GM Cabs

Response to Draft Review

Victorian

Essential Services Commission

Taxi Payments Review 2024

July 2024

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ESC response to draft July 2024

Whilst GM Cabs welcomes the research put into the draft review of non-cash payment charges, we remain disappointed that the increased costs faced by participants in recent times have not resulted in an ESC draft recommendation for an increase.

We would also respond to and clarify some general issues raised by some other submissions and by the ESC report:

The comparison table with other jurisdictions other jurisdictions

The report addresses the current state of charging for in-taxi payment services in different jurisdictions. It does not acknowledge the fact that participants in some of these jurisdictions received very large one-off fare increases coupled with the removal of the ability of drivers to charge for payment services. Following the fare increase in the zero-fee jurisdictions, all payment-related costs were charged to drivers.

This approach is less than desirable, because card resistance subsequently redevelops over time – consider the position of a driver who started their career the day after the one-off rise and now faces a discount of funds whenever a credit card is used.

The Singaporean model is more like the Australian one, and takes into account the nature of payment services, as opposed to the underlying transaction.

Chargeback costs

The experience of a chargeback in the case of a payment-only provider is very different from that of a typical retail merchant. The only part of the CPV transaction where it is possible to offset costs for the payment service provider (or generate revenue) is within the 4% Fee. This is unlike other retail merchants who would otherwise have a profit markup on their cost in the underlying full-fare transaction.

The payment service provider loses not only the 4% in the event of a chargeback but the entire 104% plus large bank fees. It is for this reason that we raise this as a significant cost issue.

Clarity as to why these transactions are outside the RBA framework

There remain good reasons why the Reasonable Cost of Acceptance model used broadly in retail transactions is not applicable. Fares for un-booked CPV services are regulated and this regulation does not include the cost of any payment services. The service being offered is only the payment facility (and it practically can only be done at a price that enables participants to commercially survive in that market).

The RBA acceptance components are narrowly defined and limited, but any general retail service provider can (and does) move other broader but related costs not included in the RBA calculation into their broader retail pricing. (We notice that many do not identify service payment service fee costs at all, regardless of whether they deem the RBA RCA appropriate.)

In the case of CPVs, for those Commercial Passenger Vehicles that operate within the fare price regulated part of the market, there is no other way to recover any payment costs, and this is felt particularly bitterly by participants as they compete with booked-only and rideshare entities which can and do charge *any* price the market will bear.

A similar experience is the business of third-party gift cards (e.g. a stored value *scheme* card as bought at a supermarket). There is a sale/ processing/ activation fee because the transaction on which the provider can recover costs and generate profit is *only* the payments/card infrastructure and the card company makes no part of the retail interaction. These are typically based on ad valorem fees. This is of course different in the case of a store's self-branded gift card which typically includes all charges in their general retail profit margin.

Once again, we thank the Commission for its attention to this review.