

# Review of the maximum unbooked taxi fares and non-cash payment surcharges

Final decision

14 August 2024

## Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

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Preface

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# Summary

## Our role in taxi price regulation

Taxis provide vital services to the community and are an important part of Victoria's transport system. For some people, taxis are their primary means of transport, enabling them to participate in the broader community and economy.

The Essential Services Commission has a role in the price regulation of some aspects of taxi services. In fulfilling our role, our objectives include:

- promoting the long-term interests of consumers<sup>1</sup>
- promoting the efficient provision and use of unbooked taxi services<sup>2</sup>
- promoting efficiency in the taxi non-cash payment industry<sup>3</sup>
- ensuring that those who facilitate non-cash payment transactions are able to recover the reasonable cost of accepting and processing these transactions.<sup>4</sup>

We are required to conduct a review of our current determinations on the maximum unbooked taxi fares and the maximum non-cash payment surcharges within two years of them being made.<sup>5</sup>

## Our final decision

Our review of maximum unbooked taxi fares and the maximum non-cash payment surcharges included the release of a consultation paper in October 2023 and a draft decision in June 2024. We received 23 submissions throughout the review period and held one-on-one meetings with stakeholders.

Our draft decision outlined our preliminary views and reasoning, on which we sought feedback from stakeholders. After considering feedback on our draft decision, we have made two new price determinations; one to increase maximum unbooked taxi fares, and the other to retain the current maximum non-cash payment surcharges.<sup>6</sup> This final decision sets out our supporting reasons and analysis for the determinations. Where our final decision is unchanged from our draft decision, we

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<sup>1</sup> *Essential Services Commission Act 2001*, s. 8.

<sup>2</sup> *Commercial Passenger Vehicle Industry Act 2017*, s. 110C.

<sup>3</sup> *Commercial Passenger Vehicle Industry Act 2017*, s 122.

<sup>4</sup> *Commercial Passenger Vehicle Industry Act 2017*, s 122(1).

<sup>5</sup> Sections 110F(2) and 124(4) of the *Commercial Passenger Vehicle Industry Act 2017*

<sup>6</sup> These determinations are made under section 33 of the *Essential Services Commission Act 2001*.

have not detailed all supporting reasons in our final decision. Instead, we have noted that our views are unchanged from our draft decision.<sup>7</sup>

## **Our final decision is to increase maximum unbooked taxi fares**

Our final decision is for maximum unbooked taxi fares to increase by 5.5 per cent, except for high occupancy fees and charges, which will increase by 6.2 per cent.<sup>8</sup>

These increases reflect the change in the cost of operating a taxi since fares were last updated in October 2023.

As outlined in our draft report, our methodology for assessing the change in the costs of operating a taxi has remained unchanged from our 2022 review. We have updated the taxi cost indexes<sup>9</sup> with the latest information to inform our final decision for this review.<sup>10</sup>

The maximum fares only apply to unbooked trips that begin in the Melbourne Metropolitan or Urban and Large Regional Zones (which includes Dandenong, Frankston, the Mornington Peninsula, Ballarat, Bendigo and Geelong).<sup>11</sup> As they are maximum fares, taxi service providers can choose to charge lower fares.

Booked taxi fares and rideshare services are not covered by our decision.

Our final decision is to also set a fare adjustment mechanism that will index fares annually. If certain conditions are met, the mechanism will adjust maximum fares in September 2025 in line with the change in our taxi cost indexes.

Our final decision is to retain the current fare structure. This means we have maintained options for either a 'time and distance' or 'time or distance' tariff structure. We have not changed the cleaning fee.

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<sup>7</sup> See our draft decision: Essential Services Commission 2024, [Review of the maximum unbooked taxi fares and non-cash payment surcharges](#), Draft Decision, June 2024.

<sup>8</sup> The high occupancy fees and charges reflect the cost of operating larger taxis that can perform high occupancy trips. They can only be charged when there are five or more people using the taxi (excluding children under the age of five years) or where a larger vehicle is required by the hirer other than for the carriage of a person who uses a wheelchair or mobility aid (for example, to carry luggage).

<sup>9</sup> The taxi cost indexes were developed in our 2022 review. See Appendix E for more information on how we developed these indexes.

<sup>10</sup> The fare increase in our final decision is slightly lower than our draft decision as we have updated our cost indexes with the latest information. This reflects our fuel and vehicle costs being slightly lower in June 2024 than March 2024.

<sup>11</sup> An unbooked taxi trip refers to commercial passenger vehicle trips that are hailed from the street or at a designated taxi rank. The new maximum fare schedules are set out in Appendix A.

## Summary

## Our final decision is to retain the current non-cash payment surcharges

Our final decision is that the maximum non-cash payment surcharge for taxi services in Victoria will remain at:

- 4 per cent (including GST) for all non-cash payment methods, except commercial passenger vehicle specific payment instruments
- 6 per cent (no GST payable) for commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments).

The maximum non-cash payment surcharge can be applied when a passenger uses a method other than cash to pay for a taxi service. It applies to all booked and unbooked taxi trips in Victoria.

In coming to our final decision, we examined historic and contemporary data and information, and stakeholders' views about whether the surcharges recovered the reasonable costs of accepting and processing non-cash payments. Stakeholders presented mixed views on the surcharges.

On balance, at this time, we consider it is appropriate to retain the current maximum non-cash payment surcharges.

We performed benchmarking analysis to determine that, on balance, the current maximum 4 per cent surcharge for most payment methods remains appropriate at this point in time. We compared this surcharge to the cost of non-cash payments for small businesses across the economy but tailored the analysis to reflect taxi market conditions.

Our benchmarking analysis shows that surcharges ranging from 1.8 per cent to 3.6 per cent may recover the cost of accepting and processing non-cash payments in the taxi industry. This analysis is based on the average payment terminal processing on average \$1,625 of non-cash payment revenue per month, which in part reflects our assumption that drivers continue to use multiple payment terminals.

The 6 per cent maximum surcharge for commercial passenger vehicle specific payment instruments reflects additional costs associated with issuing these payment instruments. These include expenditures related to account management and working capital to fund account holder credit.

These supplementary costs were reflected in data we collected for this and previous reviews. Future reviews will examine if this remains the case.

At present the only commercial passenger vehicle specific payment instrument is Cabcharge, operated by A2B Australia Limited. It will also apply to any future commercial passenger vehicle specific payment instruments that are developed by market participants during the regulatory period.

### Summary

The maximum 6 per cent surcharge does not apply to passengers who use other payment methods — debit and credit cards, where the 4 per cent maximum surcharge applies.

### **The market for payments is evolving**

Our final decision is based on how the taxi payments market has been operating. However, we are aware of the following developments:

- The approval of additional payment providers and terminals for processing Multi Purpose Taxi Program subsidies.
- Changes in payments technology, including increased uptake of tap-to-phone arrangements.
- Closure of the 3G network and the roll-out of 4G taximeters, providing opportunities for integration of payment terminals and taximeters/dispatch systems.

We will consider the evolving payments market, and in future reviews test assumptions as to the reasonableness (in scope and quantum) of costs.

# 1. Introduction

Every two years, we are required to review and set:

- maximum unbooked taxi fares
- maximum non-cash payment surcharges.

This paper sets out our final decision of our review.

The legislation provides that the commission's role is to set maximum unbooked fares and non-cash payment surcharges. Safe Transport Victoria, in accordance with legislation it administers, is responsible for ensuring operators comply with these determinations.

## **Our role in the commercial passenger vehicle industry**

### **Maximum unbooked taxi fares**

The commercial passenger vehicle industry provides the hire of point-to-point transport. Point-to-point transport is different to other forms of commercial transport that run on pre-specified routes and timetables. Taxis are a commercial passenger vehicle that can perform booked and unbooked services.<sup>12</sup>

### **Booked and unbooked taxi services**

Booked commercial passenger vehicle services are trips made through a booking service provider, where passengers typically reserve their trip in advance via an app, over the phone or via a website.

In contrast, unbooked commercial passenger vehicle services are all other trips, such as those hailed from the street or at a designated taxi rank. In this decision, we refer to unbooked commercial passenger vehicle services as 'unbooked taxi services'.

### **Maximum fare zones**

We set the maximum fares for unbooked trips that begin in the Melbourne Metropolitan or Urban and Large Regional Zones only (which includes Dandenong, Frankston, the Mornington Peninsula, Ballarat, Bendigo and Geelong). The fares of unbooked taxi trips that begin in other areas of Victoria are not regulated.<sup>13</sup>

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<sup>12</sup> See Appendix C for more information on the commercial passenger vehicle industry in Victoria.

<sup>13</sup> See Appendix A for a map of the maximum fare zones.



## Taxi operators

People who own and maintain taxis are taxi operators. They may rent vehicles out to taxi drivers or drive taxis themselves.

Our final decision on maximum unbooked taxi fares is set out in [Chapter 2](#).

### Maximum non-cash payment surcharges

Non-cash payment surcharges are fees charged to taxi passengers for paying by a method other than cash. For example, a surcharge may be applied when a passenger pays via a credit or debit card, or when using a commercial passenger vehicle specific payment system, like Cabcharge. The surcharge is calculated as a percentage of the taxi fare and added to the taxi fare.

We set the maximum non-cash payment surcharges for all taxi trips (booked and unbooked) in Victoria.

### What are non-cash payment surcharges?

When a buyer uses a non-cash payment method to make a purchase, the merchant (seller) incurs a cost for processing the payment.

This cost may vary, depending on the size of the merchant's business and the type of payment method used.

The merchant may choose to apply a surcharge to cover the cost of accepting and processing these payments.<sup>14</sup>

In the taxi industry, the surcharge will be paid by the passenger when using non-cash payment methods, such as debit or credit cards. The surcharge will either be collected by:

- **taxi payment processors** – these businesses provide terminals and equipment to taxi drivers, taxi operators or booking service providers, to facilitate payments between customers and taxi drivers. Most taxi drivers will use terminals provided by taxi payment processors.
- **booking service providers** – booking service providers may provide terminals to taxi drivers or recover the cost of non-cash payments directly via the use of smartphone apps or online booking services.<sup>15</sup>

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<sup>14</sup> See Appendix C for more information on non-cash payment processing in the taxi industry.

<sup>15</sup> We have heard from stakeholders that booking service providers typically do not charge a surcharge for payments made via a smartphone or online booking system. Rather, the cost of processing non-cash payments is recovered through a service fee or the booked taxi fare (which is not regulated).

- **taxi drivers or operators** – taxi drivers or operators may choose to use payment terminals they have sourced directly from a bank or other payment facilitator.

### **Taxi payment processors**

Taxi payment processors provide services to booking service providers, taxi drivers and taxi operators to facilitate payments. In some cases, they also act as booking service providers.

They provide payment terminals and equipment to enable taxi drivers to accept passengers credit, debit or charge cards. This typically involves obtaining terminals from terminal providers and entering pricing plans with acquirers (financial institutions that have access to various card/payment schemes).<sup>16</sup>

Some taxi payment processors have relationships with certain booking service providers or taxi operators; others compete by offering terminals directly to taxi drivers.

Our final decision on maximum non-cash payment surcharges is set out in [Chapter 3](#).

## **Recent market developments**

### **Inflation increased by 9.5 per cent since June 2022**

Since our 2022 reviews, it has been a period of high inflation. This has put cost pressures on both taxi service providers, payment processors and Victorian consumers. Since June 2022, the consumer price index has increased by 9.5 per cent.<sup>17</sup>

However, this has also been a period of taxi fare increases. In our 2022 review we increased maximum unbooked taxi fares by 11.2 per cent, the first rise in eight years. We also introduced an annual indexation mechanism which increased maximum fares a further 4.1 per cent in October 2023.

### **Demand for commercial passenger vehicles**

Our previous review coincided with Victoria emerging from the coronavirus pandemic, and it was unclear how the taxi market would develop.

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<sup>16</sup> One taxi payment processor, Live Payment Group, has become an acquirer itself.

<sup>17</sup> Consumer Price Index, All Groups, Melbourne.

We have heard from stakeholders that demand for taxis has not returned to 2019 (pre-pandemic) levels. This is supported by Commercial Passenger Vehicle Levy data, which reveals the number of commercial passenger vehicle trips has not recovered to pre-pandemic levels.<sup>18</sup>

Table 1 shows that, after a low in 2020–21 (due to the coronavirus pandemic), the number of trips has increased every year. However, the 2022–23 figure (which is the latest available data), is still 13 per cent below 2019–20.

**Table 1** Change in commercial passenger vehicle levy revenue – implied trips

	CPV levy revenue collected (\$'000)	CPV levy (\$)	Number of CPV trips taken ('000)
2019–20	67,239	1	67,239
2020–21	26,971	1	26,971
2021–22	44,981	1.05	42,839
2022–23	61,119	1.05	58,209

**Source:** Essential Services Commission analysis of SRO reported commercial passenger vehicle levy revenue.

Submissions alerted us to increased work from home arrangements and declines in international tourism, which mean that the types of trips have changed. We observe that taxi volumes at Melbourne Airport are 34 per cent lower in 2022–23 than 2019–20.<sup>19</sup> However, this partly reflects a 65 per cent increase in the use of rideshare at the airport over the same period, pointing to heightened competition.

### Consumer spending behaviour and the payment system

In the payments industry, there have been some notable changes to consumer and merchant behaviours:

- The proportion of cash transactions continues to decline, going from 27 per cent to 13 per cent between 2019 and 2022.<sup>20</sup>
- Card payments continue to increase, as technology improvements such as tap to pay and mobile wallets increase the opportunities for consumers to pay using non-cash means.

<sup>18</sup> State Revenue Office Victoria Annual Review, Financial Statements, Administered Items.

<sup>19</sup> Essential Services Commission analysis of ACCC data – ACCC, 2024, '2022-23 airport monitoring report – supplementary database' [Excel file], <https://www.accc.gov.au/about-us/publications/serial-publications/airport-monitoring-reports/airport-monitoring-report-2022-23>.

<sup>20</sup> Tanya Livermore et al., 2023, 'The Evolution of Consumer Payments in Australia: Results from the 2022 Consumer Payments Survey' Reserve Bank of Australia Research Discussion Paper, <https://www.rba.gov.au/publications/rdp/2023/2023-08/full.html>.

- Businesses across the economy are increasingly surcharging, with card payments incurring surcharges increasing from 4.7 per cent to 7.3 per cent between 2019 and 2022.<sup>21</sup>

## Technological developments

Card schemes have introduced tap to phone protocols which enable payment processors to offer tap to phone services to merchants. This means merchants can use their own smartphones as payment terminals and do not need to pay fees for terminals.<sup>22</sup>

While tap to phone and other mobile payment services (mPOS terminals) could be used in the taxi industry, we have heard that driver take-up of these options remains low.<sup>23</sup> Due to the relatively low driver take up of mPOS terminals, on this occasion we have chosen to focus our benchmarking on the more universally used EFTPOS terminals, rather than mPOS terminals.

Some taxi terminals which rely on 3G network connectivity will need to be replaced due to the 3G network being shut down. We heard taxi payment processors are using the network shutdown as an opportunity to upgrade terminals, including the integration of terminals with taximeters, booking/dispatch systems and improved data collection functions.

## How we conducted this review

We are required to complete a review of the maximum unbooked taxi fares and non-cash payment surcharges determinations every two years. In the past, we conducted these reviews separately. However, as our previous determinations were made on the same date (31 August 2022), we conducted this review on both topics concurrently.

We released a [consultation paper](#) in October 2023 which set out our approach to the review and invited feedback from stakeholders.<sup>24</sup> We received 14 submissions, 6 of which were confidential.

We also held one-on-one meetings with taxi payment processors, booking service providers and government agencies.

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<sup>21</sup> Thuong Nguyen and Benjamin Watson, 2023, 'Consumer Payment Behaviour in Australia' Reserve Bank of Australia Research – Bulletin – June 2023, <https://www.rba.gov.au/publications/bulletin/2023/jun/consumer-payment-behaviour-in-australia.html>.

<sup>22</sup> Some of these services are advertised to the taxi industry. For example, <https://livepayments.com/product/livetap-for-taxi>, accessed 17 May 2024.

<sup>23</sup> GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023.

<sup>24</sup> <https://www.esc.vic.gov.au/transport/commercial-passenger-vehicles/unbooked-taxi-fares-and-non-cash-payment-surcharge-review-2024>.

In June 2024, we released a draft decision and invited submissions from stakeholders. We received 9 submissions, 1 of which was confidential (see [Appendix B](#) for a list of submissions on our draft decision).

This paper sets out our final decision. We have made separate price determinations for each topic to replace the existing determinations.

## 2. Unbooked taxi fares

Our final decision is to:

- increase maximum fares for unbooked taxi trips that begin in the Melbourne Metropolitan, Urban and Large Regional Zones by 5.5 per cent
- increase the high occupancy fee and charges by 6.2 per cent
- keep the fare structures unchanged
- amend the fare adjustment mechanism to incorporate all cost components of our taxi cost indexes.

We considered stakeholder feedback and updated our taxi cost index inflators with the latest information to understand how the costs of operating a taxi have changed since our 2022 review.

The changes in the taxi cost indexes helped us determine the increase in maximum fares.

Taxis in Victoria are commercial passenger vehicles that can perform either booked or unbooked services.

We set the maximum fares for unbooked trips that begin in either the Melbourne Metropolitan Zone or the Urban and Large Regional Zone (which includes Dandenong, Frankston, the Mornington Peninsula, Ballarat, Bendigo and Geelong). We do not set the boundaries of these zones and we cannot review them.<sup>25</sup>

Fares for all booked commercial passenger vehicle services (including rideshare services) and unbooked taxi services outside the Melbourne Metropolitan Zone and the Urban and Large Regional Zone, are not regulated. This means that rideshare and taxi service providers set their own fares for these trips.

We are required to review maximum unbooked taxi fares every two years.

### **Booked services**

Booked commercial passenger vehicle services are trips made through a booking service and are typically reserved in advance of the trip via an app, phone call or website.

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<sup>25</sup> *Commercial Passenger Vehicle Industry Act 2017*, s 110A.

## Unbooked services

Unbooked commercial passenger vehicle services are all other trips such as trips hailed on the street or at a taxi rank. In this paper, we refer to unbooked commercial passenger vehicle services as ‘unbooked taxi services’.

## Fare structures

Our final decision and determination on maximum unbooked taxi fares retains two fare schedules. The first schedule sets fares for the *Melbourne Metropolitan Zone and the Urban area of the Urban and Large Regional Zone*, which includes Dandenong, Frankston and the Mornington Peninsula.

The second schedule sets fares for the *Large Regional areas of the Urban and Large Regional Zone*, which includes Geelong, Ballarat and Bendigo. The areas to which the fare schedules apply have not changed since our previous review and determination (see [Appendix A](#) for a map).

## Tariff components

Unbooked fares are made up of three main tariff components: flagfall, distance rate and time rate. For each fare schedule, the determination provides two options for calculating maximum fares:

- **time and distance tariffs:** where the fare is calculated as flagfall + (kilometres travelled x distance rate) + (duration of trip in hours x time rate [hourly])
- **time or distance tariffs:** where the fare is calculated as flagfall + (kilometres travelled at speed above 21 kilometres per hour x distance rate) + (hours spent at speed below 21 kilometres per hour x time rate [hourly]).

The determination also lists other fees and charges including holiday fees, late night fees, high occupancy fees and charges, and cleaning fees. We do not set toll fees, the airport taxi rank fee or the commercial passenger vehicle service levy, but the determination allows a pass-through of these costs.

The non-cash payment surcharges that may be applied on top of the fares are set out in the separate determination on maximum non-cash payment surcharges (see Chapter 3).

See [Appendix A](#) for the new maximum fare schedules.

## 2. Unbooked taxi fares

## Our approach to setting taxi fares

When determining maximum fares for unbooked taxi services, our objectives include promoting the long-term interests of Victorian consumers and the efficient provision and use of unbooked taxi services.<sup>26</sup>

Regulating maximum fares ensures that there is price certainty for all passengers, and that they do not pay excessive amounts for this service. This is particularly important for passengers experiencing vulnerability who may not be able to access alternative transport options and may therefore rely on taxis for their travel needs.

In regulating maximum fares for unbooked taxi services, we must have regard to a range of matters under the *Essential Services Commission Act 2001* and the transport system objectives and decision-making principles under the *Transport Integration Act 2010*.<sup>27</sup> These matters include the financial viability of the industry, the degree of and scope for competition within the industry, and consistency in regulation between states and on a national basis.

The *Commercial Passenger Vehicle Industry Act 2017* also enables us to determine maximum fares that differ according to a range of factors, including the prevailing economic conditions (including the price of fuel and the consumer price index), the Fair Work Commission's annual wage review<sup>28</sup> and the commercial viability of operating a taxi service.<sup>29</sup>

Under the *Essential Services Commission Act*, we must have regard to the efficient costs of operating a taxi. We estimated efficient costs using the costs for an 'average taxi' recognising that actual average costs can differ significantly between different operators depending on factors such as fleet size and operating model.

See [Appendix G](#) for further information on the legal framework for setting maximum fares for unbooked taxi services.

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<sup>26</sup> *Essential Services Commission Act 2001*, s. 8; *Commercial Passenger Vehicle Industry Act 2017*, s. 110C.

<sup>27</sup> *Essential Services Commission Act 2001*, ss. 8, 8A, 33; *Transport Integration Act 2010*, s. 24.

<sup>28</sup> *Commercial Passenger Vehicle Industry Act 2017*, s. 110E(1)(ga). The Fair Work Commission's annual wage review is conducted under section 285 of the *Fair Work Act 2009 (Cth)*.

<sup>29</sup> *Commercial Passenger Vehicle Industry Act 2018*, s. 110E(1)(gb).

## 2. Unbooked taxi fares



## Our approach for this review

In setting maximum unbooked fares, we considered changes in the cost of operating a taxi service and whether there had been changes in service quality or in the supply and demand for taxi services.

We updated our taxi cost indexes with the most recent information available to us to understand how the costs of operating a taxi have changed since our last review and to help us determine the level of increase in maximum fares.

As we did not collect data on service quality or supply and demand in the unbooked taxi market for this review, we instead drew on public data and stakeholder views to understand how the market has changed since 2022.

## Our taxi cost indexes suggest that costs have increased

We used two taxi cost indexes to estimate changes in the costs of operating a taxi over time. There are some differences in the costs of operating a conventional taxi and a wheelchair accessible taxi (for example, vehicle costs are higher for wheelchair accessible taxis compared to conventional taxis). To capture these differences, we measured the change in costs for conventional taxis and wheelchair accessible taxis using separate cost indexes.

As outlined in our draft decision, we have not made any changes to the cost components, cost shares or cost inflators from our 2022 review.

For our draft decision, we updated the cost inflators with the most recent data available to us at the time. Following our draft decision, we updated the cost inflators again to reflect the change in costs over the two-year period since our last review.

Applying the change in costs as suggested by the taxi cost indexes to the 2022 unbooked taxi fares gives us the fares required to recover the average efficient cost of operating a taxi in 2024.

Our taxi cost index for conventional taxis suggests that the costs of operating a conventional taxi have increased by 9.9 per cent since our last review.

Our taxi cost index for wheelchair accessible taxis suggests that the costs of operating a wheelchair accessible taxi have increased by 10.6 per cent since our last review.

Table 2 and Table 3 show the cost components and the cost share, change in cost inflator and index contribution for each cost component for conventional taxis and wheelchair accessible taxis, respectively.

The key factors in the change in costs of operating both conventional taxis and wheelchair accessible taxis were driver labour, vehicle costs, fuel and insurance.

## 2. Unbooked taxi fares

See [Appendix E](#) for further information on the taxi cost indexes.

**Table 2**      **Change in costs of operating a conventional taxi**  
June 2022 to June 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	6.6%	-14.9%	-1.0%
Network (equipment)	5.7%	1.3%	0.1%
Network (labour)	5.7%	6.6%	0.4%
Insurance	3.6%	20.6%	0.7%
Vehicle	7.6%	20.5%	1.5%
Registration	1.2%	4.9%	0.1%
Repairs and maintenance	6.9%	7.5%	0.5%
Administration	7.7%	6.9%	0.5%
<b>Total operating costs</b>	<b>45%</b>	<b>6.4%</b>	<b>2.9%</b>
Driver labour	55%	12.7%	7.0%
<b>Total operating and labour costs</b>	<b>100%</b>	<b>Not applicable</b>	<b>9.9%</b>

**Note:** most changes in cost inflators are measured over the period from June 2022 to June 2024. However, the changes in the cost inflators which use the wage price index (network (labour) and administration) and comprehensive car insurance index (insurance) are measured from June 2022 to March 2024. See Appendix E for more information.

**Source:** Essential Services Commission analysis (see Appendix E).

## 2. Unbooked taxi fares

**Table 3**      **Change in costs of operating a wheelchair accessible taxi**  
June 2022 to June 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	7.0%	-16.2%	-1.1%
Network (equipment)	4.3%	1.3%	0.1%
Network (labour)	4.3%	6.6%	0.3%
Insurance	3.9%	20.6%	0.8%
Vehicle	11.5%	23.0%	2.6%
Registration	1.1%	4.9%	0.1%
Repairs and maintenance	6.3%	7.5%	0.5%
Administration	6.5%	6.7%	0.4%
<b>Total operating costs</b>	<b>45%</b>	<b>8.1%</b>	<b>3.6%</b>
Driver labour	55%	12.7%	7.0%
<b>Total operating and labour costs</b>	<b>100%</b>	<b>Not applicable</b>	<b>10.6%</b>

**Note:** most changes in cost inflators are measured over the period from June 2022 to June 2024. However, the changes in the cost inflators which use the wage price index (network (labour) and administration) and comprehensive car insurance index (insurance) are measured from June 2022 to March 2024. See Appendix E for more information.

**Source:** Essential Services Commission analysis (see Appendix E).

## Our final decision

### Most maximum fares will increase by 5.5 per cent

Our final decision is to increase current maximum fares for unbooked taxi trips by 5.5 per cent, except for high occupancy fees and charges (explained further below).

The basis for this increase is the conventional taxi cost index. The conventional taxi cost index suggests that the cost of operating a conventional taxi has increased by 9.9 per cent since 2022. Maximum fares were already increased by 4.1 per cent via the fare adjustment mechanism in October 2023, so they need to increase by a further 5.5 per cent to recover the change in costs since 2022.<sup>30</sup>

<sup>30</sup> Our cost index measures the change in costs since our 2022 review. Fares increased by 4.1 per cent in 2023. Due to compounding, a 5.5 per cent increase ensures that the fares are 9.9 per cent higher than the 2022 fare level.

## 2. Unbooked taxi fares

We proposed to use the conventional taxi cost index as the basis for increasing fares in our draft decision, which stakeholders supported.<sup>31</sup>

Our final decision (5.5 per cent increase) is slightly lower than our draft decision (5.7 per cent) because we have updated the cost inflators with the most recent information available to us since making the draft decision.<sup>32</sup>

This increase in maximum fares will apply equally to all relevant tariff components<sup>33</sup> of both fare schedules (that is, to all fares within the Melbourne Metropolitan and Urban and Large Regional Zones).

We estimate that a 5.5 per cent increase in maximum fares equates to an increase of about \$0.84 in maximum fares for a three-kilometre trip within the Melbourne central business district<sup>34</sup> or \$3.18 for a longer trip such as from the Melbourne central business district to the Melbourne International Airport.<sup>35</sup>

We consider that the increase in maximum fares will promote the efficient provision and use of unbooked taxi services. Our taxi cost index reflects the current costs of operating a taxi in Victoria and, therefore, the costs that should be recovered to facilitate the commercial viability of operating an unbooked taxi service in Victoria.

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<sup>31</sup> Name withheld 1, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 13 June 2024; Fuad Yonis, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 13 June 2024; Name withheld 2, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 16 June 2024; Name withheld 4, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 17 June 2024.

<sup>32</sup> The key drivers of the lower increase in costs as suggested by our taxi cost indexes were lower fuel and vehicle costs for the June 2024 Quarter compared to the March 2024 Quarter.

<sup>33</sup> The relevant tariff components in fare schedule 1 (fares for Metropolitan Melbourne, Dandenong, Frankston and the Mornington Peninsula) include the flagfall and variable components of the day tariff, peak tariff and overnight tariff. The relevant tariff components in fare schedule 2 (fares for Ballarat, Bendigo and Geelong) include the flagfall and variable components of tariff one, the flagfall of the high occupancy tariff, late night fee and holiday fee.

<sup>34</sup> This estimate is for a conventional taxi and is based on daytime 'time and distance' tariffs. Distance and travel time to destination (Parliament to Docklands) are based on Google maps. Fare estimates exclude other charges not set by the commission.

<sup>35</sup> This estimate is for a conventional taxi and is based on daytime 'time and distance' tariffs. Distance and travel time to destination (Melbourne CBD to Melbourne Airport) are based on Google maps. Fare estimates exclude other charges not set by the commission such as tolls and the Melbourne Airport fee.

## 2. Unbooked taxi fares

## The high occupancy fee and charges will increase by 6.2 per cent

Our final decision is to increase the current high occupancy vehicle fee and charges by 6.2 per cent.<sup>36</sup>

The basis for this increase is the wheelchair accessible taxi cost index which indicates that the cost of operating a wheelchair accessible taxi has increased by 10.6 per cent since 2022.

The high occupancy fee and charges were already increased by 4.1 per cent via the fare adjustment mechanism in October 2023, so they need to increase by a further 6.2 per cent to recover the change in costs.<sup>37</sup>

Our final decision is different from our draft decision, which was to increase the high occupancy fee and charges by 6.4 per cent, as we have updated the cost inflators with the most recent information available to us since making the draft decision.

This increase will apply to:

- the high occupancy fee in fare schedule 1 (fares for Metropolitan Melbourne, Dandenong, Frankston and the Mornington Peninsula)
- the variable components of the high occupancy tariff in fare schedule 2 (fares for Ballarat, Bendigo and Geelong).

The high occupancy fee and charges can only be charged when:

- there are five or more people using the taxi (excluding children under the age of five years), or
- a vehicle larger than a standard taxi is required, regardless of the number of passengers to be carried except where the vehicle has been hired for the carriage of a person who uses a wheelchair or mobility aid (for example, to carry luggage).

The high occupancy fee and charges compensate drivers of higher occupancy vehicles, including wheelchair accessible vehicles, for the higher costs associated with operating a larger vehicle.<sup>38</sup>

Increasing the high occupancy fee and charges in line with the increase in operating costs (as

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<sup>36</sup> Due to rounding, the high occupancy fee for the Melbourne Metropolitan Zone and Urban area increases by 6.1 per cent, and the high occupancy charges for the Large Regional areas increase by 6.3 per cent.

<sup>37</sup> Our cost index measures the change in costs since our 2022 review. Fares increased by 4.1 per cent in 2023. Due to compounding, a 6.2 per cent increase ensures that the high occupancy fees and charges are 10.6 per cent higher than the 2022 fare level.

<sup>38</sup> A 'standard taxi' means a taxi with seating for up to four passengers and includes station wagon type vehicles. See clause 6.4 of Schedule 1 of the Determination of Maximum Charge for Unbooked Commercial Passenger Vehicle Services.

## 2. Unbooked taxi fares

suggested by our wheelchair accessible taxi cost index) will help promote the sustained and commercially viable operation of these taxis.<sup>39</sup>

While the high occupancy fee and charges cannot be charged for the carriage of a person who uses a wheelchair or mobility aid, the driver is compensated for the additional costs of the vehicle in this situation through a separate wheelchair 'lifting fee'. The increase in the high occupancy fee and charges does not change the lifting fee or the current 50 per cent subsidy under the Multi Purpose Taxi Program (MPTP). The commission does not set the lifting fee or the MPTP subsidy.<sup>40</sup>

### **Fare structures remain unchanged**

Our final decision is to keep the fare structures unchanged in both fare schedules. This means that we have maintained options for either a 'time and distance' or a 'time or distance' tariff structure. We did not identify any information during this review to suggest that the current fare structures are not appropriate for the upcoming regulatory period.

### **The cleaning fee remains unchanged**

Occasionally taxi passengers soil the vehicle they hired by, for example, vomiting or spilling food or drink. When this happens, the driver must take the vehicle out of service for cleaning. This usually takes between one and two hours, but in particularly bad cases the vehicle can lose an entire shift.

Our final decision is to continue to allow taxi drivers to charge a reasonable cleaning fee of up to a maximum of \$120. Our benchmarking analysis suggests that a \$120 cleaning fee remains within the range of cleaning fees charged by taxis and rideshare vehicles in Australia.

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<sup>39</sup> High occupancy vehicles that are wheelchair accessible have an important role in providing means by which persons with disability can access social and economic opportunities to support their wellbeing. This is one of the transport system objectives the commission is to have regard to (*Transport Integration Act 2010*, s. 8).

<sup>40</sup> The Multi Purpose Taxi Program (MPTP) assists with the travel needs of people with accessibility and mobility needs by offering subsidised CPV fares to members. Members get 50 per cent off the total fare, up to \$60, with some restrictions. The MPTP is administered by Safe Transport Victoria (STV). The lifting fee is a fee paid by STV to the taxi driver/operator for helping MPTP members in wheelchairs or scooters get into a wheelchair accessible vehicle. STV also pays a partial fee for loading wheelchairs into other types of vehicles. The lifting fee is set by STV.

## 2. Unbooked taxi fares

Maximum cleaning fees allowed for taxis in other Australian jurisdictions range from \$50 (Northern Territory)<sup>41</sup> to \$161.30 (Queensland).<sup>42</sup> Rideshare providers in Victoria, which are not regulated, currently charge a cleaning fee of up to a maximum of \$150.<sup>43</sup>

### **A fare adjustment mechanism will include all cost components**

In our 2022 review, we introduced a fare adjustment mechanism to apply in 2023. That mechanism allowed us to adjust the maximum fares between fare reviews without the need to undertake a review or make a new price determination, if the increase or decrease in costs was greater than 1 per cent. The mechanism accounted for changes only in driver labour and fuel costs. It led to an increase in maximum fares of 4.1 per cent from 1 October 2023.<sup>44</sup>

The main purpose of the fare adjustment mechanism was to help maintain the commercial viability of taxi services and address concerns about increasing labour costs and fluctuating fuel prices. We consider it worked well but acknowledge other cost components in the taxi cost indexes have increased significantly over the last two years, such as vehicle and insurance costs.

In our draft decision, we proposed to retain a fare adjustment mechanism and expand it to include all cost components of our taxi cost index. Stakeholders generally supported this proposal.<sup>45</sup>

Our final decision is to include all cost components of our taxi cost index in a fare adjustment mechanism in 2025. This will more accurately reflect the change in costs of operating a taxi and help maintain the commercial viability of taxi services. This will also smooth fare changes for passengers and taxi operators.

The process for the fare adjustment mechanism is shown below.

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<sup>41</sup> Northern Territory Government, Taxi and minibus areas and fares, <https://nt.gov.au/driving/industry/commercial-passenger-vehicles/taxi-areas-meters-and-fares> (accessed 18 July 2024).

<sup>42</sup> Queensland Government, Taxi Service Standards, <https://www.qld.gov.au/transport/public/operators/information-for-passengers/passenger-rights-and-fares/taxi-service-standards> (accessed 18 July 2024).

<sup>43</sup> Didi, How do I request a cleaning fee, <https://web.didiglobal.com/au/help-center/how-do-i-request-a-cleaning-fee/> (accessed 18 July 2024); Ola, Driver cleaning fee reimbursement policy, <https://ola.com.au/driver/drivers-guidelines/ola-driver-cleaning-fee-reimbursement-policy/> (accessed 18 July 2024).

<sup>44</sup> Essential Services Commission 2023, Unbooked Taxi Fare Annual Adjustment, 24 August. Under the fare adjustment mechanism for 2023, the 4.1 per cent increase applied to all fares and charges. We did not apply a different increase to the high occupancy fee and charges.

<sup>45</sup> Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 30 October 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023; Name withheld 2, submission to the Essential Services Commission draft decision 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 16 June 2024.

## 2. Unbooked taxi fares

## Process for the fare adjustment mechanism in 2025

- In August 2025, we will update the cost inflators in the taxi cost indexes to account for the changes in all cost components that occur over the period from June 2024 and June 2025.
- We will calculate and assess the change in the costs of operating a conventional taxi and a wheelchair accessible taxi using the updated cost inflators.
- If the change in the conventional taxi cost index is more than plus/minus 1 per cent:
  - the high occupancy fee and charges will be adjusted by the change in the wheelchair accessible taxi cost index, and
  - all other fares and charges will be adjusted by the change in the conventional taxi cost index.
- If the change in the conventional taxi cost index is less than plus/minus 1 per cent, the maximum fares and the high occupancy fee and charges will remain unchanged as the administrative and implementation costs of changing fares are likely to outweigh any benefits.
- If the fare adjustment mechanism indicates fares should change, then in September 2025 we will publish our assessment and a notice in the *Victorian Government Gazette*.
- To assist unbooked taxi service providers, we will also include updated tariffs in our assessment paper and publish the newly calculated maximum fares on our website.
- New maximum fares would take effect on 23 September 2025 and remain in place until a new price determination takes effect.

**Note:** most changes in the cost inflators are measured over the period from June 2022 to June 2024. However, the changes in the cost inflators which use the wage price index (network (labour) and administration) and comprehensive car insurance index (insurance) are measured from June 2022 to March 2024. These cost inflators will be measured from March 2024 to June 2025 for the fare adjustment mechanism.

**Note:** if the data for the June 2025 Quarter for a cost component is not available at the time of making the commission's assessment, we will use the most recent data available to us for that cost component.

## 2. Unbooked taxi fares



### 3. Non-cash payment surcharge

Our final decision for the maximum non-cash payment surcharge for taxi services in Victoria is:

- 4 per cent (including GST) for all non-cash payment methods, except commercial passenger vehicle specific payment instruments.
- 6 per cent (no GST payable) for commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments).

In making our final decision, we considered the reasonable costs of facilitating non-cash transactions in taxis by examining information provided by stakeholders and undertaking benchmarking analysis.

Our benchmarking shows that the maximum 4 per cent surcharge enables taxi payment processors to recover the reasonable costs of accepting and processing most non-cash payments for taxi services.

The 6 per cent maximum surcharge for commercial passenger vehicle specific payment instruments reflects higher costs for the Cabcharge payment instrument.

In the taxi industry, non-cash payment surcharges may be charged to taxi passengers to recover the costs of accepting and processing non-cash payment transactions. Non-cash payment transactions refer to payments made by any method other than cash, such as payments via debit or credit cards.

In other sectors of the economy (including rideshare and hire car services), surcharge rules for non-cash payments are set by the Reserve Bank of Australia, while the Australian Competition and Consumer Commission is responsible for enforcing those rules.<sup>46</sup>

However, the Reserve Bank of Australia's rules specifically exclude non-cash payments for taxi services. The Essential Services Commission is responsible for setting the maximum surcharges for non-cash payment transactions for taxi services (applies to both booked and unbooked taxi services) in accordance with Victorian legislation.

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<sup>46</sup> Reserve Bank of Australia 2016, Standard no. 3 of 2016: Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions, section 4, 1 Sep 2016 as varied with effect from 1 Jan 2022, <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/pdf/standard-no-3-of-2016-scheme-rules-relating-to-merchant-pricing-2021-11-18.pdf>.

Safe Transport Victoria (the commercial passenger vehicle industry regulator) is responsible for enforcing compliance with these surcharges.

We are required to review the maximum surcharges every two years.

## **Our approach to setting non-cash payment surcharges**

Our role is to set the maximum non-cash payment surcharge that applies to taxi services in Victoria.

In undertaking this role, our objectives include promoting both the long-term interests of Victorian consumers and efficiency in the taxi non-cash payment industry.<sup>47</sup>

We must also ensure that those who facilitate taxi non-cash payment transactions are able to recover the reasonable cost of accepting and processing these transactions.<sup>48</sup>

As outlined in chapter 1, in the taxi industry, the surcharge is primarily collected by taxi payment processors. However, the surcharge may alternatively be collected by the taxi driver, operator or booking service provider.

We define 'reasonable cost' to mean the costs incurred in accepting and processing non-cash payment transactions, which are moderate, not excessive, and within the limits of what it would be rational or sensible to expect for the given level of service quality and reliability.<sup>49</sup>

The costs payment processors incur varies depending on who collects the surcharge and what technology is used. We consider that reasonable costs typically include:

- **merchant service fees** – this is the variable cost of processing non-cash payments and includes interchange fees (fees set by the card scheme to be paid by the merchant's bank to the cardholder's bank), scheme fees (fees paid by the merchant's bank and cardholder's bank to the payment scheme) and the merchant bank's margin.
- **operational costs** – includes wages, payment terminal maintenance, fraud and fraud prevention and other administrative overheads.
- **capital costs** – payment terminals and other infrastructure that is required to process non-cash payments.<sup>50</sup>

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<sup>47</sup> *Commercial Passenger Vehicle Industry Act 2017*, s 122(1); *Essential Services Commission Act 2001*, s 8(1).

<sup>48</sup> *Commercial Passenger Vehicle Industry Act 2017*, s 122(2).

<sup>49</sup> Essential Services Commission 2018, Taxi non-cash payment surcharge review 2019, December, p. 9.

<sup>50</sup> Some payment providers choose to purchase the payment terminals they supply to drivers, while others choose to rent these.

### 3. Non-cash payment surcharge

In our view, costs related to other parts of taxi services, such as booking services, Multi Purpose Taxi Program processing, taximeter and dispatch functions, and driver incentives and commissions should not be recovered via the surcharge. In our previous reviews, we set out what we consider to be the reasonable costs of facilitating non-cash payments in the taxi industry and detailed reasons for not including other costs.<sup>51</sup> Our views have not changed.

See [Appendix G](#) for further information on the legal framework for setting maximum non-cash payment surcharges.

### The basis of the current surcharges

In our 2019 review, we set the maximum non-cash payment surcharges at:

- 4 per cent (including GST) for most non-cash payment methods
- 6 per cent (excluding GST) for commercial passenger vehicle specific payment instruments (like Cabcharge).

Using industry cost data, we undertook a bottom-up cost assessment and found that most payment processors required a surcharge of between 3.5 per cent and 3.9 per cent to recover their reasonable costs.<sup>52</sup>

In consideration of taxi payment processors' costs, benchmarking and stakeholder views, we set the surcharge for most payment methods to 4 per cent. We set a higher maximum surcharge for commercial passenger vehicle specific payment instruments, such as Cabcharge, because cost data showed that this payment method incurred higher costs (for example, costs related to account management and working capital to fund account holder credit).

After following a similar method in our 2022 review, our 2022 decision was to maintain the surcharges at previously determined levels.<sup>53</sup>

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<sup>51</sup> For example, see Chapter 3 and Appendix B from our 2022 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2022*, August 2022.

<sup>52</sup> See our 2019 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2019*, Final Decision, March 2020.

<sup>53</sup> See our 2022 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2022*, Final Decision, September 2022.

### 3. Non-cash payment surcharge

## Our approach for this review

We used benchmarking analysis and considered stakeholder views to assess whether the current surcharges recovered the reasonable costs of accepting and processing non-cash payments in the Victorian taxi industry.

Our draft decision set out why we deemed the current surcharges continued to be appropriate. Stakeholders' views were sought, and their submissions considered in coming to this final decision.

## Benchmarking shows that a 4 per cent maximum surcharge is appropriate

Our benchmarking analysis compares the maximum 4 per cent surcharge against the costs small businesses in Australia face when accepting and processing credit and debit card transactions. We assumed that taxis use multiple terminals and used the cost of terminals available to small businesses with revenue similar to that of the typical taxi to ensure our analysis was comparable with the taxi industry. Our analysis shows that it may be possible for taxi payment processors to process most non-cash payments with a surcharge between 1.8 per cent and 3.6 per cent.

We also examined how payment processing costs have changed over time in the broader economy. This involved analysing public data on economy-wide trends in merchant service fees and comparing our benchmarking results to our 2019 and 2022 reviews. Our analysis shows that merchant services fees have been declining over the long term, however they have stabilised since 2020. Our benchmarking results show that the cost of processing non-cash payments as a percentage of revenue has remained stable since our initial review in 2019.

This means that a 4 per cent maximum surcharge will continue to enable taxi payment processors to recover the reasonable costs of accepting and processing most non-cash payment methods. Processors can choose to charge less than the maximum or vary charges by payment type provided they stay below the maximum.

## Our benchmarking analysis

To benchmark taxi surcharges, we estimated an implied surcharge that would be needed to recover the cost of facilitating non-cash payments for a given level of revenue.

The implied surcharge is equal to the monthly cost of processing non-cash payments divided by an estimated monthly turnover for a payment terminal in a taxi in Victoria.

$$\text{Implied surcharge} = \frac{\text{Monthly cost}}{\text{Monthly turnover}}$$

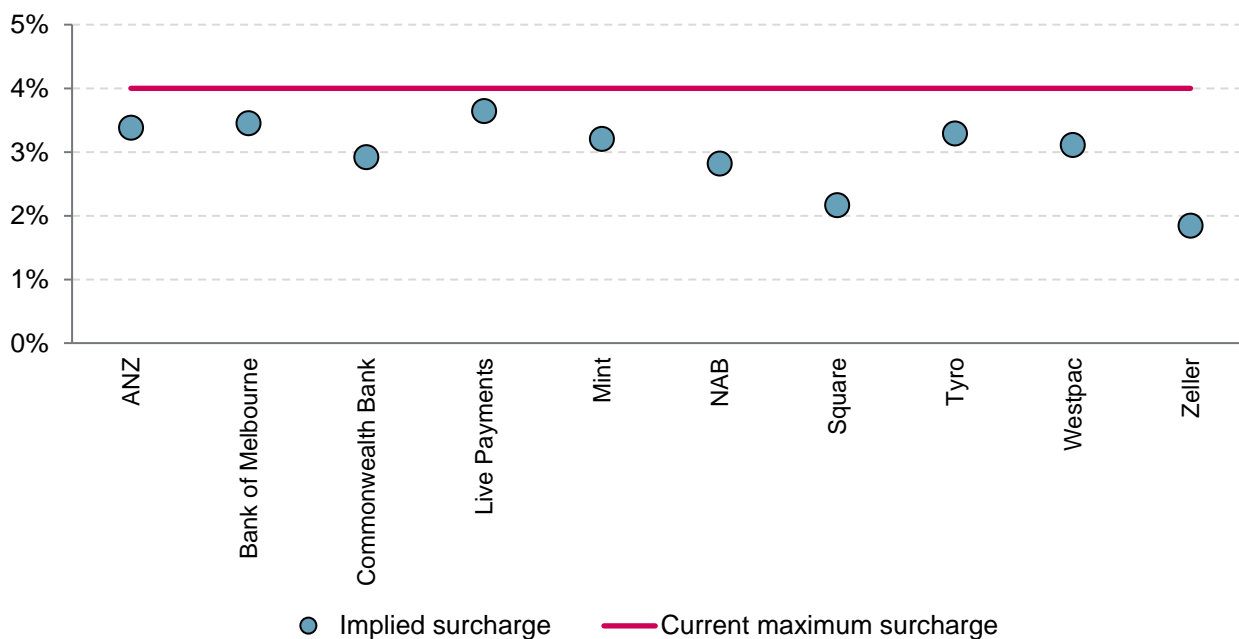
### 3. Non-cash payment surcharge

We estimated **monthly cost** based on 4G payment terminals that are available to small businesses in Australia. These offers typically included a rate for different payment types (such as debit and credit) and a monthly fee for terminal hire. However, the pricing plans vary. For example, some offer a fixed fee for all payment types and others differentiate by payment schemes (e.g. eftpos, Visa and Mastercard, American Express) and card types (e.g. debit, credit).

We estimated **monthly turnover** based on actual taxi payment processor data we collected in previous reviews and the views provided by stakeholders for this review. The revenue estimate is 26 per cent lower than the figure in our 2019 review (\$1,625 per terminal, or \$3,250 per taxi). This reflects that the market had not returned to pre-pandemic levels, and accords with views expressed by stakeholders.<sup>54</sup>

Figure 1 shows the implied surcharge needed to recover the costs of terminals available to small businesses.

**Figure 1** Implied surcharge assuming two terminals



Our analysis assumes that taxis use multiple terminals at this point in time. This common taxi sector practice increases costs. Our benchmarking analysis shows that if taxi drivers used a single

<sup>54</sup> A2B's submission outlined that the amount of fares processed was 26 per cent lower in October 2023 than October 2019. This was similar to the change in total CPV levy revenue from 2019-20 to 2022-23 so we consider it is a reasonable scenario for this benchmarking analysis. The CPV levy is charged on every commercial passenger vehicle trip.

### 3. Non-cash payment surcharge

payment terminal, taxi payment processors may be able to process non-cash payments at a cost between 1.6 per cent and 2.4 per cent.

As a condition of registration, unbooked taxis are required to be able to provide services for the Multi Purpose Taxi Program (MPTP). At the time of our draft decision, only two taxi companies had been approved to provide access to MPTP processing (A2B and Oiii). A2B provides access to the MPTP program via its payment terminals while Oiii provides access via its integrated taxi platform.

Since our draft decision was published, a joint arrangement between GM Cabs and Silver Top Taxi has also been approved to provide access to MPTP processing, whereby Silver Top taxis can use a GM Cabs payment terminal integrated with the Silver Top taxi meter to process MPTP trips.<sup>55</sup>

However, some taxi payment processors have not been approved to process MPTP trips. These payment processors participate in the market by providing secondary payment terminals directly to taxi drivers.

For these reasons, we consider, on balance, our multiple terminal assumption remains appropriate for now as reflective of the reasonable costs of providing non-cash payment services and promoting competition in the sector.<sup>56</sup>

We will need to revisit this multiple terminal assumption in future reviews. The expansion of the Multi Purpose Taxi Program and any other changes in technology may increase competition and result in fewer taxi drivers using multiple terminals.<sup>57</sup>

### **Submissions on our benchmarking analysis**

Black & White Cabs' submission on our draft decision stated that the cost of payment processing in other industries is not comparable to that in taxi services, due to unique factors such as driver

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<sup>55</sup> This means that unbooked taxi services can use A2B, GM Cabs and Silver Top, or Oiii to meet their licencing requirement to have a terminal that can process Multi Purpose Taxi Program (MPTP) trips. Customers can also access booked MPTP trips via Uber and Get Picked Up.

<sup>56</sup> As a condition of registration, unbooked taxis are required to be able to provide services for the Multi Purpose Taxi Program (MPTP). Historically, A2B has been the monopoly provider of MPTP approved terminals. If we set a maximum surcharge that only allowed a single terminal, a potential consequence might be that most taxi drivers would be limited to using MPTP approved terminals, reducing competition in the sector. See our draft decision: Essential Services Commission 2024, *Review of the maximum unbooked taxi fares and non-cash payment surcharges*, Draft Decision, June 2024.

<sup>57</sup> However, we note there may be other competition issues that arise even if access to MPTP processing is more widespread. This could be due to access to default terminals provided by booking service providers and conditions around how payment terminals integrate with taximeters.

### 3. Non-cash payment surcharge

retention and higher rates of terminal damage.<sup>58</sup> For this reason, they said economy wide benchmarking should not be relied on.

We note that the current surcharge is based on a cost build-up assessment using payment processors' actual costs. Further, our benchmarking analysis is tailored to the taxi industry. It shows that the 4 per cent surcharge continues to recover the cost of processing non-cash payments in the taxi industry.

GM Cabs raised the issue of how the cost of chargebacks can affect taxi payment processors.<sup>59</sup> Our previous reviews found that these costs were low. More broadly, decisions on how to manage the risk and cost of chargebacks are operational decisions for payment providers and taxi drivers.

See [Appendix F](#) for more information on our benchmarking methodology and analysis.

### **The cost of non-cash payment services has not increased in other sectors**

We examined available data on how the costs of facilitating non-cash transactions are changing across the economy. This is to understand the change in the costs of facilitating non-cash transactions as opposed to the level of costs, which may be higher in the taxi industry than in other sectors of the economy.

The Reserve Bank of Australia publishes aggregate market data on merchant service fees in Australia. Merchant service fees are variable costs of processing non-cash transactions. They do not include the cost of the terminals, or other costs that taxi payment processors may bear (such as fraud and fraud prevention and other overheads). However, significant changes in average merchant service fees could provide an indication of whether current taxi non-cash payment surcharges remain appropriate.

Figure 2 shows how the average merchant service fee by card type has changed since 2013. The long-term trend indicates costs have decreased over the past decade for most payment methods. However, since 2020, the merchant service fees for Visa and Mastercard debit and credit cards have remained stable (at less than one per cent), while those for Diner's Club and American Express continued to decline. Merchant service fees for eftpos increased slightly but remain at low levels.

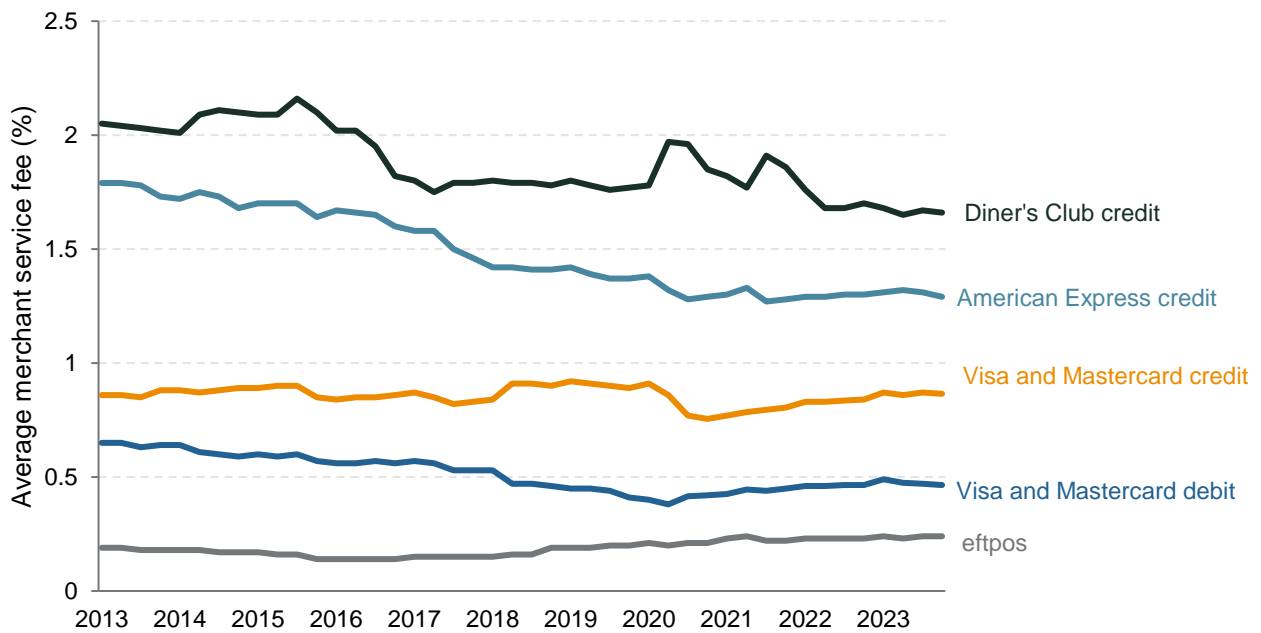
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<sup>58</sup> Black & White Cabs, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 21 June 2024.

<sup>59</sup> GM Cabs, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 July 2024.

### 3. Non-cash payment surcharge

**Figure 2 Average merchant service fee by card type**



**Note:** Diners Club was shut down by NAB on 15 April 2024.

**Source:** Essential Services Commission analysis of RBA data – RBA, 2024, “Average Merchant Fees for Debit, Credit and Charge Cards – C3” [Excel file], [www.rba.gov.au/statistics/tables/](http://www.rba.gov.au/statistics/tables/)

While this data does not include the cost of terminals, our benchmarking analysis above does. As part of this analysis, we have recorded the market offerings available to small businesses since 2019. This data also shows costs have not increased.

Comparing our benchmarking analysis for our current review to our 2019 review shows that the range of implied surcharges remain comparable. This predominantly is the result of a decline in fare revenue per terminal. The costs of the terminal offers used in our benchmarking analysis have generally decreased or remained stable.

### **We considered stakeholder views on the current surcharges**

Our consultation requested stakeholders provide evidence to support their views on whether current surcharges recovered the reasonable costs of facilitating non-cash payments for taxi services.

In response, we heard mixed views on whether the current surcharges were appropriate.

### 3. Non-cash payment surcharge



Some stakeholders said the current surcharges were too high, noting that other sectors of the economy had lower levels of surcharging.<sup>60</sup> A high surcharge may discourage the use of non-cash payment methods and does not promote broader benefits of non-cash payment methods, such as reducing costs associated with handling cash and improving driver safety.

Other stakeholders, particularly payment processors, put forward that the 4 per cent surcharge should be increased to 5 per cent, to account for inflationary cost pressures, technological refresh costs and falls in revenue per terminal.<sup>61</sup>

We had regard to these views when preparing our draft decision. However, on balance we considered that the current surcharges continue to be appropriate because:

- Underlying fare increases since 2022 have also increased the dollar amount recovered via surcharges, reflecting increases in costs of providing taxi services.<sup>62</sup>
- Falls in revenue per terminal may indicate an oversupply of terminals (many taxis have more than one) and that a consolidation of terminals could reduce costs.<sup>63</sup>
- Businesses have known about the upcoming 3G network shutdown for 5 years (which is greater than the useful life of payment terminals) and the timing of capital investment is a business decision for taxi payment processors.<sup>64</sup>
- Higher taxi industry surcharges reflect differences in the nature of the industry and the legislative framework that applies, including the lower level of non-cash turnover, use of multiple terminals and low take-up of new technologies.<sup>65</sup>

Despite these being substantive matters, submissions to our draft decision did not provide additional information on these issues.

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<sup>60</sup> VISA, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 30 October 2023.

<sup>61</sup> A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023; GM cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December; anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023.

<sup>62</sup> Essential Services Commission 2024, *Review of the maximum unbooked taxi fares and non-cash payment surcharges: Draft decision*, 5 June, pp. 28-29.

<sup>63</sup> *ibid* pp. 29-30.

<sup>64</sup> *ibid* pp. 30-31.

<sup>65</sup> *ibid* pp. 30-31.

### 3. Non-cash payment surcharge

## Calls to change the regulatory framework or deregulation

Some submissions on our draft decision continued to advocate for changes to the regulatory framework. They noted that changes in the demand for taxi services, technological advancements in payments, changes in consumer spending behaviour and inconsistencies between the regulation of rideshare and taxi services means that the current regulatory framework may not be fit for purpose.

Submissions discussed the potential of alternative models, such as deregulation or banning surcharging.<sup>66</sup> Visa noted that the Reserve Bank of Australia is performing a review of the payment system, which may be an opportunity to include taxis in the Reserve Bank of Australia's payment scheme rules.<sup>67</sup>

These issues are outside the scope of our review.

## Our final decision is to maintain the existing non-cash payment surcharges

Our final decision is for the maximum non-cash payment surcharge for taxi services in Victoria to remain at:

- **4 per cent** (including GST) for all non-cash payment methods, except commercial passenger vehicle specific payment instruments
- **6 per cent** (no GST payable) for commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments).

Our final decision maintains two separate surcharges. The difference between the two relates to additional issuing costs associated with the Cabcharge payment instrument. The 6 per cent surcharge applies to any other future commercial passenger vehicle specific payment instruments that taxi payment processors may develop during this regulatory period.

Visa's submissions advocated for the surcharges to be further differentiated by card type.<sup>68</sup> This would mean having different surcharges for eftpos, debit and credit card transactions.

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<sup>66</sup> VISA, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 July 2024, Name withheld 3, submission to the Essential Services Commission draft decision paper 'Taxi review 2024: unbooked taxi fares and non-cash payment surcharge', 17 June 2024.

<sup>67</sup> VISA, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 July 2024.

<sup>68</sup> Visa, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023, Visa, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 July 2024.

### 3. Non-cash payment surcharge

The payment processor data we collected in our previous reviews showed that the differences in processing costs between most payment methods for taxi services were relatively small (except for the Cabcharge instrument).

Furthermore, our draft decision highlighted that having different surcharges for different payment methods could create confusion for passengers. On balance, we do not consider that imposing additional requirements on the sector by further differentiating surcharges by payment method is appropriate or worthwhile at this stage. Our decision is on a maximum surcharge; it is possible for a payment processor to differentiate below this maximum surcharge.

The Reserve Bank of Australia is planning to commence a review of the retail payments system. The findings of this review may be relevant to our future reviews or the broader policy framework.<sup>69</sup>

### **The 4 per cent maximum surcharge recovers the reasonable costs of processing most non-cash payment methods**

We propose to set a maximum 4 per cent surcharge that applies to most non-cash payment methods, including:

- eftpos transactions
- Mastercard and VISA debit and credit card transactions
- American Express transactions.

We consider that a 4 per cent maximum surcharge recovers the reasonable costs of processing non-cash payment transactions. This is based on our previous reviews where we conducted benchmarking analysis and collected extensive cost data to perform a cost build-up and further benchmarking in this review.

In coming to our final decision, we considered views and information provided by stakeholders about whether the 4 per cent maximum surcharge continued to be appropriate. We heard mixed views but did not consider that the information provided supported a change above the current level.

This review benchmarked the surcharge against comparable market offerings in the broader economy. This shows that non-cash payment transactions can be processed at a cost between 1.8 per cent and 3.6 per cent, assuming two payment terminals in taxis.

Economy-wide data shows that the cost of processing non-cash transactions has declined over the long term but stabilised since 2020.

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<sup>69</sup> <https://www.rba.gov.au/speeches/2024/sp-so-2024-06-18.html>.

### 3. Non-cash payment surcharge

Additionally, a comparison of the market offers for payment services used in our benchmarking analysis shows that the cost of accepting non-cash payments has remained relatively steady since 2019.

While inflation has likely contributed to increases in taxi payment processors' operational costs, the 15.8 per cent increase in fares since 2022, combined with the 5.5 per cent fare increase set out in this decision, should compensate for those increases.

This means that the 4 per cent maximum surcharge enables taxi payment processors to recover the reasonable cost of processing non-cash payments in the taxi industry.

### **The 6 per cent maximum surcharge reflects higher issuing costs for the Cabcharge payment system**

Our final decision is to set a 6 per cent maximum surcharge (no GST payable) for commercial passenger vehicle specific payment instruments. At present, A2B is the only taxi payment processor that operates a payment scheme (Cabcharge).

The 6 per cent surcharge will also apply to any future commercial passenger vehicle specific payment instruments that may be developed during the regulatory period.

Through the Cabcharge payment instrument, A2B provides a charge card type of service, similar to American Express.<sup>70</sup> Cabcharge account holders receive additional services from using a combination of diverse payment instruments (single use cards, plastic cards, and digital passes) and geographical usage information.

Some stakeholders suggested that the separate surcharge for Cabcharge could be creating windfall profits and should be removed.<sup>71</sup> Stakeholder submissions supported uniform surcharges amongst comparable payment instruments.<sup>72</sup>

We previously found that a 6 per cent maximum surcharge recovered the reasonable costs of facilitating non-cash payments made using the Cabcharge payment instrument.

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<sup>70</sup> See Appendix C for an explanation of the differences between different payment schemes.

<sup>71</sup> GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023, Name withheld 3, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 17 June 2024.

<sup>72</sup> A2B currently provides the only commercial passenger vehicle specific payment instrument – Cabcharge.

### 3. Non-cash payment surcharge

This was based on the bottom-up cost assessment we conducted in previous reviews. We found that processing Cabcharge payments had different costs which other payment processors did not incur. This led to a 6 per cent surcharge being required to recover these costs.<sup>73</sup>

We have not identified any substantive new information during this review that suggests the additional costs associated with commercial passenger vehicle specific payment instruments have changed since we undertook our cost build-up analysis in 2019 and 2022. We consider the cost build-up analysis remains valid and that a 6 per cent (no GST payable) surcharge will recover the reasonable costs of these types of payment instruments.

We note that the 6 per cent surcharge is a maximum. A2B has chosen to charge a lesser 5 per cent surcharge for Cabcharge users, consistent with the maximum surcharge that applies in each of the other Australian states and territories.<sup>74</sup>

From the perspective of taxi passengers, we note that Cabcharge payment instruments are generally used by employees of corporations. These users are opting in to the Cabcharge system. Passengers that do not use the Cabcharge payment instrument are not affected by the higher surcharge.

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<sup>73</sup> For the Cabcharge payment system, A2B acts as both the merchant's bank (the taxi driver or operator) and the cardholder's bank and therefore faces different costs in relation to this specific payment instrument compared to other taxi payment processors. Other taxi payment processors only provide 'merchant' services and do not face costs related to cardholders (which we call 'issuing costs'). These costs primarily relate to issuing cards to customers, such as card printing, account management and working capital to fund account holder credit. As outlined in our previous reviews, overall, the reasonable costs of processing the Cabcharge payment instrument are higher than the reasonable costs of processing other payment methods. See our 2019 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2019, Final Decision*, March 2020.

<sup>74</sup> [Cabcharge Fees | Cabcharge Help Center](#), accessed 23 May 2024.

### 3. Non-cash payment surcharge

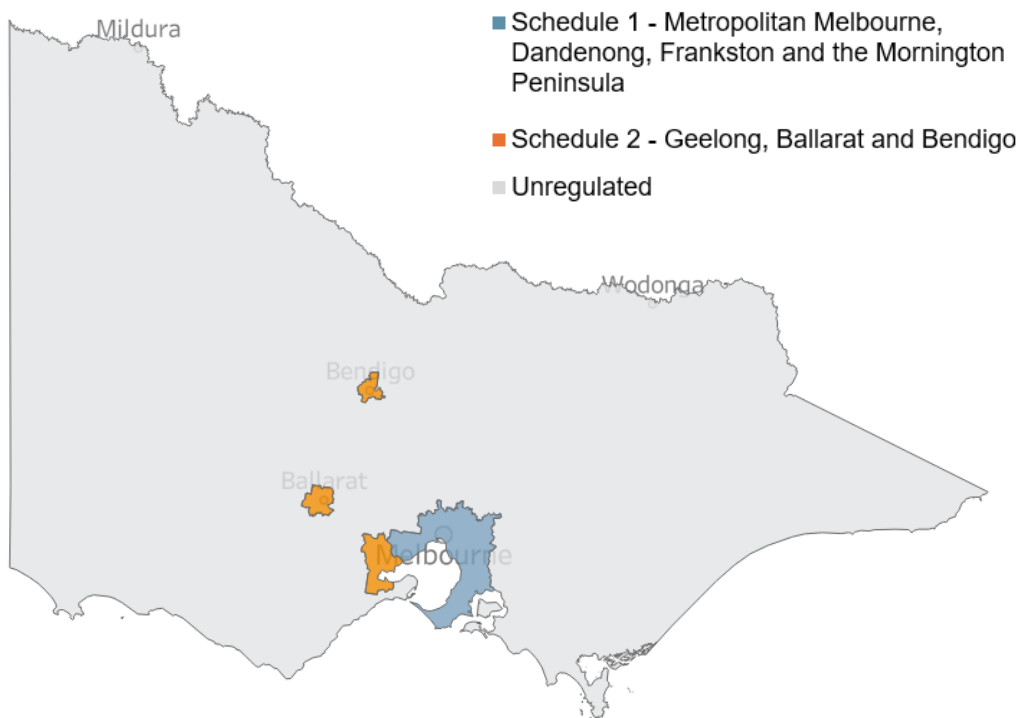
# Appendix A: Maximum unbooked taxi fares (from 23 September 2024)

This appendix summarises the maximum unbooked taxi fares that are set out in our new determination. These maximum fares will take effect on 23 September 2024. There are two fare schedules:

- Schedule 1 sets out the maximum fares that apply in the Melbourne Metropolitan Zone and the Urban area of the Urban and Large Regional Zone (which includes Dandenong, Frankston and the Mornington Peninsula).
- Schedule 2 sets out the maximum fares that apply in the Large Regional areas of the Urban and Large Regional zone (which includes Geelong, Ballarat and Bendigo).

The regulated taxi zones are shown in the map in Figure A.1.

**Figure A.1** Map of taxi zones



## Fare schedule 1 – Metropolitan Melbourne, Dandenong, Frankston and the Mornington Peninsula

**Table A.1** Maximum fares for unbooked taxi services that begin in the Melbourne Metropolitan Zone or the Urban area (Dandenong, Frankston and the Mornington Peninsula) of the Urban and Large Regional Zone – ‘time or distance’ tariffs

	Tariff 1 ‘Day’ (9am–5pm)	Tariff 2 ‘Overnight’ (5pm–9am, excluding peak)	Tariff 3 ‘Peak’ (Fri & Sat nights 10pm–4am)
<b>Standard fare components</b>	<b>Maximum charge up to</b>		
Flagfall (\$)	\$5.10	\$6.35	\$7.60
Distance rate (\$/km) (when speed is above 21 km/hr)	\$1.982	\$2.204	\$2.426
Detention rate (\$/min) (when speed is below 21 km/hr)	\$0.694	\$0.771	\$0.849
<b>Other fare components (applicable to tariffs 1, 2 and 3)</b>	<b>Maximum charge up to</b>		
High occupancy fee <sup>a</sup>			\$17.35
Airport taxi rank fee <sup>b</sup>	For trips from the airport rank		Pass-through
Holiday rate <sup>c</sup>			Tariff 3 rates
CPV levy recovery fee			Pass-through
CityLink and EastLink tolls <sup>d</sup>			Pass-through
Cleaning fee	Up to a maximum of \$120		

<sup>a</sup> For taxis carrying five or more passengers (excluding children under 5) or where a vehicle larger than a standard taxi is required regardless of the number of passengers (except where the vehicle has been hired for the carriage of one or more persons who use a wheelchair or other mobility aid). <sup>b</sup> As published by that airport in a daily newspaper generally circulating in Victoria or on that airport’s website. <sup>c</sup> For trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. <sup>d</sup> As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable.

**Table A.2 Maximum fares for unbooked taxi services that begin in the Melbourne Metropolitan Zone or the Urban area (Dandenong, Frankston and the Mornington Peninsula) of the Urban and Large Regional Zone – ‘time and distance’ tariffs**

	Tariff 1 ‘Day’ (9am–5pm)	Tariff 2 ‘Overnight’ (5pm–9am, excluding peak)	Tariff 3 ‘Peak’ (Fri & Sat nights 10pm– 4am)
<b>Standard fare components</b>	<b>Maximum charge up to</b>		
Flagfall (\$)	\$5.10	\$6.35	\$7.60
Distance rate (\$/km) (at all times)	\$1.639	\$1.820	\$2.014
Duration rate (\$/min) (at all times)	\$0.421	\$0.462	\$0.499
<b>Other fare components (applicable to tariffs 1, 2 and 3)</b>	<b>Maximum charge up to</b>		
High occupancy fee <sup>a</sup>			\$17.35
Airport taxi rank fee <sup>b</sup>	For trips from the airport rank		Pass-through
Holiday rate <sup>c</sup>			Tariff 3 rates
CPV levy recovery fee			Pass-through
CityLink and EastLink tolls <sup>d</sup>			Pass-through
Cleaning fee	Up to a maximum of \$120		

<sup>a</sup> For taxis carrying five or more passengers (excluding children under 5) or where a vehicle larger than a standard taxi is required regardless of the number of passengers (except where the vehicle is hired for the carriage of one or more persons who use a wheelchair or other mobility aid). <sup>b</sup> As published by that airport in a daily newspaper generally circulating in Victoria or on that airport’s website. <sup>c</sup> For trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. <sup>d</sup> As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable.



## Fare schedule 2 – Geelong, Ballarat and Bendigo

**Table A.3** Maximum fares for unbooked taxi services that begin in the Large Regional areas of the Urban and Large Regional Zone, including Geelong, Ballarat and Bendigo – ‘time or distance’ tariffs

Fare component		Maximum charge
<b>Standard fare components</b>		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (applies when speed is above 21 km/hr)		\$2.245
Detention rate (\$/min) (applies when speed is below 21 km/hr)		\$0.785
<b>High occupancy trips</b>		
For trips with five or more passengers (excluding children under 5) or where a vehicle larger than a standard taxi is required regardless of the number of passengers (except where the vehicle is hired for the carriage of one or more persons who use a wheelchair or other mobility aid): not applicable if the commercial passenger vehicle does not have the capacity for carriage of 5 or more passengers in fixed seats. ‘Fixed seats’ does not include positions for the carriage of persons in wheelchairs.		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (applies when speed is above 21 km/hr)		\$3.421
Detention rate (\$/min) (applies when speed is below 21 km/hr)		\$1.198
<b>Other fare components</b>		
Late night fee	For trips commencing between 7pm on Friday and Saturday nights through to 6am the following morning; and from midnight to 6am on all other days <sup>a</sup>	\$4.15
Holiday fee <sup>b</sup>		\$5.10
CPV levy recovery fee		Pass-through
CityLink and EastLink tolls <sup>c</sup>		Pass-through
Airport taxi rank fee <sup>d</sup>	For trips from the airport rank	Pass-through
Cleaning fee		Up to a maximum of \$120

<sup>a</sup> The ‘late night fee’ does not apply during times that the holiday rate applies. <sup>b</sup> For trips commencing between 7pm on evenings prior to all public holidays, through to 6am the following mornings and trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. <sup>c</sup> As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable. <sup>d</sup> As published by that airport in a daily newspaper generally circulating in Victoria or on that airport’s website.

**Table A.4 Maximum fares for unbooked taxi services that begin in the Large Regional areas of the Urban and Large Regional Zone, including Geelong, Ballarat and Bendigo – ‘time and distance’ tariffs**

Fare component		Maximum charge
<b>Standard fare components</b>		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (at all times)		\$1.825
Duration rate (\$/min) (at all times)		\$0.600
<b>High occupancy trips</b>		
For trips with five or more passengers (excluding children under 5) or where a vehicle larger than a standard vehicle is required regardless of the number of passengers (except where the vehicle is hired for the carriage of one or more persons who use a wheelchair or other mobility aid): not applicable if the commercial passenger vehicle does not have the capacity for carriage of 5 or more passengers in fixed seats. ‘Fixed seats’ does not include positions for the carriage of persons in wheelchairs.		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (at all times)		\$3.030
Duration rate (\$/min) (at all times)		\$0.657
<b>Other fare components</b>		
Late night fee	For trips commencing between 7pm on Friday and Saturday nights through to 6am the following morning; and from midnight to 6am on all other days <sup>a</sup>	\$4.15
Holiday fee <sup>b</sup>		\$5.10
CPV levy recovery fee		Pass-through
CityLink and EastLink tolls <sup>c</sup>		Pass-through
Airport taxi rank fee <sup>d</sup>	For trips from the airport rank	Pass-through
Cleaning fee		Up to a maximum of \$120

<sup>a</sup> The ‘late night fee’ does not apply during times that the holiday rate applies. <sup>b</sup> For trips commencing between 7pm on evenings prior to all public holidays, through to 6am the following mornings and trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. <sup>c</sup> As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable. <sup>d</sup> As published by that airport in a daily newspaper generally circulating in Victoria or on that airport’s website.

## Appendix B: Stakeholder submissions

Our draft decision was released on 12 June 2024. Consultation was open for four weeks. We received nine submissions, including one confidential submission.

**Table B.1** Draft decision submissions received via Engage Victoria and via email

Name of submitter	Date received
Name withheld #1	13 June 2024
Fuad Yonis	13 June 2024
Name withheld #2	16 June 2024
Name withheld #3	17 June 2024
Name withheld #4	17 June 2024
Black & White Cabs Victoria	21 June 2024
Visa	12 July 2024
GM Cabs	12 July 2024

## Appendix C: Commercial Passenger Vehicle industry

This Appendix provides context for our review of maximum fares including a brief overview of the commercial passenger vehicle industry and a comparison of maximum fares across jurisdictions.

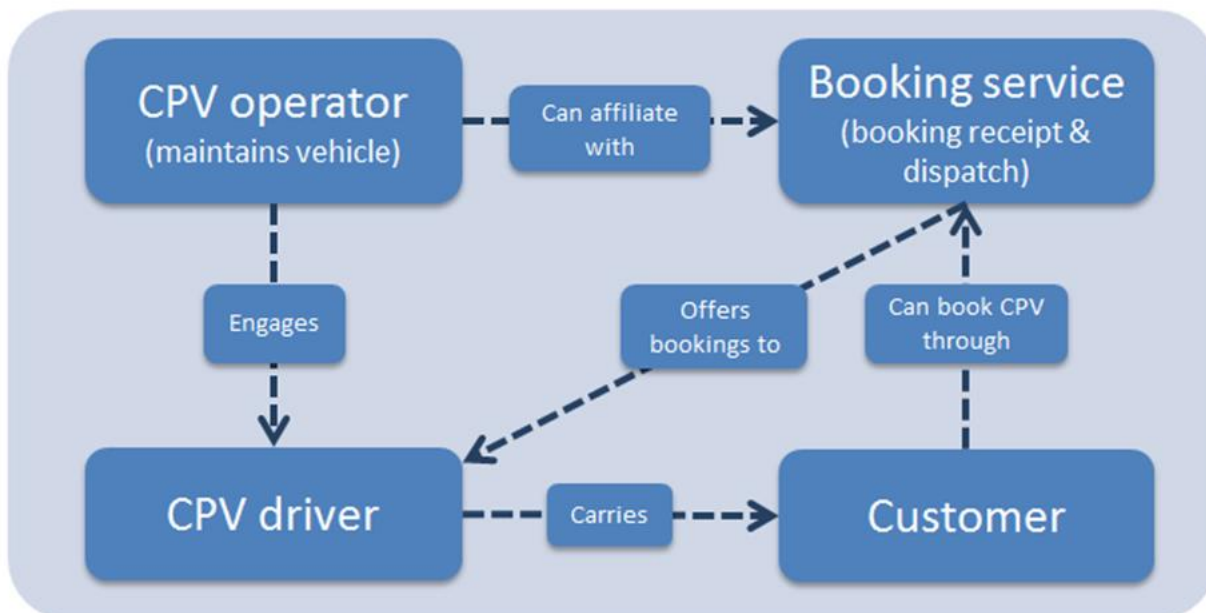
### The commercial passenger vehicle industry

The commercial passenger vehicle industry provides the hire of point-to-point vehicle transport. This is different to other forms of commercial transport that, for example, run on pre-specified routes. Commercial passenger vehicles include taxis, hire cars and rideshare vehicles.

### Commercial passenger vehicle industry participants

The main industry participants in the commercial passenger vehicle industry are operators, drivers and booking service providers. The key functions of these industry participants are shown in Figure C.1. In some cases, an individual participant may take on more than one role. For example, an operator may drive vehicles, or a booking service provider may operate vehicles. Taxi drivers may also operate independently as an operator-driver and choose not to be affiliated with any major booking service provider.

Figure C.1 Commercial passenger vehicle industry participants



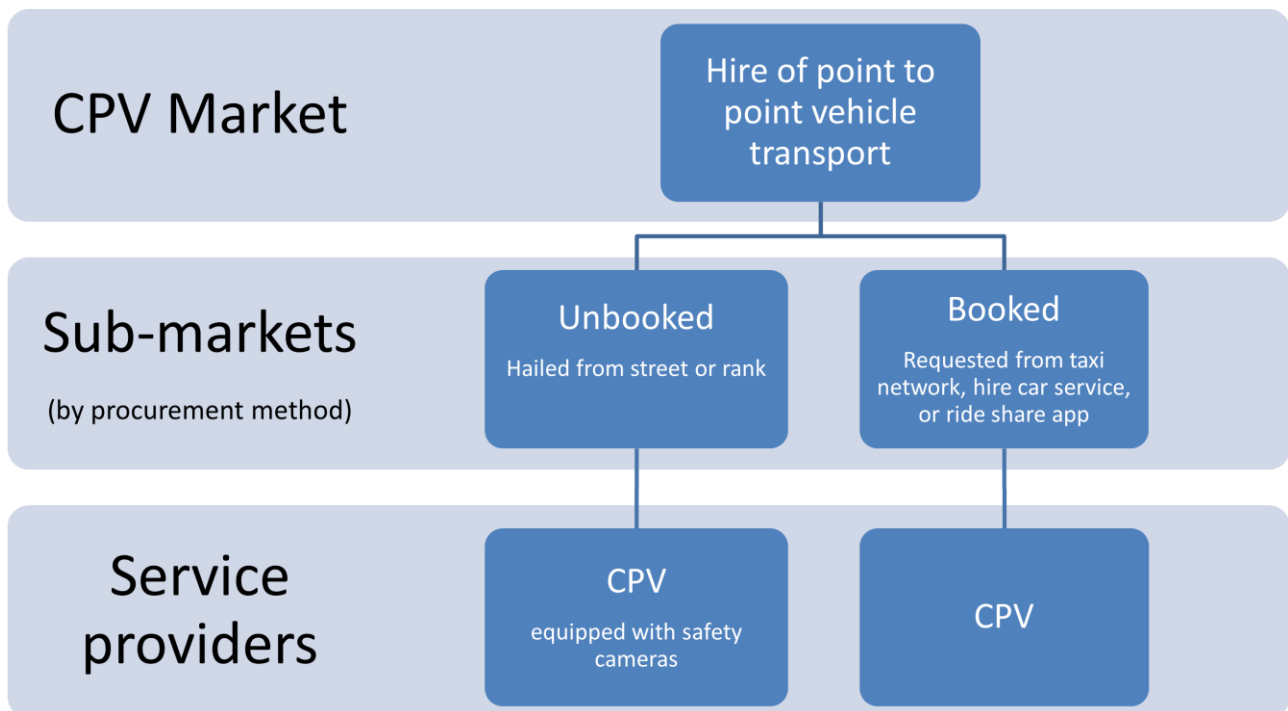
## Submarkets and service providers

It is useful to divide the market for commercial passenger vehicle services into two submarkets depending on the way passengers obtain services:

- unbooked (rank and hail) services: trips hailed from the street or hired from a designated taxi rank
- booked services: trips that have been booked in advance via an app, over the phone or via a website.

To provide unbooked commercial passenger vehicle services, a vehicle must meet certain requirements. For example, a fare calculation device<sup>75</sup> and security camera<sup>76</sup> must be installed. Typically, taxis are the only commercial passenger vehicles that meet these requirements and therefore it is currently only taxis that can provide unbooked services. Figure C.2 illustrates the differences between booked and unbooked commercial passenger vehicle services.

**Figure C.2** Submarkets for commercial passenger vehicle services



<sup>75</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 12.

<sup>76</sup> Commercial Passenger Vehicle Industry Regulations 2018, r. 14.

Hire cars and rideshare vehicles that operate exclusively in the booked market are not subject to fare regulation. Fares for booked taxi services are also not subject to regulation. Some taxis are now also providing booked services via rideshare apps.<sup>77</sup>

In the unbooked submarket, negotiation of fares between service providers and consumers may be difficult or impractical. Consumers do not have complete information on the availability of services and fares offered by other service providers. In the booked market, consumers are typically better placed to negotiate prices, or to at least compare differing services and prices. It is easier to seek a fare estimate upfront and compare service providers using an app or over the phone or the internet.

### Commercial passenger vehicle zones

Historically, there were four zones in Victoria: the Melbourne Metropolitan Zone, the Urban Zone (which we now refer to as the Urban and Large Regional Zone), the regional zone, and the country zone. These zones were determined to define the boundaries of where taxis were allowed to operate before taxi licences were abolished.<sup>78</sup> While the licence restrictions no longer exist, the zone boundaries are still used to define the areas in which we may regulate unbooked fares.

We may only set maximum fares for unbooked commercial passenger vehicle trips that begin in the Melbourne Metropolitan or Urban and Large Regional Zones.<sup>79</sup> For trips that begin in all other parts of Victoria, taxi service providers set their own prices for both unbooked and booked trips.

### Competition in the commercial passenger vehicle industry

Many commercial passenger vehicle services utilise smartphone technologies. This has enabled greater competition between taxi operators, hire cars and rideshare services.

Smartphone technology has also changed the way that passengers can book a commercial passenger vehicle service. It is now common for passengers to book taxis using a booking app.

The increasing number of booking apps has had two notable impacts:

- It is easier to make bookings for taxis and hire cars where the consumer requests an immediate pick up. As a result, booked services are increasingly becoming a substitute for unbooked services.

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<sup>77</sup> <https://www.uber.com/au/en/r/cities/taxi/melbourne-vic-au/>, accessed 23 July 2024.

<sup>78</sup> These zones are defined in the 2014 Determination of Taxi Zone Boundaries, issued by the Taxi Services Commission (now Safe Transport Victoria) (Victorian Government Gazette No. S 184 Thursday 12 June 2014).

<sup>79</sup> Section 110A of the *Commercial Passenger Vehicle Industry Act 2017*.

- Booking apps have introduced some degree of flexibility to fares for booked services. Some taxi booking service providers and operators have been providing discounted trips and fixed fares for booked services.

### Dynamic pricing in rideshare services

Fares for rideshare services are calculated in the booking app and vary with the time and distance travelled. The booking service provider sets a base fare rate. Some booking service providers vary their rates using an algorithm that increases fares above the base rate during times of peak demand and limited supply. This allows dynamic pricing in response to demand and supply (also referred to as surge pricing).

## Comparison of fare regulation and taxi fares in Australian jurisdictions

### Unbooked taxi services remain regulated in all Australian jurisdictions

All jurisdictions in Australia have a maximum tariff fare structure in place for unbooked taxi services. Some states still set a regulated maximum fare for booked taxi trips. Most jurisdictions still cap the number of taxi licences. This comparison is provided in Table C.1.

**Table C.1** Taxi regulation in Australian jurisdictions, as of July 2024

Jurisdiction	Regulation of booked fares	Regulation of unbooked fares	Limit on number of licences
Australian Capital Territory	✓	✓	✓
New South Wales	✗	✓	✗
Northern Territory	✓	✓	✓
Queensland	✗	✓	✓
South Australia	✓	✓	✓
Tasmania	✓	✓	✓
Victoria	✗	✓	✗
Western Australia	✗	✓	✗

### Fare structures and levels vary between jurisdictions

The structure and level of fares vary. Tables C.2 and C.3 compare maximum fares in Australian jurisdictions for day periods and peak periods respectively. These tables reflect fares as at July 2024 and do not incorporate the 5.5 per cent increase in Victorian maximum fares outlined in this final decision (shown in Appendix A).

We note that maximum fares in Northern Territory, Queensland and Western Australia increased by between 3.9 per cent and 5.9 per cent in July 2024, which is comparable to our final decision.

**Table C.2 Day period maximum fares in urban areas, as at July 2024**

Jurisdiction	Flagfall	Distance rate	Waiting rate
Australian Capital Territory <sup>a</sup>	\$5.85	\$2.45	101.2 c/minute
New South Wales <sup>b</sup>	\$3.60	\$2.29	94.4 c/minute
Northern Territory <sup>c</sup>	\$5.70	\$1.86	111.1 c/minute
Queensland <sup>d</sup>	\$3.60	\$2.62	98.0 c/minute
South Australia <sup>e</sup>	\$3.90	\$2.11	74.3 c/minute
Tasmania <sup>f</sup>	\$3.90	\$2.12	64.0 c/minute
Victoria <sup>g</sup>	\$4.85	\$1.88	65.8 c/minute
Western Australia <sup>h</sup>	\$5.40	\$2.13	101.7 c/minute

<sup>a</sup> Australian Capital Territory, Road transport (Public Passenger Services) maximum fares for taxi services determination 2023 (No 1), Accessed 18 July 2024, ([actcabs.com.au](http://actcabs.com.au)). <sup>b</sup> Point to point transport (Fares) Order 2023 under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*, Accessed 18 July 2024, Rank and hail taxi fares and charges | [transportnsw.info](http://transportnsw.info). <sup>c</sup> Northern Territory, Taxi areas, meters and fares, Accessed 18 July 2024, Taxi areas, meters and fares | [NT.GOV.AU](http://NT.GOV.AU). <sup>d</sup> Queensland Government Department of Transport and Main Roads, Maximum taxi fares notices (No. 1) 2023 under *Transport Operations (Passenger Transport) Act 1994*, Accessed 18 July 2024 | [publications.qld.gov.au](http://publications.qld.gov.au). <sup>e</sup> South Australia, Taxis, Accessed 18 July 2024, [SA.GOV.AU – Taxis \(www.sa.gov.au\)](http://SA.GOV.AU – Taxis (www.sa.gov.au)). <sup>f</sup> Tasmania Transport Services, Calculating your fare, Accessed 18 July 2024, [Calculating your fare – Transport Services](http://Calculating your fare – Transport Services). <sup>g</sup> Essential Services Commission 2023, Unbooked Taxi Fare Annual Adjustment 2023: Commission assessment, 24 August | [esc.vic.gov.au](http://esc.vic.gov.au). <sup>h</sup> Western Australia Department of Transport, On-demand rank or hail fares, Accessed 18 July 2024, [On-demand rank or hail \(taxi\) fares \(transport.wa.gov.au\)](http://On-demand rank or hail (taxi) fares (transport.wa.gov.au)).



**Table C.3 Peak period maximum fares in urban areas, as at July 2024**

Jurisdiction	Flagfall	Distance rate	Waiting rate
Australian Capital Territory <sup>a</sup>	\$5.85	\$2.75	101.2 c/minute
New South Wales <sup>b</sup>	\$6.10	\$2.73	94.4 c/minute
Northern Territory <sup>c</sup>	\$6.90	\$2.27	111.1 c/minute
Queensland <sup>d</sup>	\$5.80	\$2.62	98.0 c/minute
South Australia <sup>e</sup>	\$5.20	\$2.43	74.3 c/minute
Tasmania <sup>f</sup>	\$3.90	\$2.54	64.0 c/minute
Victoria <sup>g</sup>	\$6.05	\$2.09	65.8 c/minute
Western Australia <sup>h</sup>	\$7.70	\$2.13	101.7 c/minute

<sup>a</sup> Australian Capital Territory, Road transport (Public Passenger Services) maximum fares for taxi services determination 2023 (No 1), Accessed 18 July 2024, ([actcabs.com.au](http://actcabs.com.au)). <sup>b</sup> Point to point transport (Fares) Order 2023 under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*, Accessed 18 July 2024, Rank and hail taxi fares and charges | [transportnsw.info](http://transportnsw.info). <sup>c</sup> Northern Territory, Taxi areas, meters and fares, Accessed 18 July 2024, Taxi areas, meters and fares | [NT.GOV.AU](http://NT.GOV.AU). <sup>d</sup> Queensland Government Department of Transport and Main Roads, Maximum taxi fares notices (No. 1) 2023 under *Transport Operations (Passenger Transport) Act 1994*, Accessed 18 July 2024 | [publications.qld.gov.au](http://publications.qld.gov.au). <sup>e</sup> South Australia, Taxis, Accessed 20 May 2024, [SA.GOV.AU – Taxis \(www.sa.gov.au\)](http://SA.GOV.AU – Taxis (www.sa.gov.au)). <sup>f</sup> Tasmania Transport Services, Calculating your fare, Accessed 18 July 2024, [Calculating your fare – Transport Services](http://Calculating your fare – Transport Services). <sup>g</sup> Essential Services Commission 2023, Unbooked Taxi Fare Annual Adjustment 2023: Commission assessment, 24 August, | [esc.vic.gov.au](http://esc.vic.gov.au). <sup>h</sup> Western Australia Department of Transport, On-demand rank or hail fares, Accessed 18 July 2024, [On-demand rank or hail \(taxi\) fares \(transport.wa.gov.au\)](http://On-demand rank or hail (taxi) fares (transport.wa.gov.au)).

### Approaches to setting maximum taxi fares differ

Approaches to setting maximum taxi fares vary across jurisdictions, but the most commonly used approach is either to index fares directly to CPI inflation, or to use a taxi cost index to adjust fares by changes in taxi operating costs over time.

In Victoria, fares are adjusted using a taxi cost index. A comparison of fare setting methodologies is shown in Table C.4, including the years fares were last increased.

**Table C.4 Approach to setting maximum fares, as at July 2024**

Jurisdiction	Last increase to maximum fares	Approach to setting fares
Australian Capital Territory	2023	CPI
Tasmania	2022	Index
Western Australia	2024	Index
Northern Territory	2024	CPI
South Australia	2023	Index
New South Wales	2022	Supply model
Queensland	2024	Index
Victoria	2023	Taxi cost index

## Appendix D: Taxi non-cash payment surcharging in other jurisdictions

This Appendix looks at regulation of non-cash payments in taxis in other jurisdictions. We note that surcharges for non-cash payments are not permitted in the European Union and the United Kingdom. In the United States, surcharges are only permitted for credit card transactions but not debit cards.

### The fees charged in other jurisdictions

Table D.1 shows the non-cash payment surcharges for taxis that apply in Australia and other jurisdictions. These maximum surcharges apply to all payment methods. Victoria is the only jurisdiction that has a separate surcharge for commercial passenger vehicle specific instruments.

**Table D.1 Non-cash payment surcharges in other jurisdictions**

Jurisdiction	0%	≈2%	≈5%	≈7%	≈10%
Australian Capital Territory <sup>a</sup>			x		
New South Wales <sup>b</sup>			x		
Queensland <sup>c</sup>			x		
Northern Territory <sup>d</sup>			x		
South Australia <sup>e</sup>			x		
Tasmania <sup>f</sup>			x		
Western Australia <sup>g</sup>			x		
Singapore <sup>h</sup>					x
London <sup>i</sup>	x				
Chicago <sup>j</sup>	x				
Las Vegas <sup>k</sup>		x			
New York <sup>l</sup>	x				
Quebec <sup>m</sup>	x				
European Union <sup>n</sup>	x				

<sup>a</sup> Australian Capital Territory: <https://www.canberratimes.com.au/story/6045011/canberra-taxi-surcharges-to-be-capped-to-curb-exorbitant-card-fees/> (last accessed 21 March 2024). <sup>b</sup> New South Wales: [https://www.transport.nsw.gov.au/system/files/media/documents/2023/Point-to-Point-Transport\\_Fares\\_Order.pdf](https://www.transport.nsw.gov.au/system/files/media/documents/2023/Point-to-Point-Transport_Fares_Order.pdf)

(accessed 18 July 2024). <sup>c</sup> Queensland: <https://www.tmr.qld.gov.au/business-industry/Taxi-and-limousine/Industry-information/Industry-regulations/Maximum-payment-surcharge> (accessed 18 July 2024). <sup>d</sup> Northern Territory: <https://nt.gov.au/driving/industry/commercial-passenger-vehicles/taxi-areas-meters-and-fares> (accessed 18 July 2024). <sup>e</sup> South Australia: <https://www.sa.gov.au/topics/driving-and-transport/industry-services/taxi-and-passenger-transport/taxis> (accessed 18 July 2024). <sup>f</sup> Tasmania: [https://www.transport.tas.gov.au/public\\_transport/taxis\\_and\\_ride\\_sourcing/calculating\\_your\\_fare/accordion/what\\_other\\_fees\\_and\\_charges\\_apply\\_to\\_taxis](https://www.transport.tas.gov.au/public_transport/taxis_and_ride_sourcing/calculating_your_fare/accordion/what_other_fees_and_charges_apply_to_taxis) (accessed 18 July 2024). <sup>g</sup> Western Australia: <https://www.transport.wa.gov.au/On-demandTransport/on-demand-rank-or-hail-taxi-fares.asp> (accessed 18 July 2024). <sup>h</sup> Singapore: <https://www.cdgtaxi.com.sg/ride-with-us/fares/> (last accessed 18 July 2024). <sup>i</sup> London: <https://tfl.gov.uk/modes/taxis-and-minicabs/taxi-fares> (last accessed 18 July 2024). <sup>j</sup> Chicago: [https://311.chicago.gov/s/article/Paying-for-a-cab-with-a-credit-or-debit-card-brochure?language=en\\_US](https://311.chicago.gov/s/article/Paying-for-a-cab-with-a-credit-or-debit-card-brochure?language=en_US) (last accessed 18 July 2024). <sup>k</sup> Las Vegas: [https://taxi.nv.gov/Rider\\_Info/Approximate\\_Fare\\_Information/](https://taxi.nv.gov/Rider_Info/Approximate_Fare_Information/) (last accessed 18 July 2024). <sup>l</sup> New York: <https://www1.nyc.gov/site/tlc/passengers/taxi-fare.page> (last accessed 18 July 2024). <sup>m</sup> Quebec: <https://www.opc.gouv.qc.ca/en/consumer/topic/price-discount/advertised-price/debit-credit-card/> (last accessed 18 July 2024). <sup>n</sup> European Union: <https://europa.eu/youreurope/business/finance-funding/making-receiving-payments/electronic-cash-payments>.(last accessed 18 July 2024).

GM Cabs submission on our draft decision noted that some of the jurisdictions that removed surcharging provided a one-off increase in taxi fares to recover the cost of providing non-cash payment services.<sup>80</sup>

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<sup>80</sup> GM Cabs, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 July 2024.

# Appendix E: Taxi cost indexes

A cost index provides a way to estimate and track the cost of a good or service over time. We used two taxi cost indexes to estimate changes in the cost of operating a taxi over time – one for conventional taxis and one for wheelchair accessible taxis.

This Appendix discusses how we constructed the taxi cost indexes and how we used them to estimate the change in the costs of operating conventional and wheelchair accessible taxis since our last review.

Under the Essential Services Commission Act, we must have regard to the efficient costs of operating a taxi. We estimated efficient costs using the costs for an ‘average taxi’ recognising that actual average costs can differ significantly between different operators depending on factors such as size and operating model.

## Constructing the taxi cost indexes in 2022

We developed our first taxi cost index in 2014. In 2022, we developed new taxi cost indexes for conventional and wheelchair accessible taxis. This was to ensure that they reflected the current operating environment and accounted for any changes in inputs caused by technological, regulatory, or other factors that had occurred in the commercial passenger vehicle industry since 2014. We engaged Honeycomb Strategy to help us develop our new taxi cost indexes in 2022.

To construct the taxi cost indexes in 2022, we:

- identified the **cost components** associated with operating a taxi
- calculated the share of each cost component as a proportion of total cost (**cost share**)
- assigned a **cost inflator** to each cost component.

## Cost components and cost shares

To help us identify the cost components associated with operating a taxi and calculate the cost shares for our new taxi cost indexes, Honeycomb surveyed taxi operators in May 2022 about their actual costs.<sup>81</sup> The cost components associated with operating a taxi are described in Table E.1.

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<sup>81</sup> This survey data included responses from 355 out of 6,419 taxi operators. The respondents comprised small and medium sized operators in the Melbourne Metropolitan and Urban and Large Regional Zones.

**Table E.1 Key cost components associated with operating a taxi**

Cost component	Description
Fuel	Total fuel costs incurred
Network	Includes costs associated with network affiliation. Operators receive access to services such as centralised booking and dispatch and networked security alarms.
Insurance	Includes comprehensive vehicle insurance and workers' compensation insurance.
Vehicle	Includes costs associated with purchasing or leasing a vehicle, including fit-out. We have used purchase costs amortised over the life of the vehicle.
Registration	Includes VicRoads registration fee and compulsory third party insurance (Transport Accident Charge).
Repairs and maintenance	Includes cost of operators' own time, staff costs and costs paid to other businesses for repairs and maintenance.
Administration	Includes cost of operators' own time, building site costs, staff costs and costs paid to other businesses for administration (e.g. accountant).
Driver labour	Payment made to drivers as per the Driver Agreement <sup>a</sup>

<sup>a</sup> The driver must receive at least 55 per cent of the gross fares earned while they have possession of the vehicle. *Commercial Passenger Vehicle Industry Act 2017, s. 97.*

Using the survey results, Honeycomb estimated the average, lower bound and upper bound cost for each cost component. We used the average cost for each cost component to determine the cost profile for a conventional taxi and a wheelchair accessible taxi in the Melbourne Metropolitan Zone and the Urban and Large Regional Zone in 2022. We then used the cost profile to calculate the cost share for each cost component by dividing the average cost for each cost component by the total operating cost.

Table E.2 shows the cost share for each cost component, including driver labour, based on a 55:45 revenue sharing arrangement. The 55 per cent driver share is the minimum mandated by the Victorian government.

**Table E.2 Cost shares for a conventional taxi and wheelchair accessible taxi**

Cost component	Cost share Conventional taxi	Cost share Wheelchair accessible taxi
Fuel	6.6%	7.0%
Network (equipment)	5.7%	4.3%
Network (labour)	5.7%	4.3%
Insurance	3.6%	3.9%
Vehicle	7.6%	11.5%
Registration	1.2%	1.1%
Repairs and maintenance	6.9%	6.3%
Administration	7.7%	6.5%
Driver labour	55%	55%

**Cost inflators**

We identified the appropriate cost inflator for each cost component to measure the change in the respective cost component over time. The cost inflators are described in Table E.3 below.

**Table E.3 Cost inflators for each cost component**

Cost component	Cost inflator
Fuel	FuelTRAC (unleaded petrol, LPG and diesel, average retail price for Melbourne, Ballarat, Bendigo and Geelong)
Network (equipment)	Consumer Price Index (CPI) (telecommunications equipment and services component, Melbourne)
Network (labour)	Australian Bureau of Statistics Wage Price Index (WPI) (Victoria)
Insurance	Insurance Council of Australia (comprehensive car insurance index)
Vehicle	Imputed on CPI (motor vehicle, Melbourne) and Reserve Bank of Australia lending rates for small businesses
Registration	VicRoads registration fee
Repairs and maintenance	Australian Bureau of Statistics CPI (maintenance and repairs of motor vehicles, Melbourne)
Administration	Australian Bureau of Statistics WPI (Victoria), CPI (all groups, Melbourne)
Driver labour	Fair Work Commission's annual wage review

## Updating the taxi cost indexes in 2024

To update the taxi cost indexes and estimate the changes in the cost of operating conventional and wheelchair accessible taxis since our 2022 review, we:

- multiplied the cost share for each cost component by the change in its respective cost inflator to calculate the **index contribution** for each component
- added up the index contribution for each cost component to find the total change in costs.

For most cost components, we have measured the change in the respective cost inflator over the period from June 2022 to June 2024. However, the changes in the cost inflators that use the wage price index (network (labour) and administration) and the comprehensive car insurance index (insurance) are measured over the period from June 2022 to March 2024. Table E.4 sets out the time period of the change in cost inflator(s) for each cost component.

**Table E.4** Changes in cost inflators for each cost component

Cost component	Changes in cost inflator
Fuel	FuelTRAC fuel prices between June 2022 and June 2024
Network (equipment)	Consumer Price Index (CPI) (telecommunications equipment and services component, Melbourne) between June 2022 and June 2024
Network (labour)	Wage Price Index (WPI) (Victoria) between June 2022 and March 2024
Insurance	Insurance Council of Australia (comprehensive car insurance index) between June 2022 and March 2024
Vehicle	Imputed on CPI (motor vehicle, Melbourne) between June 2022 and June 2024 Reserve Bank of Australia lending rates for small businesses between June 2022 and June 2024
Registration	VicRoads registration fees between July 2022 and July 2024
Repairs and maintenance	CPI (maintenance and repairs of motor vehicles, Melbourne) between June 2022 and June 2024
Administration	WPI (Victoria) between June 2022 and March 2024 CPI (all groups, Melbourne) between June 2022 and June 2024
Driver labour	Fair Work Commission's annual wage review between July 2022 and July 2024.



We did not make any changes to the cost components, cost shares or cost inflators for this review, as we considered that they remain appropriate. Stakeholders generally supported this approach.<sup>82</sup>

## Our taxi cost indexes suggest the costs of operating a taxi have increased

Based on our taxi cost indexes, we estimate the cost of operating a conventional taxi has increased by 9.9 per cent and the cost of operating a wheelchair accessible taxi has increased by 10.6 per cent since our last review.

Tables E.5 and E.6 show the cost components, cost shares and index contributions in the taxi cost indexes for conventional taxis and wheelchair accessible taxis, respectively.

**Table E.5** Change in costs of operating a conventional taxi  
June 2022 to June 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	6.6%	-14.9%	-1.0%
Network (equipment)	5.7%	1.3%	0.1%
Network (labour)	5.7%	6.6%	0.4%
Insurance	3.6%	20.6%	0.7%
Vehicle	7.6%	20.5%	1.5%
Registration	1.2%	4.9%	0.1%
Repairs and maintenance	6.9%	7.5%	0.5%
Administration	7.7%	6.9%	0.5%
<b>Total operating costs</b>	<b>45%</b>	<b>6.4%</b>	<b>2.9%</b>
Driver labour	55%	12.7%	7.0%
<b>Total operating and labour costs</b>	<b>100%</b>	<b>Not applicable</b>	<b>9.9%</b>

**Note:** most changes in cost inflators are measured over the period from June 2022 to June 2024. However, the changes in the cost inflators which use the wage price index (network (labour) and administration) and comprehensive car insurance index (insurance) are measured from June 2022 to March 2024.

**Source:** Essential Services Commission analysis.

<sup>82</sup> Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024, unbooked taxi fares and non-cash payment surcharge', 24 November 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024, unbooked taxi fares and non-cash payment surcharge', 12 December 2023; A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024, unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

**Table E.6 Change in costs of operating a wheelchair accessible taxi**  
June 2022 to June 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	7.0%	-16.2%	-1.1%
Network (equipment)	4.3%	1.3%	0.1%
Network (labour)	4.3%	6.6%	0.3%
Insurance	3.9%	20.6%	0.8%
Vehicle	11.5%	23.0%	2.6%
Registration	1.1%	4.9%	0.1%
Repairs and maintenance	6.3%	7.5%	0.5%
Administration	6.5%	6.7%	0.4%
<b>Total operating costs</b>	<b>45%</b>	<b>8.1%</b>	<b>3.6%</b>
Driver labour	55%	12.7%	7.0%
<b>Total operating and labour costs</b>	<b>100%</b>	<b>Not applicable</b>	<b>10.6%</b>

**Note:** most changes in cost inflators are measured over the period from June 2022 to June 2024. However, the changes in the cost inflators which use the wage price index (network (labour) and administration) and comprehensive car insurance index (insurance) are measured from June 2022 to March 2024.

**Source:** Essential Services Commission analysis.

The key drivers of the changes in costs for both conventional taxis and wheelchair accessible taxis since our last review were:

- **driver labour:** higher driver labour costs reflect an increase in the national minimum wage as determined by the Fair Work Commission of Australia.
- **vehicle:** higher vehicle costs reflect a global shortage of motor vehicles in Australia due to pandemic-related supply chain constraints, particularly for crucial components such as semiconductors,<sup>83</sup> and higher borrowing costs compared to 2022.
- **insurance:** insurance costs have been increasing across the economy due to increases in the number of claims and replacement costs.
- **fuel:** fuel prices have increased in recent times, however prices are still below those in June 2022 when prices peaked.

<sup>83</sup> IBIS World (2024), Recent Trends – Motor Vehicle Price Index, February 21, 2024, Accessed 24 April 2024 (<https://www.ibisworld.com/au/bed/motor-vehicle-price-index/1708/>).

# Appendix F: Non-cash payment surcharge benchmarking analysis

This Appendix provides more detail on the benchmarking analysis we used to assess the reasonableness of the current maximum non-cash payment surcharges. We used a similar benchmarking approach in our 2019 and 2022 reviews.

Benchmarking uses information on prices or costs from comparable markets to assess the reasonable cost of processing non-cash payments. We consider that payment terminals on offer to small businesses from banks and merchant aggregators in Australia are an appropriate benchmark for the reasonable cost of processing non-cash payments for the typical taxi in Victoria.

In our benchmarking we looked at the fees and charges that may apply to small businesses for the processing of \$3,250 in non-cash payments per month (similar to the non-cash revenue of the typical taxi) and the implied surcharge these small businesses would need to apply to recover these costs. We have tailored our benchmarking to the taxi industry in Victoria to ensure it is comparable with taxi non-cash payment surcharges. Our benchmarking does not include the costs of issuing payment instruments.

Our benchmarking suggests that it would be possible for a small business using two payment terminals to process non-cash payments of \$3,250 per month (\$1,625 per terminal) with a surcharge between 1.8 per cent and 3.6 per cent.

This Appendix contains our analysis of benchmark costs for non-cash payment services on offer to small businesses across the broader Australian economy. All figures presented in this Appendix are inclusive of GST.

## **How we estimated the reasonable cost of processing non-cash payments**

We used publicly available offers for payment terminals and revenue data from taxi payment processors to estimate the implied surcharge that small businesses would need to recover the costs of processing non-cash payments of \$3,250 per month. Our benchmarking analysis is explained in detail below.

### **We have used EFTPOS terminals in our benchmarking**

There is a range of products available to small businesses for processing non-cash payments including EFTPOS terminals, mobile point of sale (mPOS) terminals and tap to phone services.

An EFTPOS terminal is a standalone terminal, while an mPOS terminal is a card reader which connects to a smartphone or tablet to process non-cash payments. To use an mPOS terminal, the merchant downloads an app on their smartphone or tablet. The app allows the merchant to manage transactions and receipts, which may be sent via email or SMS or printed via a Bluetooth printer. Tap to phone services allow merchants to process non-cash payments using only an app on a phone or tablet.

There are some differences in features between EFTPOS and mPOS terminals. For example, most mPOS terminals do not allow automatic surcharging. This could be problematic for a taxi driver because if they were to use an mPOS terminal they would need to manually calculate the surcharge each time they used the terminal. This would be time consuming, potentially inaccurate and could introduce opportunities for fraud.

We consider EFTPOS terminals to be more comparable to the majority of payment terminals used in taxis and we have used the cost of EFTPOS terminals as the benchmark for the reasonable cost of processing non-cash payments (for most payment methods).<sup>84</sup> However, given that some taxi operators do use mPOS terminals despite the potential problems noted above, we have also benchmarked the cost of mPOS terminals for comparison.

### **We have assumed multiple payment terminals in our benchmarking**

We have heard in this and previous reviews that most taxi drivers choose to have at least a second payment terminal. They may choose to have an additional terminal as a backup device or due to their relationship with a booking service provider or taxi operator, or because of cash flow control, driver incentives and commissions, or other service offerings.

We consider that the practice of having multiple terminals increases the cost of facilitating non-cash payments. The difference between having one terminal or multiple terminals is that with multiple terminals fewer transactions are processed through each terminal. The fixed costs of processing non-cash payments must then be recovered from a smaller number of transactions.

If we only allowed for a single terminal in our benchmarking, the benchmark costs overall would be lower. For example, our benchmarking suggests that with a single terminal, it would be possible for a small business to recover the cost of processing non-cash payments with a surcharge between 1.6 per cent and 2.4 per cent (compared to a range of 1.8 per cent and 3.6 per cent with multiple terminals).

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<sup>84</sup> While mPOS terminals are not directly comparable to the service currently used in Australia, we note that mPOS terminals are widely used by taxis in other jurisdictions such as the United States.

However, we are required to ensure that taxi payment processors can recover the reasonable cost of accepting and processing non-cash transactions, and the information currently available to us suggests that the reasonable cost includes multiple terminals. Therefore, we have accounted for this in our benchmarking. This is consistent with our obligation under section 8A of the *Essential Services Commission Act 2001* to have regard to the degree of and scope for competition within the taxi payments industry.

If we did not allow for multiple terminals in our benchmarking, a potential consequence might be to limit taxi drivers to only using the terminals which by default are capable of processing Multi Purpose Taxi Program (MPTP) subsidies. At the time of our draft decision, A2B supplied MPTP enabled payment terminals to most taxis in Victoria.<sup>85</sup> Since our draft decision, a joint arrangement between GM Cabs and Silver Top whereby a GM Cabs payment terminal integrated with a Silver Top taxi meter has also been approved to process MPTP trips. While this arrangement is new and still being deployed, we expect that this arrangement, together with further approvals of MPTP processors in future, may improve competition amongst payment processors. However, there are currently some payment processors who are not able to process MPTP subsidies and rely on drivers having at least a second terminal to be able to participate in the taxi payment processing market.

Given the changes that are likely to occur, we will need to revisit our assumption of multiple terminals in future reviews.

We are also aware that there may currently be more than two payment terminals in use in each taxi. Many drivers have their own terminal, and often these drivers work in more than one taxi. Additionally, smartphones may also be used as payment terminals in some cases. We note that our benchmarking is based on actual monthly revenue **per terminal** as provided by taxi payment processors in our previous reviews (adjusted by the change in non-cash payment transactions per terminal from stakeholder submissions). This means that if we assumed there were more terminals in the typical taxi, the monthly revenue per terminal would be the same. Only the total non-cash revenue for the typical taxi would be higher which would reduce the implied surcharge for our single terminal benchmarking.

### **We estimated the monthly revenue from non-cash payments**

To estimate the monthly revenue for our benchmarking, we used data collected from taxi payment processors in previous reviews and information provided to us by stakeholders in this review.

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<sup>85</sup> Another provider, Oiii, has also been approved to process MPTP subsidies using its integrated taxi meter and payment platform. However, only a small proportion of taxis use the Oiii platform.

As we have not collected financial data from payment processors for this review, we used the monthly non-cash revenue for the typical taxi from our 2019 review as the starting point.<sup>86</sup> We have heard from stakeholders that revenue per terminal is below 2019 levels. We do not have data for the entire industry on the level of change in revenue per terminal, but A2B stated in its submission that the volume of in-car credit and debit transactions had decreased by 26 per cent between October 2019 and October 2023.<sup>87</sup> Given that A2B currently supplies the primary payment terminal for most taxis in Victoria, and we do not have any other data, we have reduced the revenue per terminal for our benchmarking by 26 per cent.

Based on this, the monthly non-cash revenue for the typical taxi in our benchmarking analysis decreased from \$4,392 in our 2019 review to \$3,250 in this review (in nominal terms).

We consider that this is the appropriate amount to use for the monthly revenue in our benchmarking because it is specific to taxis in Victoria and reflects the latest information available to us.

We note that, if the monthly non-cash revenue for a particular taxi is higher or lower than what we have used in our benchmarking, the actual cost of processing non-cash payments as a percentage of monthly revenue may be different from our benchmarks.

### **We estimated the monthly cost of processing non-cash payments**

To estimate the monthly cost of processing non-cash payments of \$3,250 for a small business, we used publicly available information on market offers from 10 payment processors, including banks and merchant aggregators. These market offers include the fees and charges that may apply to a small business that has an EFTPOS terminal with the payment processor. We included these payment processors in our benchmarking because:

- they provide offers to small businesses in Australia processing about \$3,250 of non-cash payments per month
- information on their fees and charges is publicly available on their websites.<sup>88</sup>

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<sup>86</sup> The data we collected for our 2022 review was affected by the coronavirus pandemic and is therefore not an appropriate starting point for our analysis.

<sup>87</sup> A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

<sup>88</sup> There is one exception. We received information on fees and charges over the phone for ANZ. We are aware that ANZ provides payment terminals to some taxi providers.

Some of the fees and charges are fixed and others vary according to the number or value of non-cash payment transactions. It is important for us to understand the monthly non-cash revenue to estimate the variable costs.

We used the following fees and charges from the market offers to estimate the monthly cost:

- monthly fee
- merchant service fees
- business account fee
- terminal/card reader fee.

We included these fees and charges as we consider that they are the main costs associated with processing non-cash payments. These fees are explained in more detail below.

### Monthly fee

The monthly fee is a fixed fee charged per month. It covers the terminal rental and administrative costs of providing the terminal. Most market offers include terminal rental in this fee, however there are some that include an upfront fee for the purchase of the terminal.

### Merchant service fees

The merchant service fee is a fee charged **per transaction**. It is charged by the acquiring entity for processing non-cash payments.

Most payment processors charge the merchant a percentage of dollar value for each eftpos, Visa and Mastercard transaction. Some charge a flat fee for each eftpos transaction and a percentage of dollar value for each Visa and Mastercard transaction.

Typically, the publicly available information on merchant service fees applies to eftpos, Visa and Mastercard transactions only. Other card types such as American Express are often subject to separate pricing, which is not publicly available.<sup>89</sup> We have used information from taxi payment processors on merchant service fees for American Express.<sup>90</sup>

We estimated the share of the value of non-cash payments for a typical taxi for each payment type based on information received from taxi payment processors in our 2022 review. These shares are approximately:

- eftpos: 3 per cent

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<sup>89</sup> There are some exceptions. For example, Commonwealth Bank includes a 1.10 per cent fee for American Express transactions in its market offer.

<sup>90</sup> This is based on information collected from taxi payment processors in our 2022 review.

- Visa/Mastercard: 88 per cent
- American Express: 9 per cent.<sup>91</sup>

**Table F.1 Merchant service fees**

Merchant service fee type	Method of calculation
The merchant service fee for eftpos transactions is a flat fee per transaction <sup>a</sup>	$(a \times b) + (c \times d) + (e \times f) + (g \times h)$ where
The merchant service fee for Visa, Mastercard and American Express is a percentage fee	a = number of eftpos transactions b = eftpos merchant service fee c = monthly revenue from Visa transactions d = Visa merchant service fee e = monthly revenue from Mastercard transactions f = Mastercard merchant service fee g = monthly revenue from American Express transactions h = American Express merchant service fee
The merchant service fee for eftpos, Visa, Mastercard and American Express is a percentage fee	$(k \times l) + (c \times d) + (e \times f) + (g \times h)$ where
	k = monthly revenue from eftpos transactions l = eftpos merchant service fee c = monthly revenue from Visa transactions d = Visa merchant service fee e = monthly revenue from Mastercard transactions f = Mastercard merchant service fee g = monthly revenue from American Express transactions h = American Express merchant service fee

<sup>a</sup> Where the merchant service fee is a flat fee for eftpos transactions, and a percentage of dollar value for other card types, we need to know the number of eftpos transactions and the value of other card type transactions. We requested the number and value of transactions by payment type from taxi payment processors in our 2022 review and have used this information in our analysis.

### Business account fee

The business account fee is a flat fee charged **per month**. It covers the supply of a bank account for the payment processor to settle funds to and debit fees and charges from the merchant.

Generally, payment processors do not require the merchant to hold and settle funds to a business account with them. We have assumed that a small business would choose the lowest cost option

<sup>91</sup> We note that some payment processors do not offer default acceptance of American Express cards. If the merchant wishes to accept American Express cards, the merchant must enter into an agreement with American Express. Our calculations reflect what the merchant service fees would be if the merchant does accept American Express cards.



for a business account. This would usually be a business account with no monthly fee and free online banking.

### Terminal/card reader fee

The terminal/card reader fee is a flat fee charged **upfront** when a payment terminal is supplied to a merchant. It covers the supply of the card reader for mPOS terminals, and in some cases EFTPOS terminals (e.g. Square). To estimate the monthly terminal/card reader fee, we divided the terminal/card reader fee by its useful life in months. Stakeholders have reported that the useful life of a terminal/card reader is usually three years (that is, 36 months).

Terminal/card reader fee	=	upfront terminal/card reader fee
		÷
		36

### The monthly cost

To estimate the monthly cost of processing non-cash payments of \$3,250 for a small business, we summed the monthly fee, merchant service fees, business account fee and terminal/card reader fee.

Monthly cost of processing non-cash payments	=	monthly fee
		+ merchant service fees
		+ business account fee
		+ terminal/card reader fee <sup>a</sup>

<sup>a</sup> Generally, the card reader fee applies to mPOS terminals only. However, Square and Zeller have an upfront fee for the EFTPOS terminal, so this has been included in the terminal/card reader fee.

### We do not have sufficient information to include chargeback fees

In its submissions, GM Cabs noted that our benchmarking analysis does not consider the cost of chargebacks.<sup>92</sup>

We have not included chargeback fees in the monthly cost as we do not have information on the average number of chargebacks per terminal to estimate the cost of chargebacks for the typical taxi. The data we have received in previous years suggests that the cost of card fraud in the taxi

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<sup>92</sup> GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023; GM Cabs, submission to the Essential Services Commission draft decision paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 July 2024.

payments industry is relatively minor compared to total costs. Therefore, the impact of including costs associated with chargebacks is unlikely to be material.

### Other payment processing fees

There are other fees that may be charged by payment processors such as establishment fees, cancellation fees, terminal replacement fees, additional outlet fees and stationery costs. We have not included these fees in our benchmarking because:

- these fees are recovered through separate charges, not standard charges related to processing non-cash payments
- these fees differ in type and structure between payment processors
- some of these fees are not relevant to taxis and those that are relevant are unlikely to be material.

### We estimated the implied surcharge that would allow a small business to recover the cost of processing non-cash payments

The implied surcharge is the surcharge that small businesses would need to apply to recover the cost of processing non-cash payments of \$3,250 (similar to the non-cash revenue of the typical taxi). To estimate the implied surcharge, we divided the monthly cost of processing non-cash payments by the monthly revenue from non-cash payments per terminal.

$$\text{Implied surcharge} = \frac{\text{monthly cost of processing non-cash payments}}{\text{monthly revenue from non-cash payments} - 1}$$

### We considered the cost differences in processing non-cash payments in taxis and the broader economy

In our 2019 review, stakeholders identified some costs that they considered are incurred by payment processors in the taxi industry, but not by payment processors in the broader economy. These costs included:

- multiple payment terminals
- mobile payment processing
- taxi non-cash payment surcharge record keeping requirements<sup>93</sup>

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<sup>93</sup> CabFare, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 February 2019, p. 13.

- taxi receipt requirements<sup>94</sup>
- integration of payment terminal and taximeter<sup>95</sup>
- Multi Purpose Taxi Program subsidy processing<sup>96</sup>
- providing passenger credit
- high rate of fraud in the taxi payments industry<sup>97</sup>
- high transaction costs of dealing with taxi drivers<sup>98</sup>
- high merchant fees for taxis
- taxi payment processors do not have the scale of other payment processors
- high churn rate of users of taxi payment terminals.
- installation of terminals.

We consider that many of these costs are incurred by all payment processors, including mobile payment processing which is discussed in more detail below. We adequately addressed these costs in our 2019 review and have adopted the same considerations for this review.<sup>99</sup> This means that the only cost we adjust for is multiple payment terminals. It is common practice in the taxi industry for taxi drivers to have two payment terminals. For the reasons set out earlier, we have accounted for this in our benchmarking.

### **Mobile payment processing**

Mobile payment processing is a common feature of payment terminals used by many small businesses. Our benchmarking includes only EFTPOS terminals with mobile network connectivity. This means that our benchmarking already accounts for the cost of mobility enabled devices.

To the extent that taxi drivers do face cost differences, due to taking payments in places where mobile coverage is poor, these costs are not likely to be material. If a payment terminal cannot connect to its mobile network, then it takes payment in offline mode. The consequence of this is that the terminal takes the payment without it being authorised by the issuing bank, increasing the risk of the payment being declined and a chargeback occurring. The cost data that we received

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<sup>94</sup> *ibid.*

<sup>95</sup> Commercial Passenger Vehicle Association of Australia, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 4 February 2019.

<sup>96</sup> A2B Australia, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 March 2019, p. 16.

<sup>97</sup> CabFare, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 February 2019.

<sup>98</sup> A2B Australia, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 March 2019, p. 5.

<sup>99</sup> Essential Services Commission, Taxi Non-Cash Payment Surcharge Review 2019, Final Decision, March 2020, pp. 70-77.

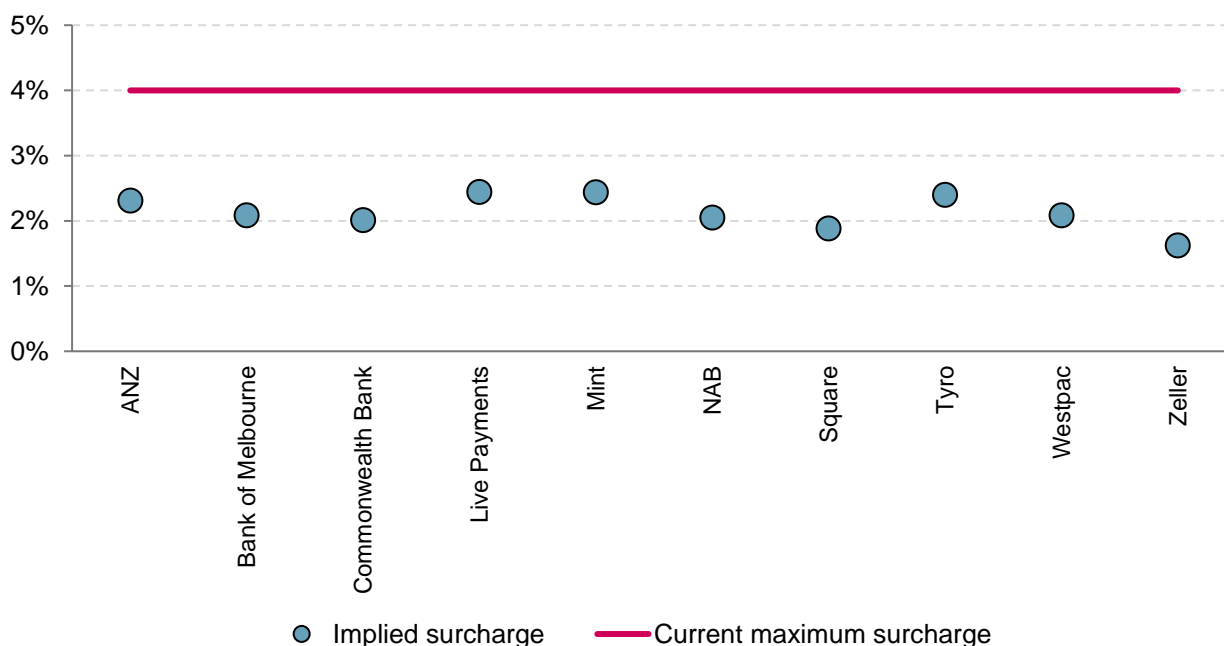
from taxi payment processors in our previous reviews shows that chargeback costs are not a material cost driver for taxi payment processors. As a result, we have not made further adjustment for mobile enabled devices.

### The implied surcharge for small businesses is between 1.8 per cent and 3.6 per cent

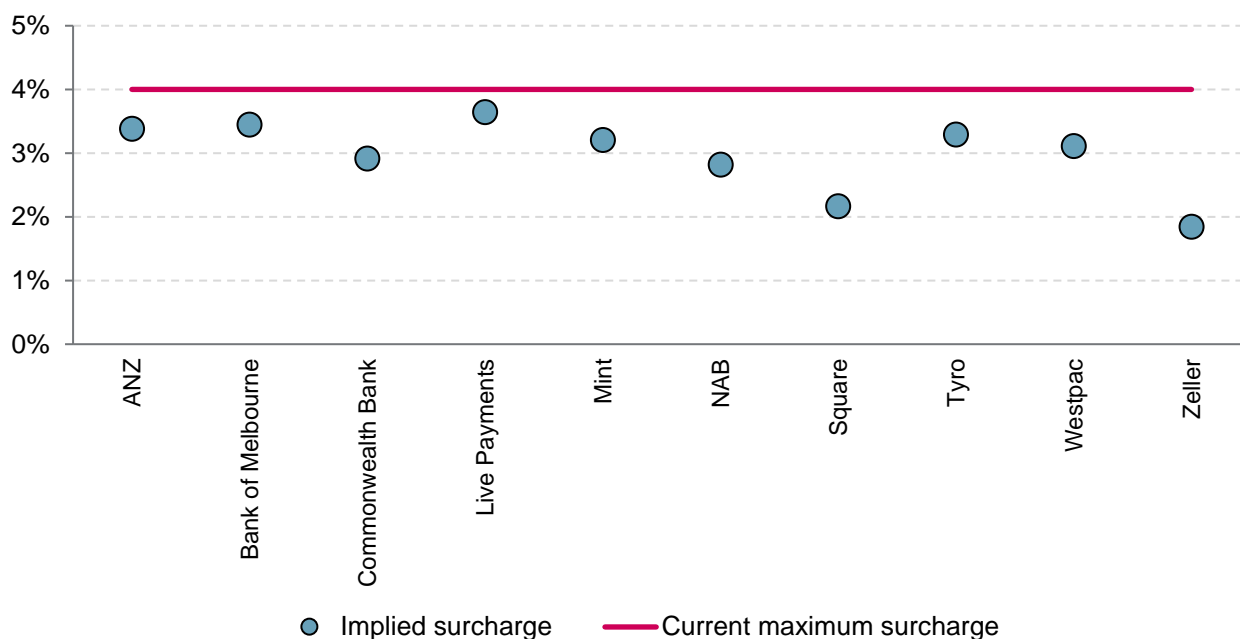
Our benchmarking suggests that, if there is one EFTPOS terminal, it would be possible for a small business to recover the cost of processing non-cash payments of \$3,250 per month with a surcharge of between 1.6 per cent and 2.4 per cent. If there are multiple EFTPOS terminals (\$1,625 processed through each terminal), it would be possible with a surcharge of between 1.8 per cent and 3.6 per cent.

Figures F.1 and F.2 show a comparison of the current maximum taxi non-cash payment surcharge (other than for commercial passenger vehicle specific payment instruments) and the implied surcharge needed for small businesses to recover the cost of processing non-cash payments assuming one terminal and multiple terminals, respectively.

**Figure F.1 Implied surcharge assuming one terminal**



**Figure F.2 Implied surcharge assuming two terminals**



We note that mPOS terminals and tap to phone services are also available to small businesses, generally at a lower cost than EFTPOS terminals. For example, the implied surcharge for mPOS terminals (assuming two terminals) is between 1.2 per cent and 2.2 per cent, and the implied surcharge for tap to phone services is between 1.4 per cent and 1.9 per cent.<sup>100</sup>

We understand that some taxi operators are using mPOS terminals and tap to phone services. However, GM Cabs noted in its submission that there has been relatively low up-take of these products among taxi operators.<sup>101</sup> Given that these products are not widely used, and there are some potential problems with using them in the taxi industry, we consider that EFTPOS terminals are the appropriate benchmark for the taxi non-cash payment surcharge.

<sup>100</sup> For tap to phone offers, there is usually no monthly fee, but there is a single percentage fee per dollar value for eftpos, Visa and Mastercard transactions.

<sup>101</sup> GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023.

# Appendix G: Our legal considerations

## Our legislative powers and functions

The *Commercial Passenger Vehicle Industry Act 2017* (CPVI Act), the *Essential Services Commission Act 2001* (ESC Act) and the *Transport Integration Act 2010* govern our role in regulating maximum fares for applicable unbooked services and maximum non-cash payment surcharges.

Section 32 of the ESC Act gives the commission the power to regulate 'prescribed prices for or in respect of prescribed goods and services supplied by or within a regulated industry'. Section 110D of the CPVI Act provides that 'applicable unbooked services' are prescribed services and the maximum charges for these services are prescribed prices. Section 123 of the CPVI Act provides that 'non-cash payment transactions' are prescribed services and the maximum amounts of non-cash payment surcharges are prescribed prices. Further, for the purposes of the ESC Act, both the commercial passenger vehicle industry and the non-cash payment transaction industry are regulated industries.<sup>102</sup>

Our price determinations are binding on the relevant regulated entities and industries.<sup>103</sup>

We are required to complete a review of our last price determinations relating to applicable unbooked services and non-cash payment surcharges no later than two years from when they were made.<sup>104</sup> The previous determinations were both made on 31 August 2022.

## Our power to determine maximum fares for unbooked taxi services

We regulate the maximum charges for 'applicable unbooked services' supplied by or within the commercial passenger vehicle industry. An 'applicable unbooked service' means an unbooked commercial passenger vehicle service in respect of carriage on a journey that begins in either the Melbourne Metropolitan Zone or the Urban and Large Regional Zone.<sup>105</sup> An unbooked commercial passenger vehicle service refers to a service that is provided other than as a result of the provision

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<sup>102</sup> Sections 110B(1) and 121(1) of the CPVI Act.

<sup>103</sup> Section 35(7) of the ESC Act.

<sup>104</sup> Sections 110F(2) and 124(4) of the CPVI Act.

<sup>105</sup> Section 110A of the CPVI Act. These zones are defined in the 2014 Determination of Taxi Zone Boundaries, issued by the Taxi Services Commission (now Safe Transport Victoria) (Victorian Government Gazette No. S 184 Thursday 12 June 2014).

of a booking service.<sup>106</sup> Unbooked commercial passenger vehicle services are generally hailed from the street or taken from a rank.

The Commercial Passenger Vehicle Industry Regulations 2018 outline a number of requirements that must be met by people or companies who provide unbooked commercial passenger vehicle services.<sup>107</sup> Given these regulatory requirements, it is typically only taxis that provide unbooked commercial passenger vehicle services in Victoria. Therefore, in this paper, we refer to commercial passenger vehicles that provide unbooked commercial passenger vehicle services as ‘unbooked taxis’, and applicable unbooked services as ‘unbooked taxi services’. However, we acknowledge that other commercial passenger vehicle services that meet the regulatory requirements in the future can also provide unbooked taxi services.

### **Our power to determine maximum surcharges for taxi non-cash payments**

A ‘non-cash payment transaction’ is defined in section 3 of the CPVI Act to mean ‘the payment, other than by cash, of any amount due in respect of the hiring of a commercial passenger vehicle’.

A ‘non-cash payment surcharge’ is defined in section 112(1) of the CPVI Act as a ‘fee or charge:

- added to the amount otherwise payable by the hirer in respect of the hiring of a commercial passenger vehicle because the payment of the amount otherwise payable is made wholly or partly by means of a non-cash payment transaction or
- payable by the owner or driver of a commercial passenger vehicle or by all or any of them because the payment of an amount payable in respect of the hiring of the vehicle is made wholly or partly by means of a non-cash payment transaction.’

Non-cash payment surcharges that are regulated by the Reserve Bank of Australia are specifically excluded from this definition.<sup>108</sup> The Reserve Bank of Australia regulates all non-cash payment

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<sup>106</sup> Section 3 of the CPVI Act. A ‘commercial passenger vehicle service’ is ‘the carriage, for a fare or other consideration, of one or more passengers in a motor vehicle on a journey that begins in Victoria and ends at one or more destinations (whether in or outside Victoria)’ (s. 4 CPVI Act). A person provides a ‘booking service’ if the person carries on the business of receiving requests for persons to be provided with commercial passenger vehicle services; and arranging or facilitating the acceptance of those requests by or on behalf of drivers of commercial passenger vehicles (s. 7 CPVI Act). Booked commercial passenger vehicle services are typically reserved prior to travel through an app, online, or over the phone.

<sup>107</sup> These include requirements around fitting vehicles with fare calculation devices (meters) and security cameras. (reg. 12 and reg. 14)

<sup>108</sup> Section 112(2) provides that ‘A “non-cash payment surcharge” does not include a fee or charge that is imposed in respect of the use of a credit card, charge card or debit card – (a) by a participant in a designated payment system within the meaning of the Payment Systems (Regulation) Act 1998 (Cth) and is of a kind covered by a standard in force under section 18 of that Act; or (b) by a person consistently with a voluntary undertaking given by the person to, and accepted by, the Reserve Bank of Australia.

surcharges, except those related to the payment of a taxi fare.<sup>109</sup> This means that we only regulate non-cash payment surcharges in relation to taxi services (both booked and unbooked) in Victoria. Non-cash payment surcharges for rideshare or hire care services are regulated by the Reserve Bank of Australia under the national payment systems framework.<sup>110</sup>

## **Our statutory objectives**

In making determinations for maximum fares for unbooked taxi services and for maximum surcharges for taxi non-cash payments, we must adopt an approach and methodology that we consider will best meet our statutory objectives.<sup>111</sup>

### **Our objectives under the ESC Act**

The ESC Act states that in performing our functions and exercising our powers, our objective is to promote the long-term interests of Victorian consumers.<sup>112</sup> In performing our functions and exercising our powers in relation to essential services, we must, in seeking to achieve this objective, have regard to the price, quality and reliability of essential services.<sup>113</sup>

The ESC Act also requires us to perform our functions and exercise our powers in a manner that best achieves any objectives specified in the CPVI Act.<sup>114</sup>

### **Our objectives under the CPVI Act**

Our specific objective under the CPVI Act when determining maximum fares for unbooked taxi services, is to promote the efficient provision and use of unbooked commercial passenger vehicle services.<sup>115</sup>

Our specific objective under the CPVI Act in relation to the non-cash payment transaction industry is 'to promote efficiency by regulating the amount that may be imposed by way of a non-cash payment surcharge'.<sup>116</sup> In seeking to achieve this objective, we must 'ensure that persons

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<sup>109</sup> Reserve Bank of Australia 2016, *Standard No. 3 of 2016; Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions*, section 2.7, 1 September 2016 varied with effect from 1 January 2022.

<sup>110</sup> Reserve Bank of Australia, [Questions and Answers: Card Payments Regulation](#), 'Do the rules affect the taxi industry', accessed 27 March 2024.

<sup>111</sup> Section 33(2) of the ESC Act.

<sup>112</sup> Section 8(1) of the ESC Act.

<sup>113</sup> Section 8(2) of the ESC Act.

<sup>114</sup> Section 8A(2) of the ESC Act.

<sup>115</sup> Section 110C of the CPVI Act.

<sup>116</sup> Section 122(1) of the CPVI Act.



facilitating the making of non-cash payment transactions are able to recover the reasonable cost of accepting and processing such transactions', where 'reasonable cost' is defined to include 'any fees payable for the acquisition of transactions involving the use of debit, credit or charge cards'.<sup>117</sup>

## **Matters we must have regard to**

In performing our functions and exercising our powers, we must have regard to the price, quality and reliability of essential services, as well as the following matters (to the extent they are relevant in any particular case):<sup>118</sup>

- efficiency in the industry and incentives for long term investment
- the financial viability of the industry
- the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- the relevant health, safety, environmental and social legislation applying to the industry
- the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable consumers) and regulated entities
- consistency in regulation between States and on a national basis
- any matters specified in the empowering instrument (that is, the CPVI Act).

When making a price determination, we must also have regard to:<sup>119</sup>

- the particular circumstances of the regulated industry and the prescribed goods and services for which the determination is being made
- the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry
- the return on assets in the regulated industry
- any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries
- any other factors that the commission considers relevant.

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<sup>117</sup> Section 122(2) and 122(3) of the CPVI Act.

<sup>118</sup> Section 8A of the ESC Act.

<sup>119</sup> Section 33(3) of the ESC Act.

In addition, in making a determination, we must ensure that the expected costs of the proposed regulation do not exceed the expected benefits, and that the determination takes into account and clearly articulates any trade-offs between costs and service standards.<sup>120</sup>

The *Transport Integration Act 2010* requires that we must have regard to the transport system objectives<sup>121</sup> in exercising our powers and performing our functions under any transport legislation. The transport system objectives we must have regard to relate to social and economic inclusion, economic prosperity, environmental sustainability, integration of transport and land use, efficiency, coordination and reliability, and safety and health and wellbeing.

Under the *Transport Integration Act 2010*, we must also have regard to a number of principles<sup>122</sup> in making our decisions, which include:

- the principle of integrated decision making
- the principle of triple bottom line assessment
- the principle of equity
- the principle of transport system user perspective
- the precautionary principle
- the principle of stakeholder engagement and community participation
- the principle of transparency.

The transport system objectives and decision-making principles are broad in nature. We may determine the weight to give to each transport system objective and decision-making principle.<sup>123</sup>

In addition, the *Charter of Human Rights and Responsibilities Act 2006* requires us to give proper consideration to any relevant human rights in the charter.<sup>124</sup>

## **Our regulation of unbooked taxi fares and non-cash payment surcharges**

The ESC Act provides that the price determinations for unbooked taxi fares and non-cash payment surcharges may regulate in any manner we consider appropriate.<sup>125</sup> This may include:

- fixing the price or the rate of increase or decrease in the price

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<sup>120</sup> Section 33(4) of the ESC Act.

<sup>121</sup> Part 2, Division 2 of the Transport Integration Act.

<sup>122</sup> Part 2, Division 3 of the Transport Integration Act.

<sup>123</sup> Sections 26 and 27 of the Transport Integration Act.

<sup>124</sup> Section 38(1) of the Charter of Human Rights and Responsibilities Act

<sup>125</sup> Section 33(5) of the ESC Act.

- fixing a maximum price or maximum rate of increase or minimum rate of decrease in the maximum price
- fixing an average price for specified goods or services or an average rate of increase or decrease in the average price
- specifying pricing policies or principles
- specifying an amount determined by reference to a general price index, the cost of production, a rate of return on assets employed or any other specified factor
- specifying an amount determined by reference to quantity, location, period or other specified factor relevant to the rate or supply of the goods or services
- fixing a maximum average revenue or maximum rate of increase or minimum rate of decrease in the maximum average revenue in relation to specified goods or services and
- monitoring the price levels of specified goods and services.

In regulating unbooked taxi fares, the CPVI Act specifically provides that the manner in which we may regulate unbooked taxi fares includes determining different prices according to:<sup>126</sup>

- the time of day at which, or day of the week or kind of day on which, an applicable unbooked service is provided
- the speed at which the commercial passenger vehicle used in the provision of the applicable unbooked service is travelling
- the distance travelled by the commercial passenger vehicle used in the provision of the applicable unbooked service
- the type of commercial passenger vehicle used in the provision of the applicable unbooked service
- the occupancy of the commercial passenger vehicle used in the provision of the applicable unbooked service, including where there is more than one passenger
- where a journey in respect of which the applicable unbooked service is provided begins or ends
- the prevailing economic conditions, including the price of fuel and the consumer price index
- the Fair Work Commission's annual wage review under section 285 of the *Fair Work Act 2009* of the Commonwealth
- the commercial viability of operating a taxi service<sup>127</sup>

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<sup>126</sup> Section 110E of the CPVI Act.

<sup>127</sup> For the purposes of section 110E of the CPVI Act, 'taxi service' means 'an unbooked commercial passenger vehicle service where the fare is calculated based on time and distance travelled as measured by a fare calculation device' and 'fare calculation device' means 'a mechanical, electrical or electronic device that calculates, records or displays information about fares and charges for the provision of unbooked commercial passenger vehicle services'. (s. 110E CPVI Act)

- any other matter the ESC considers to be relevant.

In regulating non-cash payment surcharges, the CPVI Act specifically provides that we may determine different prices according to circumstances specified in the determination if we consider it necessary in order to ensure persons facilitating the making of non-cash payment transactions are able to recover the reasonable cost of accepting and processing such transactions.<sup>128</sup>

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<sup>128</sup> Section 124(1) of the CPVI Act.

**Table G.1** Legislative matters we must have regard to

	Examples of how we have had regard to this in making our final decision for unbooked taxi fares	Examples of how we have had regard to this in making our final decision for taxi non-cash payment surcharges
<b>Section 8A of the ESC Act 2001</b>		
(a) efficiency in the industry and incentives for long term investment	Our taxi cost indexes represent the costs of operating an ‘average taxi’, which we consider to be achievable for an efficient taxi. Our taxi cost indexes include a return on assets, ensuring incentives for long term investment remain.	By enabling taxi payment processors to recover the reasonable cost of processing non-cash payments, our final decision will promote efficiency in the industry and ensure there will be appropriate incentives for long term investment.
(b) the financial viability of the industry	Our final decision on maximum fares for unbooked taxi services reflects our estimates of the efficient cost of operating a taxi, and therefore will help promote the financial viability of the industry and the commercial viability of operating a taxi service	After taking into account our benchmarking analysis and our proposed increase in unbooked taxi fares we are satisfied that the taxi non-cash payment industry will be financially viable under our decision to maintain the maximum surcharges at 4 per cent and 6 per cent.
(c) the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries	Our final decision sets maximum fares based on efficient costs, as suggested by our taxi cost indexes. This is consistent with the principles of competition and does not prevent unbooked taxi service providers from competing with substitute services or from offering lower fares to attract customers.	Our consideration of competition within the industry and in the broader markets for taxis and commercial passenger vehicles is reflected in the assumptions underpinning our benchmarking analysis, in particular our assumptions around multiple payment terminals and average revenue per payment terminal.

[Continued next page](#)

Table G.1 (continued)

	Examples of how we have had regard to this in making our final decision for unbooked taxi fares	Examples of how we have had regard to this in making our final decision for taxi non-cash payment surcharges
<b>Section 8A of the ESC Act 2001 (continued)</b>		
(d) the relevant health, safety, environmental and social legislation applying to the industry	Our taxi cost indexes reflect the costs of operating a taxi, including those costs associated with regulatory requirements on unbooked taxi service providers, such as maintaining records of their unbooked trips, investigation and resolution of complaints, security camera and fare calculation devices. <sup>a</sup>	The current surcharges were developed using a cost build-up approach that considered the reasonable costs of accepting and processing non-cash payments, including those costs associated with regulatory requirements such as those related to the processing of Multi Purpose Taxi Program payments.
(e) the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable consumers) and regulated entities	We have not collected data from industry participants for this review as we consider that the benefits of updating some of our analysis would not be proportionate to the cost of collecting it.	We have not collected data from industry participants for this review as we consider that the benefits of updating some of our analysis would not be proportionate to the cost of collecting it.
(f) consistency in regulation between States and on a national basis	We looked at regulation of taxi fares and the level of taxi fares interstate and internationally (see Appendix C).	We looked at regulation of non-cash payments in taxis on a national basis and overseas (see Appendix D).
(g) any matters specified in the empowering instrument (that is, the CPVI Act)	Section 110C of the CPVI Act provides our objective is to promote the efficient provision and use of applicable unbooked services.	Section 112 of the CPVI Act provides our objective is to promote efficiency and ensure that persons facilitating the making of non-cash payment surcharges are able to recover the reasonable cost of accepting and processing such transactions.

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Table G.1 (continued)

	Examples of how we have had regard to this in making our final decision for unbooked taxi fares	Examples of how we have had regard to this in making our final decision for taxi non-cash payment surcharges
<b>Section 33(3) of the ESC Act 2001</b>		
(a) the particular circumstances of the regulated industry and the prescribed goods and services for which the determination is being made	Our taxi cost indexes were developed based on actual cost data from industry participants.	The assumptions underpinning our benchmarking analysis, including multiple payment terminals and average revenue per terminal, reflect the particular circumstances of the taxi payment industry.
(b) the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry	Our taxi cost indexes consider the reasonable costs of providing the regulated service and of complying with the relevant legislation	Our benchmarking analysis considers the reasonable cost of providing the regulated service and of complying with the relevant legislation.
(c) the return on assets in the regulated industry	Our taxi cost indexes include a return on assets.	The return on assets in the taxi non-cash payments industry was considered implicitly through our benchmarking analysis and explicitly in our bottom-up cost assessment on which the current surcharges were based.
(d) any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries	We looked at regulation of taxi fares and the level of taxi fares interstate and internationally (see Appendix C and D).	Our benchmarking analysis examined the costs of accepting non-cash payments in the broader economy. We tailored our analysis to the particular circumstances of the taxi payment industry to ensure our benchmarks were comparable (see Appendix F).

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Table G.1 (continued)

	Examples of how we have had regard to this in making our final decision for unbooked taxi fares	Examples of how we have had regard to this in making our final decision for taxi non-cash payment surcharges
<b>Section 33(4) of the ESC Act 2001</b>		
In making a determination, we must ensure that the expected costs of the proposed regulation do not exceed the expected benefits, and that the determination takes into account and clearly articulates any trade-offs between costs and service standards	We consider that the maximum fares for unbooked taxi services will be sufficient for unbooked taxi service providers to ensure that the quality of service experienced by customers will at least remain stable.	Maintaining the current surcharges should allow taxi payment processors to recover the reasonable cost of processing non-cash payments through the maximum surcharges. As the surcharge is unchanged, it is unlikely that service standards will change as a result of this decision.
<b>Transport system objectives</b>		
<p>Section 8 – Social and economic inclusion</p> <p>The transport system should provide a means by which persons can access social and economic opportunities to support individual and community wellbeing including by-</p> <p>(a) minimising barriers to access so that so far as is possible the transport system is available to as many persons as wish to use it;</p> <p>(b) providing tailored infrastructure, services and support for persons who find it difficult to use the transport system.</p>	<p>We are aware of the important role taxis have in enabling social and economic inclusion, particularly for people who are unable to drive themselves, or who lack the means to own a vehicle.</p> <p>This transport system objective is best served by ensuring Victorians who require access to unbooked commercial passenger vehicle services are able to access services at efficient prices from a viable industry.</p>	

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Table G.1 (continued)

	Examples of how we have had regard to this in making our final decision for unbooked taxi fares	Examples of how we have had regard to this in making our final decision for taxi non-cash payment surcharges
<b>Transport system objectives (continued)</b>		
<p>Section 9 - Economic prosperity The transport system should facilitate economic prosperity by-</p> <ul style="list-style-type: none"> <li>(a) enabling efficient and effective access for persons and goods to places of employment, markets and services;</li> <li>(b) increasing efficiency through reducing costs and improving timeliness;</li> <li>(c) fostering competition by providing access to markets;</li> <li>(d) facilitating investment in Victoria;</li> <li>(e) supporting financial sustainability.</li> </ul>	<p>This overarching transport system objective is consistent with the specific objectives provided for us in the Commercial Passenger Vehicle Industry Act sections 110C (promote the efficient provision and use of applicable unbooked services) and 122 (in relation to the non-cash payment industry, to promote efficiency by regulating the amount that may be imposed by way of a non-cash payment surcharge, and ensuring persons facilitating the making of non-cash payment transactions are able to recover the reasonable cost of accepting and processing such transactions).</p>	
<p>Charter of Human Rights and Responsibilities Act consideration of relevant human rights Section 12 – Freedom of movement Section 18 – Taking part in public life Section 19 – Cultural rights</p>	<p>We are required to give proper consideration to relevant human rights when making a decision. We consider our work in regulating non-cash payment transactions and unbooked commercial passenger vehicle fares - through facilitating the ongoing availability of unbooked taxi services at efficient prices – advances the rights of freedom of movement, taking part in public life, and cultural rights in particular.</p>	

<sup>a</sup> Under the Commercial Passenger Vehicle Industry Act 2017 and the Commercial Passenger Vehicle Regulations 2018.

