

Submission on Authorisation A90455 by North Suburban Taxis (Vic) Pty Limited

The ACCC has advised North Suburban Taxis (Vic) Pty Limited that it is proposing to revoke Authorisation A90455 granted to North Suburban Taxis Ltd. North Suburban Taxis Limited has changed its name and structure and is now North Suburban Taxis (Vic) Pty Limited (North Suburban).

The Authorisation

North Suburban is a taxi depot that processes and dispatches taxi bookings to taxi drivers.

The authorised conduct relates to the requirement for taxi operators and drivers to accept payment by methods approved by its taxi depot and to display the decals of account systems approved by its taxi depot.

North Suburban wants to continue to require its taxi operators and taxi drivers to accept the payment methods that it approves and markets to passengers. North Suburban never has and does not intend to prevent or discourage its respective taxi operators and taxi drivers from using alternative systems to process payments or from accepting a wider range of payment methods. The intention of North Suburban is to be able to offer certainty, consistency and reliability to the public with reference to a minimum number of payment methods that its affiliated taxis will accept.

The Result of the Authorised Conduct

North Suburban provides and maintains an EFTPOS terminal for each of its affiliated taxis and trains its accredited drivers in the use of the terminal. Essentially, North Suburban provides a uniform platform of payment methods to passengers and taxi drivers. This uniform platform continues to provide significant public benefit (as set out below) and can be complimented by any alternative method of payment a driver is willing to accept on an individual basis.

Taxi drivers who elect to use the uniform platform provided by North Suburban do not pay a fee or commission to North Suburban or any other party. The payment platform provided by North Suburban is free of charge for taxi drivers and taxi operators.

Taxi drivers and taxi operators remain free to install alternative EFTPOS terminals in their taxis and remain free to process transactions of their choosing on paper docketts of their choice. There are numerous dockett factorors that provide paper docketts to

taxi drivers and taxi operators in competition to the dockets provided by taxi depots such as North Suburban. These docket factors and alternative EFTPOS system providers compete aggressively with the other taxi depots in Melbourne.

It is now possible for taxi drivers to operate a hand held EFTPOS device independently of the facilities provided by the taxi operator or taxi depot.

There is no cost, imposition or trade off imposed on a taxi driver or taxi operator who elects to use the payment system provided by North Suburban. It is common for taxi drivers and operators to use alternative systems when it suits them and use the North Suburban system at other times (such as for account bookings, for the Victorian Government's M40 taxi subsidy program, when they have run out of a competitor's dockets or their competing EFTPOS system is experiencing difficulties).

North Suburban treats all of its affiliated taxi operators and taxi drivers in the same manner regardless of their choice of alternative payment system providers.

The authorised conduct has not impeded the development of alternative payment systems. In fact, numerous alternative systems have been developed in recent years. Where taxi operators or taxi drivers see a benefit in using alternative systems they are typically able to commence doing so at little or no cost.

The Public Benefit

In granting the initial Authorisations, the ACCC recognised the public benefits derived from convenience to the public in that:

- Consumers should not be misled as to the credit services offered by individual taxis; and
- Drivers should be required to display and offer approved account systems, and that such systems should be accepted throughout the network.

The ACCC is reviewing whether the increased use of credit and debit cards, coupled with the expansion in the availability and use of electronic payment systems, affects the public benefit to such an extent and in such a manner that the Authorisation should be revoked.

North Suburban submits that its requirement that taxi drivers who choose to affiliate with North Suburban accept specified payment methods still results in significant public benefit. Examples of the significant public benefit include:

1. A passenger can book or hail a taxi without having to enquire as to the availability of particular payment methods.
2. Taxi drivers can move freely between different taxi operators (or depots) without having to be trained in the use of or arranging access to different payment systems.
3. The process of booking a taxi by telephone or any other device is not extended as a result of the need to nominate a passenger's proposed method of payment.

4. Hotel staff, medical receptionists, function centre staff, chemists, hairdressers, etc can book taxis on behalf of elderly, disabled, or inebriated passengers without the need to discuss the intended payment method with both the passenger and the taxi depot.
5. The taxi depot is able to provide a faster service to passengers when processing their booking without having to refer to the passengers proposed payment method, reducing telephone waiting time.
6. A passenger is able to change his or her mind as to their preferred method of payment at any time between booking the taxi and terminating the hiring without confronting the driver.
7. A passenger who books a taxi will get better service if all taxis affiliated with the depot chosen by the passenger have a uniform set of specified payment options. This is because:
 - (i) The most suitable taxi of the entire depot fleet will be dispatched to the passenger rather than the most suitable taxi from a subset of the entire depot fleet (ie larger fleets typically provide a faster service delivery).
 - (ii) A taxi driver will not be entitled to reject short jobs, guide dogs, disabled passengers etc on the basis that the taxi driver does not have the necessary facilities or has elected not to accept the intended method of payment.

This point is of critical importance for smaller depots such as North Suburban when tendering for important clients such as the Department of Veterans Affairs, the Transport Accident Commission, courier companies and other large users of taxis. Successful tendering usually requires a description of the payment method and how payments will be processed and recorded. Small depots such as North Suburban need to rely on a uniform system of payment in order to win contracts and service large clients.

The Change in Circumstances

The ACCC has pointed out that there has been significant growth in the number and total value of non-cash payments in Australia. The ACCC has also pointed out that there are an increasing number of businesses able to provide payment systems similar to the one the North Suburban offers to its affiliated taxi operators and taxi drivers.

The ACCC appears to be investigating the view that, given the change in circumstances, it is possible that the consumer driven demand for efficient payment methods is likely to result in taxi drivers availing themselves of technology to accept most credit and debit cards without the need for the authorised conduct.

It is reasonable to suggest that, over time and in the absence of the authorised conduct, many taxi drivers and taxi operators are likely to ensure they have the facilities to accept the credit card and debit cards that have high rates of recognition and usage. However, it is unrealistic to assume that taxi drivers will take additional steps to ensure that the full range of payment methods currently available would be maintained.

Taxi drivers come and go and not all drivers would arrange a payment system in the absence of the authorised conduct. The vast majority of taxi drivers, when presented with a choice, prefer to accept cash. It is not uncommon for taxi drivers to tell a passenger that "the EFTPOS is down" and seek cash instead even when EFTPOS is available. Taxi drivers are in a position of power over some types of passengers at the conclusion of a journey. In these circumstances, if there is any doubt as to the payment methods available, some taxi drivers are likely to influence the passenger to pay cash – even if that involves driving the passenger to an ATM and thereby increasing the metered fare.

Accordingly, it is incorrect to say that there is no longer any public benefit in requiring taxi drivers and taxi operators to accept the payment methods approved by the taxi depot they have chosen to affiliate with. It is also unlikely that the current range of payment methods supported by the authorised conduct would be as widely available if the authorisation was revoked.

The Impact of Revoking the Authorisations

The public benefits delivered by the current uniform approved payment system would be significantly diminished in the absence of the authorised conduct.

If taxi drivers were not required to accept the payment methods specified by their chosen taxi depot service to the elderly, veterans, and disabled people and other groups would suffer. Members of such groups typically have their transport paid for under arrangements with a Government body (such as the Department of Veterans' Affairs or the TAC) or other organisation that, through necessity, enters an arrangement with a taxi depot that includes a specified method of payment other than cash. Elderly and disabled people tend, like other members of the community, to go to chemists, doctors, schools, physio etc in its local area. As a result, many taxi drivers endeavour to avoid servicing such passengers on the basis that they typically require assistance into and out of the taxi and typically travel short distances. Empowering a taxi driver to avoid such bookings on the basis that they do not want to accept the payment method proposed would seriously harm the service provided to those sections of the community that depend on taxis the most.

Barriers to Entry

The ACCC has stated that "it appears that the requirement that drivers/owners accept approved payment systems may be raising the barriers to entry in this particular market".

It is difficult to support an argument that the authorised conduct has created a barrier to entry for providers of electronic payment systems. There are several alternative providers of paper based and electronic payment systems in Melbourne.

It is appropriate to note that alternative providers can rely on manual paper based payment systems to compete with electronic payment systems. Typically the taxi driver decides whether a credit transaction will be processed electronically or manually through a click clack imprinter. Several sophisticated competing providers

simply gather manual dockets and process them through an EFTPOS terminal located in their central office, adding 10% to the taxi fare often without advising the passenger. Accordingly, it is not accurate to regard the relevant market as limited to electronic systems in taxis because many paper based systems compete directly with electronic systems.

The general view amongst taxi drivers is that paper based systems are better than electronic terminals. One reason why drivers typically prefer paper based system is that dockets can be cashed immediately and there is no need for (or record of) electronic transfers into the driver's bank account.

North Suburban is not aware of any of its affiliated taxi drivers or taxi operators complaining about being offered a payment system by the depot. Taxi drivers and taxi operators that do not wish to use it simply do not use it.

Conclusion

The authorisation continues to give rise to public benefit. The authorised conduct improves taxi service delivery and ensures that passengers have a choice of payment methods. The authorised conduct assists the depot to promote the services of its taxi drivers when tendering for clients and provides taxi drivers with a payment system whilst they become established in the industry. The authorised conduct has not stopped alternative payment systems from competing in the market.