



SUPERIOR DRIVERS, SUPERIOR CARS, SUPERLATIVE SERVICE

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The General Manager
Adjudication Branch
ACCC
PO Box 1199
Dickson ACT
2602

RE: REVIEW OF TAXI AUTHORISATION A90449

I am writing this letter in response to recent correspondence from the ACCC in relation to authorisation A90449 granted to Arrow Taxi Services Ltd.

Arrow Taxis does not stop any taxi operators or drivers from using other payment systems. It is common for Arrow Taxis drivers to use a variety of payment systems. Two systems that are popular in Arrow Taxis are the ones provided by Alex Taxi Brokers and by Taxilink. As such, the authorisation has not stopped the development of payment systems. However, despite the availability of other systems, the authorisation is important for Arrow Taxis and its customers.

Arrow Taxis has about 90 cars. This is less than four other taxi networks operating in Melbourne. As a smaller network, Arrow Taxis relies on the knowledge that all of its taxis will process specified payment methods when promoting its services to clients. Arrow Taxis is able to serve its clients better if all its taxis are available to service its key clients such as Qantas and the Department of Education because they have agreed to accept the necessary payment method. As a result, the authorisation is also important in supporting networks with a small number of cars such as Arrow Taxis compete with larger networks.

The authorised conduct results in consistency of most payment methods across all taxis in Melbourne. This has enabled smaller networks to offload the bookings that they are not able to cover to another fleet. The offload of bookings is critical to the survival of smaller networks. Without the offload, Arrow Taxis would not be able to provide the same level of service to its customers, particularly during busy periods and would probably lose some of its customers over time.

If the authorisation was revoked it would probably become more expensive to process taxi bookings. Arrow Taxis has outsourced the booking process but would expect any increase in costs resulting from checking for payment methods with passengers and drivers to ultimately be passed on. The cost of processing and dispatching bookings is already high

and any further increases would make it more difficult for Arrow Taxis to revert back to running its own call centre operation.

In relation to the background information requested, I advise the following.

Arrow Taxis is a shareholder in Cabcharge Australia Limited. Arrow Taxis operates about 90 cars and is based in West Melbourne. Arrow Taxis has a Merchant Agreement with Cabcharge Australia Limited and a Merchant Agreement with CabExpress. Arrow Taxis also cashes dockets with Alex Taxi Brokers and with Taxilink from time to time.

Arrow Taxis runs its own booking network and dispatch service but outsources the booking process to Black Cabs under a Bureau Services Agreement with that company. Arrow Taxis made a commercial decision to cease operating a radio room and call centre 5 years ago as a result of increased cost pressure on labour and technology.

The approved taxi hire system of Arrow Taxis is made up of a range of systems including the Victorian Government's M40 Taxi Subsidy system, the Cabcharge Fareway System, the CabExpress system, and to a lesser extent paper dockets provided by other docket factorers.

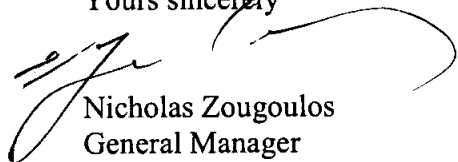
Cards and vouchers accepted by Arrow Taxis include Visa, American Express, Master Card, Diners Club, Cabcharge cards and dockets, M40 Dockets, CabExpress Dockets, JCB, Motorpass, Bankcard, Taxilink dockets and Alex Taxi Broker dockets. All of these incur a 10% processing fee except for M40 dockets. There is no cost or requirement for Arrow Taxis drivers to use any particular system. If taxi operators lodge \$1500 of dockets a month Arrow Taxis gives them a \$50 bonus payment. The \$1500 of dockets can be made up of Cabcharge dockets, M40 dockets, Cabexpress dockets, Taxilink dockets or any other dockets accepted by Arrow Taxis.

Arrow Taxis does not know which of its cars have installed EFTPOS terminals other than a Cabcharge EFTPOS terminal. There is no way to find this out in the ordinary course of Arrow Taxis operations. All of the Arrow Taxis cars are operated independently and make their own choices as to whether or not to put in an EFTPOS terminal and who they should get one from. Arrow Taxis would prefer its drivers to use a Cabcharge EFTPOS terminal but the choice is up to individual operators. There is no requirement for Arrow Taxis drivers to make available the Cabcharge EFTPOS terminal and taxi drivers are not penalised or disadvantaged if they don't.

In terms of the market definition, there have been no fundamental changes since 1986 that make the TPC description of the relevant market invalid.

I trust that the above satisfies your enquiries and that the authorisation can remain in place.

Yours sincerely



Nicholas Zougoulos
General Manager