

Taxi Review 2024: Unbooked taxi fares and non-cash payment surcharge

Submission received through Engage Victoria

Date submitted: 12 December 2023

Submission written by: Anonymous

Overview

From 31 October 2023, we began accepting submissions on our 2024 taxi review consultation paper via Engage Victoria (www.engage.vic.gov.au). On this website, people were given the option to send us general feedback or respond to questions we provided.

Questions on unbooked taxi fares

Is the cost index we developed during the 2022 review still appropriate?

Yes

How has the demand for and supply of unbooked taxi services changed since our 2022 review?

No

Does the use of unbooked taxi services continue to decline relative to booked services since our 2022 review?

Yes

Have there been any observable changes to service quality since our 2022 review?

Driver demand remains tight, and many double as booked CPV for Uber etc

Should the taxi cost index encompass the entire index or only fuel and labour?

The entire index

Questions on non-cash payment surcharges

The maximum non-cash payment surcharge is currently set at 4 per cent for most non-cash payment methods and 6 per cent for specific instruments. Do these represent the reasonable costs for providing non-cash payment options?

What should be the fee in the next regulatory period?

1. There should be a flat fee of 5% across all payment instruments.
2. Moving it to 5% will encourage technology investment generally in the industry and promote competition by encouraging new entrants and cloud based service provision.
3. There is a major technology investment required in the industry with the shut down of the 3G network in 2024 so during the determination period. The ESC previously argued that instead of funding this technology shift in advance it should be incorporated into the regulatory review period in which the change occurs. This is that review period and thus it cannot be ignored as a cost that needs to be recovered across the entire industry.
4. This industry has not been insulated from the impacts of higher funding and operating costs.
5. There has been an increase in the level of investigating customer complaints reflecting wider societal pressures and decline in civility. This has required the Government to implement enforcement and other interventions in the unbooked market. Non cash payment providers have seen an increase in the number of complaints they need to investigate and resolve which is both labour intensive and time consuming.

Should there be a 2 tier fee structure based on payment instrument type?

1. NO- The existing 2 levels services fee for payment instrument rewards inefficiency in an unregulated product. Moving to a single fee structure as other instruments will promote efficiency and consumer welfare.

Have there been substantive changes in the industry, such as changes in demand for payment services, new technologies, changes in terminal usage, or service providers entering or exiting the market, since our 2022 review? Y/N

No.

What are these changes and how have they impacted the industry in a way that should inform the non-cash payment surcharge review?

Please share any thoughts you have on our proposed approach of using benchmarking to assess the reasonableness of the current maximum non-cash payment surcharges. Have there been any changes in terminal offerings that might affect the validity of our benchmarking analysis?

Benchmarking needs to look outside the Taxi Industry. The benchmarking needs to recognise that the services being provided are not a recovery of a merchant service fee and are broader than those applying in a merchant's recovery of surcharging under the RBA guidelines.

Are there any other benchmarks that we should consider for the review? Do you have any views on alternative approaches we could adopt?

In the provision billing services in the Electric Vehicle charging industry parties providing these services to residential apartments incorporate an administration fee of 5% per transaction to recover their costs (MSF, Payment gateway, fraud etc) associated with offering payment services for EV charging in an apartment building. This is in addition to the recovery of the costs of the electrons consumed. The billing operator refunds to the apartment OC the cost of the electricity consumed and the 5% covers their administrative costs for this service. This mirrors the arrangements in the Taxi Industry and thus is the a benchmark of the costs of providing non cash payment services on which the ESC can rely as the Billing operator is NOT providing the charging (just as the non cash payment operator is not providing the taxi service) and the OC is like the taxi driver relying on the billing operator to provide the service that enables car payments).