



LEGION CABS

THE SYMBOL OF SERVICE

FILE No.

DOC:

MARS/PRISM

The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
P.O. Box 1199
DICKSON ACT 2602

Dear Sir/Madam,

We acknowledge receipt of your letter dated 7 May, 2004 regarding the proposal to revoke Authorisation A90441.

We therefore submit the following to be considered in order that Authorisation A90441 not be revoked.

INTRODUCTION

Authorisation (A90441)

Legion Cabs (Trading) Co-operative Society Limited has an authorisation to penalise or suspend from its radio booking system any driver who:

- refuses to accept payment by means of the taxi hire account systems approved by Legion; or
- fails to display the decals of those systems approved by Legion.

Originally throughout Sydney most taxi groups offered their own credit services so if a passenger used Legion taxis on a regular basis they could open a credit account with Legion. At the end of each month Legion would bill the passenger for the fares accumulated throughout the month along with an account keeping fee.

As the economy grew and people started catching more and more taxis it was obvious that there was a demand for a uniform payment system for taxi fares throughout Australia.

Legion Cabs (Trading) Co-Operative Society Ltd.

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Cabcharge Australia Limited entered the market and offered to all taxi companies a credit payment system which was easy for the taxi drivers to use and of great benefit to the taxi group. It meant that Networks would grow because passengers from all over could use any Network and pay with their preferred means rather than only use one taxi group because they had an account with that particular group.

Deluxe Red & Yellow Cabs Trading Co-operative Society Limited (Deluxe) applied for Authorisation to ensure that taxis belonging to its Network accepted their chosen payment system. In 1986 and following the Trade Practice Commission's ruling that Deluxe was granted the Authorisation Legion applied for and was granted an Authorisation on the same terms.

The Commission has now served a Notice of Revocation for Authorisation A90441 and has sought a submission in relation to non revocation of the Authorisation.

PURPOSE

The purpose of this submission is to persuade the Commission not to proceed with their proposed revocation and to continue to authorise the conduct because it is likely to result in a net public benefit and not upset passenger expectations in relation to how they can make payment for taxi fares.

The Commission has advised that they propose to revoke the Authorisation because there has been a material change in circumstances since the Authorisation was granted. The circumstances cited by the Commission are:

- (a) the development and increased usage of ETFPOS;
- (b) the growth in credit, charge and debit card usage; and
- (c) the increase in business able to offer alternative payment systems.

Legion would like to address four issues arising out of the Notice of Revocation. These are:

1. Passenger expectations.
2. Increase in call centre fees, taxi fares and lower service standards.
3. Failure of the taxi transport subsidy scheme.
4. Each taxi group is free to offer any payment system that it chooses.

LEGION

Legion is authorised to operate as an accredited taxicab network pursuant to the provisions of the Passenger Transport Act (NSW) and the Passenger Transport (Taxi-Cab Services) Regulations 2001 (NSW). Legion has a fleet of over 520 taxi-cabs operating throughout the Sydney Metropolitan area. Legion operates a call centre and a radio network providing radio network services to Legion taxicab operators.

Under the terms of the Authorisation, Legion has approved the following payment systems:

1. Cabcharge (cards and docketts)
2. Visa Card
3. Mastercard
4. Bankcard
5. American Express
6. Dinersclub
7. JCB
8. International Third Party Cards
9. Transport Subsidy Scheme Docketts

Under the terms of the Authorisation if a taxi operator or driver belonging to the Legion Network does not accept payment for a fare by one of the above payment methods Legion may suspend that operator or driver from the radio Network. If the operator or driver fails to display the decals of the above payment system they may also suspend them from the Legion Network.

1. PASSENGER EXPECTATIONS

Passengers all over Australia have an expectation that when they travel in a taxicab they are able to pay for the taxi fare by any of the major credit cards listed above. If the Authorisation is revoked put quite simply passengers will no longer have the expectation that they can pay by major credit card because without the Authorisation Legion will not be able to ensure that each and every taxicab belonging to its Network accepts the cards listed above.

If passengers no longer have this expectation it will mean that the entire taxi “system” will become inefficient.

Firstly passengers who hail taxicabs can presently hail a taxicab and be confident they can pay with a credit card. Essentially this means that the first vacant taxi that they hail can take them to their destination. If certain taxicabs did not accept payment by certain card types the passenger may have to hail up to any number of taxicabs before finding one that accepts payment by a suitable means.

Secondly when passengers book taxicabs they only have to provide details of their name, address and destination.

If the Authorisation were revoked passengers would also have to provide details of how they were going to pay for the fare and this would mean that the booking would have to be transmitted to a taxicab that accepted payment by the nominated method. Again if certain taxicabs did not accept payment by a means that the passenger wishes to use it may take some time to find a taxi able to accept the booking.

2. INCREASE IN CALL CENTRE FEES AND TAXI FARES AND LOWER SERVICE STANDARDS

Call centres are extremely costly to operate. The technology required to operate a call centre under the terms of Network Authorisation is extremely complicated, technologically advanced and as a result very expensive.

Besides the enormous technology costs taxi call centres are required to operate seven days per week, twenty four hours per day. This means that the overall costs of operating a call centre are extremely high. To keep labour costs in check it is essential that call times are kept to a minimum. Essentially the longer the call time the more staff are required and the higher the cost of operating the call centre.

If information regarding the type of payment had to be obtained from a passenger at the time of a call, the call time would be extended thus call centre costs would rise and this would result in higher call centre fees. The technology required to record data in relation to which taxi accepts which payment would also be of great cost, again adding to the costs of operating a call centre resulting in higher fees for taxi operators.

There is direct correlation between the cost of call centre fees and taxi fares which has been reported in the latest IPART report. It stands to reason that if the call centre fees were increased there would be increased pressure on the government to increase taxi fares.

Taxi service standards would also be compromised. It would take much longer to despatch a booking because the pool of available taxis would decrease because not "all" vacant taxicabs would be available to carry out a job. The passenger may specify that they wish to pay by American Express and there may be only 50% of available taxicabs that accept American Express.

Under its Taxi Network's Accreditation, Legion has an obligation to meet certain time limits in relation to accepting jobs. If the Authorisation were revoked those standards may not be met thus placing Legion in the position of not meeting its accreditation standards

3. TAXI TRANSPORT SUBSIDY SCHEME

Under the terms of its Authorisation, Legion is required to ensure that part of its fleet is wheelchair accessible. This means that the disabled have the opportunity of door to door travel which unless they have access to a wheelchair accessible vehicle they would not be able to do. The NSW Government provides subsidises— essentially they pay 50% of the fare up to a certain limit. These docketts are known as Transport Subsidy Scheme Docketts. These docketts form part of the Legion approved payment system and unless the Authorisation continues then we have no way of requiring Legion taxi operators and drivers to accept these docketts. This could mean that some disabled persons may no longer have the option of travelling in a taxi without experiencing delays

4. ACCEPTANCE OF OTHER PAYMENT SYSTEMS

Legion has no interest in how taxi operators and drivers belonging to its Network accept the cards which belong to the Legion approved payment system. Operators and drivers are free to choose if they are going to accept the cards belonging to the payment system via Eftpos terminals or manually. If they elect to install an Eftpos terminal in their taxis then they are free to choose which terminal best suits their needs.

5. PUBLIC BENEFIT

S90(8) of the Trade Practices Act sets out the benefit test used in determining whether the Authorisation should be continued.

Legion submits that the benefits to the public arising out of the Authorisation far outweigh any detriment for the reasons outlined above, the most important reason however in our view is that the public have an expectation that when they hail or pre book a taxicab they can pay by major credit card. If this expectation were removed a number of consequences would follow namely:

- Increased taxi fares.
- Increased call centre fees for taxi operators.
- Collapse of the disabled transport scheme.
- Longer waiting times for taxicabs.
- Slower service generally.
- Further disruption to Sydney's public transport service.

We trust this submission has addressed the major issues. Should you require any further information or any further classification please do not hesitate to contact us.

Yours faithfully,



John McPherson

General Manager

21/6/2011