



1 February 2019

Price Monitoring and Regulation Division
Essential Services Commission
Level 37
2 Lonsdale Street
MELBOURNE VIC 3000

RE: Submission on Taxi Non-cash Payment Surcharge Review

Dear Madam/Sir,

Visa Inc. ("Visa") welcomes the opportunity to comment on the Essential Services Commission's Taxi Non-cash Payment Surcharge Review. Visa welcomes the Commission's review to determine the maximum surcharge for taxis by 2 July 2019. Below we provide an overview of Visa and offer our perspectives on the practice of surcharging.

About Visa

Visa is a global payments technology company that enables fast, secure and reliable electronic payments for clients around the world. Visa is not a bank and does not issue cards, extend credit or set rates and fees for accountholders on Visa products. Rather, our advanced transaction-processing network facilitates authorisation, clearing and settlement of payment transactions. Today, Visa connects more than 3.2 billion Visa accounts and 46 million merchant locations in 200 countries and territories. Each transaction is enabled by a global network of over 16,000 financial institution partners.

Visa supports fair and open regulatory environments. We believe that the ongoing development of a safe, efficient, competitive and stable electronic payments system is essential to the growth and stability of the Australian economy. Electronic payments platforms, including Visa, contribute significantly to economic growth, development and the financial inclusion of all Australians.

Visa's Perspectives on Surcharging

Visa would strongly recommend the removal of the current surcharge and, in the absence of that outcome, a further reduction in the maximum surcharge in place for Victoria's taxi industry on the following grounds.

In terms of the specifics of the current level of surcharging in Victoria's taxi industry, the five per cent surcharge is significantly above the cost of acceptance. Data available through the Reserve Bank of Australia (RBA) (<https://www.rba.gov.au/payments-and->

[infrastructure/resources/payments-data.html](#)) shows that average merchant fees for debit, credit and charge cards in September 2018 were significantly lower than the current five per cent surcharge levied for taxis in Victoria. In addition, the Commission's consultation paper outlines its intention to use the RBA's standard on merchant surcharging as a starting point to help assess the reasonable cost of accepting and processing non-cash payments.¹ It also notes that the RBA has stated that, under current regulations, surcharges could range from 0.5 per cent to two per cent depending on the type of card used.² This is significantly below the maximum 5 per cent surcharge currently in place for Victoria's taxis.

More broadly, Visa believes that point-of-sale surcharging is a negative experience for Australian consumers, and is not ideal for the most optimum operation of a modern payment system. The Commission says that one of its objectives is to "promote the long term interests of Victorian consumers".³ In Australia, consumers have been estimated to pay nearly \$A1.6 billion in surcharge fees annually.⁴ Penalising consumers via surcharging also disincentivises the uptake of secure, transparent and reliable electronic payment systems – at a time when governments are increasingly recognising the benefits of electronic payments to reduce the impact of the black economy and thereby increase tax revenues which fund public goods for the community.⁵

The growth of electronic payments also has important impacts on the economy that surcharging could inhibit. Greater economic activity spurred by digital payments supports higher employment and improvements in wages and workers' productivity. A study conducted by Visa, in collaboration with Roubini ThoughtLab, finds that increased usage of digital payments can add to a city's GDP and support additional jobs, while worker productivity and wages would be expected to increase as well.⁶

Surcharging also does not necessarily benefit the taxi industry (including due to its competitors not surcharging), nor does it take account of the costs associated with cash (which people often mistakenly see as a cost-free means of payment). These costs include the financial and time costs associated with processing, securing, managing and transporting cash as well as the possible theft of cash by staff or others and inaccurate cash handling. In an assessment of 100 cities at different stages of digital maturity (including two Australian cities), a study found that on average businesses spend 2 per cent of revenue per month for incoming non-digital payments.⁷

Exchanging cash and giving the correct change is also an inefficient use of time (when taxi drivers could be increasing income by engaging their next customer). Exchanging cash also has the potential to add friction and dissatisfaction to the customer experience (in addition to potential friction already in place as a result of surcharging). Seeking to remove friction from the customer

¹ Essential Services Commission, "Taxi non-cash payment surcharge review 2019" Consultation Paper, 11 December 2018, page 10

² Ibid, page 27

³ Essential Services Commission, "Taxi non-cash payment surcharge review 2019" Consultation Paper, 11 December 2018, page 8

⁴ Australia Officially Bans Excessive Credit Surcharges. (2017, September). *Pymnts*.

<https://www.pymnts.com/news/regulation/2017/australia-officially-bans-excessive-credit-surcharges/>.

⁵ Australian Government response to the Black Economy Taskforce Final Report. (2018, May).

<https://treasury.gov.au/publication/p2018-287474/>

⁶ Visa Cashless Cities Report. <https://usa.visa.com/dam/VCOM/global/visa-everywhere/documents/visa-cashless-cities-report.pdf>

⁷ Visa Cashless Cities Report. <https://usa.visa.com/dam/VCOM/global/visa-everywhere/documents/visa-cashless-cities-report.pdf>

experience - whether regarding payments or in other ways - is increasingly best practice in the broader retail industry. So while the Commission considers efficiency to mean (among other things) that 'there are the right incentives for investment and innovation by service providers' Visa's points above on how surcharging impacts the taxi industry do not suggest that the right incentives for innovation are in place.⁸

Thank you for the opportunity to provide Visa's perspectives as the Commission reviews the maximum surcharge in place for Victoria's taxi industry.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. S. Potter'.

Group Country Manager
Australia, New Zealand & South Pacific

⁸ Essential Services Commission, "Taxi non-cash payment surcharge review 2019" Consultation Paper, 11 December 2018, page 8