non-cash payment surcharge - consultation paper - 20231031\(6\).pdf](#), p.vi

²² Tap to Phone technology is available on Android NFC-enabled devices and as of May 2023 Apple iPhone devices

²³ NAB Easy Tap <https://www.nab.com.au/business/payments-and-merchants/accepting-in-person-payments/nab-easy-tap>; Worldline Tap on Mobile <https://anzworldline.com.au/en/home/payment-solutions/eftpos-terminals/tap-on-mobile.html>; Westpac EFTPOS Air <https://www.westpac.com.au/business-banking/merchants-and-payments/eftpos-air-mobile-payments-app/>; Tyro Tap to Pay on iPhone <https://www.tyro.com/products/eftpos/tyro-byo-app/>; and Adyen Tyro Tap to Pay on iPhone <https://www.adyen.com/devices/tap-to-pay-on-iphone>

²⁴ LiveTap from Live Payments <https://livepayments.com/product/livetap>

²⁵ 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.

By enabling taxi drivers to transform their smartphones²⁶ into PoS devices, Tap to Phone removes the need for multiple payment terminals and creates the potential for payment terminals to be superseded. A requirement for multiple payment terminals has historically been part of the taxi industry's justification for the need for higher surcharging²⁷. The growing use of websites and apps to make payments, as well as Tap to Phone, will bring permanent changes to the taxi industry. As a result, Visa anticipates a further downward trend regarding terminal usage in taxis in the immediate years ahead, which should be factored into the commission's approach on surcharging.

C. Introduction of differentiated surcharging

As the commission continues to regulate surcharging in the taxi industry, Visa strongly recommends that the surcharging regime should be differentiated to account for the 'reasonable costs' associated with different payment instruments. Introducing a differentiated surcharge approach - under which surcharging for the use of debit and credit cards in taxis in Victoria would be split (as occurs with surcharging in other parts of the Australian economy) - ensures surcharges more accurately reflect the underlying economics for a specific transaction.

To support this recommendation, Visa welcomes the commission's plan to "benchmark surcharges against comparable credit and debit card transactions occurring in other sectors of the economy" and clarification that this will be "[the commission's] basis for considering what the reasonable costs of processing non-cash payment transactions is likely to be".²⁸

In undertaking this benchmarking, Visa recommends that the commission ensure that costs are sought for comparable solutions available to small businesses. There are a number of offers from acquirers and other payment service providers that incorporate costs for capabilities that would not be utilised or required by the taxi industry. For example, a number of online solution providers incorporate website hosting, integrated shopping carts, fraud tools, invoicing and assistance to automate back office financial processes. These value-added services are often packaged into the base cost for small businesses and, therefore, are not an appropriate benchmark to utilise for the purpose of determining the reasonable cost of processing non-cash payment transactions for the taxi industry.

Visa encourages any business adopting surcharging practices, including the taxi industry, to ensure digital payments remain cost efficient and reflective of the instrument with which a consumer elects to pay. Due to the very different nature of the products and the benefits and risks associated with each, debit products and credit products are supported by varied underlying economics and pricing structures. These differences must be considered in order to adhere to ACCC guidance that surcharging should not be excessive, or greater than the reasonable cost of acceptance. To do

²⁶ Tap to Phone technology is available on Android NFC-enabled devices and, as of May 2023, Apple iPhone devices

²⁷ Essential Services Commission (2023), [Taxi fare reviews 2024 - Unbooked taxi fares and non-cash payment surcharge - consultation paper - 20231031 \(6\).pdf](#), p12

²⁸ Ibid., p11

otherwise will result in consumers using certain payment instruments in taxis, like debit cards, continuing to pay more than “the costs incurred in accepting and processing non-cash payment transactions”.²⁹

At the same time, Visa’s proposed approach of splitting surcharging in this way will also enable taxi drivers “who facilitate non-cash payment transactions ... to recover the reasonable cost of accepting and processing these transactions”³⁰. As a result, this approach will enable the commission to meet both of its objectives regarding “promoting the long-term interests of Victorian consumers” and ensuring “that people and entities who facilitate non-cash payment transactions are able to recover the reasonable cost of accepting and processing these transactions”.³¹

Unlike in the 2019 review, we note that the commission has not expressed as part of the current review an intention to use the RBA standard on merchant surcharging to help assess the reasonable cost of accepting and processing non-cash payments.³² Visa encourages the commission to do so.

In addition, the commission’s 2022 list of reasonable costs does not appear to have been included/updated for the current consultation. We recommend such a list be included, made available to stakeholders for comment, and align as much as possible with the RBA’s list of such costs. By way of background, the RBA’s list allows for the inclusion of “fees for the rental and maintenance of payment card terminals”³³. 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.” It also excludes general business costs.

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

Yours sincerely,



Julian Potter
Group Country Manager
Australia, New Zealand & South Pacific

²⁹ Ibid, p.v

³⁰ Ibid.

³¹ Ibid.

³² Essential Services Commission (2018), “Taxi non-cash payment surcharge review 2019”, p10

³³ For RBA references in this paragraph, see [Guidance Note: Interpretation of the Surcharging Standards - November 2012 | RBA](#)

About Visa

Visa is one of the world's leaders 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. We facilitate global commerce and money movement across more than 200 countries and territories and among consumers, financial institutions, businesses, strategic partners, and government entities through innovative technologies.

In Australia, Visa has offices in Sydney and Melbourne. Together with our Australian financial institutions, fintech and business clients, and our technology partners, we are committed to building a future of commerce that fosters Australian economic growth, security, and innovation. Since 2020, Visa has worked with Global Sisters to provide business mentoring and coaching to aspiring businesswomen who recently graduated from Global Sisters' small business education program. In the same year, we launched #WhereYouShopMatters, an initiative focused on supporting Australian small businesses through education and promotion. Prior to this, Visa partnered 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.

In August 2023, Visa announced the first ever Australian recipients of its global Visa She's Next Grant Program, which supports women entrepreneurs to run, fund and grow their business. Together with Global Sisters and the Accelerator for Enterprising Women, Visa invited shortlisted exceptional women-owned small businesses to pitch their business growth plans for funding from the She's Next Grant Program.

Visa continues to enable new payment flows and expand acceptance across the payments ecosystem, ensuring that every Australian can both pay and be paid in a secure and convenient way. We are realising this through Visa Fintech Partner Connect and the Visa Accelerator Program. The program provides Australian fintechs with access to Visa's technologies, networks, and solutions, enabling businesses to scale for the benefit of consumers, businesses and the economy.

Regarding security, over a five-year period, Visa invested nearly AU\$14.5 billion in systems resilience, fraud management and cybersecurity, including tokenisation, Artificial Intelligence (AI) and blockchain-based solutions, to bring even more security to every transaction.³⁴ From April 2022 – March 2023, Visa's AI-driven security helped financial institutions prevent more than AU\$470 million in fraud from impacting Australian businesses. As commerce moves rapidly online, the threat landscape is also changing and, in response, Visa released its updated [Australian Security Roadmap 2021-23](#), given the increasing risk of cybercrime and scams facing Australian businesses and consumers. The roadmap highlights the steps that Visa is taking, together with industry, to continue securing digital payments in Australia.

³⁴ Visa internal data on global technology and operations investments, FY15-FY19. For further detail, see <https://usa.visa.com/visa-everywhere/blog/bdp/2019/12/24/investing-in-the-1577207091483.html>