



15 July 2019

Transport Division
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Email: transport@esc.vic.gov.au

Dear Sir/Madam,

Taxi Non-Cash Payment Surcharge Review 2019: Draft decision

Visa Inc. (“Visa”) appreciates the opportunity to comment on the draft decision regarding the Taxi Non-Cash Payment Surcharge Review 2019.

We welcome the conclusion in the draft decision that the current 5 per cent maximum surcharge is above the reasonable cost of processing non-cash payments and that a lower maximum surcharge should be introduced from 1 January 2020.

Visa also acknowledges the Essential Services Commission’s assessment that the reduction will lead to savings of approximately \$3 million a year for consumers, but notes that a further decline in the surcharge would lead to even more substantial savings for consumers.

Furthermore, in our view there is scope for a larger reduction than to 4.5 per cent. For example, we dispute the Commission’s conclusion that a 4.5 per cent surcharge is sufficient to promote efficiency.

This is particularly so when taking account of the Commission’s definition of efficiency as including:

- the right incentives for innovation by service providers; and
- unnecessary costs not being incurred by customers when making non-cash payments.

With a 0.5 per cent surcharge reduction, any gains in efficiency in these specific areas can be expected to be marginal.

The Commission’s consultation paper on the Taxi Non-Cash Payment Surcharge Review outlines its intention to use the Reserve Bank of Australia’s (RBA) standard on merchant surcharging as a starting point to help assess the reasonable cost of accepting and processing non-cash payments.

While the draft decision’s Appendix F outlines how the RBA regulates non-cash payment surcharges, the draft decision does not make clear how the RBA’s standard on merchant surcharging has been applied as a starting point to help assess the reasonable cost of accepting and processing non-cash payments.

Against this backdrop, Visa welcomes the Commission's decision to forward to the RBA and Transport Victoria the recommendation that all Commercial Passenger Vehicle trips be brought within the national regulatory framework for card payments – as is the case with ride share services and hire cars.

On a more minor point, we wish to take this opportunity to support one conclusion the Commission has reached in the draft decision, ie, the taxi payments industry does not have a materially different risk of fraud when compared to other industries. In Visa's experience, traditionally taxi transactions in the card present channel have low fraud rates.

Visa appreciates the opportunity to provide our perspectives regarding the review and is available to assist further, if helpful to the Commission.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J Potter', written in a cursive style.

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