

## **RECORD OF MEETING**

**between**

**Australian Competition & Consumer Commission**

**and**

**Vermont Autogas Pty Ltd**

16 August 2004, 10.30 am

188 Rooks Road, Vermont, Victoria, 3133

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### Present

ACCC: Ms Isabelle Arnaud, Adjudication Branch  
Mr Jason Byrne, Adjudication Branch

Vermont Autogas Pty Ltd: Mr Hans Althoff

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Ms Arnaud began the meeting by providing an overview of the review of the authorisations in the taxi industry and explained that the conduct related to the provision of radio booking services to taxi operators and drivers on the condition they accept the taxi hiring account system approved by the Network and display the decals of that system, otherwise risk suspension from the radio booking service or the imposition of a penalty. The taxi hiring account system is known as the Cabcharge Account System and covers acceptance of most major cards and vouchers.

Mr Althoff went on to provide an overview of his business. Mr Althoff has 50 taxis (5 of these are multi-purpose taxis for the disabled) and owns, leases and/or manages the licences. The taxis Mr Althoff operates are affiliated with the Black Cabs network for booking and dispatch services, except for 3 which are affiliated with the Silver Top network. These were already with Silver Top before Mr Althoff took over the management of the vehicles. Mr Althoff charges a management fee for the ongoing maintenance and repairs to vehicles undertaken by his business.

Mr Althoff indicated that when deciding which Network to belong to there is really no choice other than Black Cabs. Black Cabs covers the geographic location of Vermont and while other Networks may dispatch into the Vermont area, most of the booking and dispatch services for Vermont are covered by Black Cabs. Mr Althoff indicated that the Networks which are agents of Cabcharge receive a 2.5 per cent commission based on the amount of transactions put through Cabcharge.

Mr Althoff was of the view that even though the authorisations covered the acceptance of cards and vouchers, they were also impacting on other areas of the market and helping Cabcharge to further strengthen their already dominant position in the market.

Mr Althoff believed that the removal of the authorisations would be a small step towards opening up some competition to benefit consumers and taxi operators/drivers. Mr Althoff considered that the authorisations were harsh in that if an operator or driver is suspended from the radio booking service they would go broke. The radio booking service is significant to drivers' income and provides around 50 per cent of their work and in some cases it is as high as 80 per cent.

Mr Althoff believed that without authorisation drivers would still continue to accept cards and vouchers and continue to display the decals of the payment methods accepted. Mr Althoff indicated that the arguments made by the applicants that revoking of authorisations would result in detriments to the public were not commercially sound.

Mr Althoff said that over 50 per cent of transactions were now non-cash and still growing. Mr Althoff suggested that drivers want the non-cash business because they don't want the passenger to get in another taxi and after all it is the customer who decides how they are going to pay, not the driver. The driver simply wants to get the passenger to their destination as quickly as possible so they can get the next hiring.

Mr Althoff has a merchant agreement with the bank and Schmidt for the processing of non-cash transactions. There is no merchant agreement with Mr Althoff for transactions under the Cabcharge system. Cabcharge dockets are forwarded directly to Black Cabs.

Mr Althoff was of the view that the removal of authorisations has the potential to give taxi operators more negotiating strength as small business people. At the moment they are at the whim of the Networks who look to advance their own interests, not those of consumers. This would not happen if there were more competitors in the market.

Mr Althoff provided an example where for over 2 years, some transactions taking place through Cabcharge terminals were not being honoured, the customers' accounts had been debited, but the fare payments resulting from the electronic transactions were never passed on.

Mr Althoff indicated that the amount of transactions for which he had not been paid totalled around \$12,000 over a year and were a result of Cabcharge's faulty system. Mr Althoff indicated that although the Cabcharge system was fixed around December 2003, he has still not been paid.

Mr Althoff was of the view that it is Cabcharge's strength in the market given in part as a result of the authorisations which allows the Networks to treat operators and drivers in an unfair manner. With more competition and choice in the market, Mr Althoff suggested he would be able to choose a terminal which better suited his needs and those of the travelling public. Mr Althoff indicated that the Victorian State Government has now made it compulsory to have a Cabcharge terminal to process M40/50 transactions.

Mr Althoff indicated that it was also the case that when Cabcharge cards are processed electronically, they can only do so by using a Cabcharge terminal. The

Cabcharge card can be transacted manually, but only in the event of system failure or malfunction. Cabcharge supplies green emergency vouchers for this purpose, but if drivers continue to use them when the system is operating they will not be honoured by Cabcharge.

Mr Althoff indicated that his taxis have two types of EFTPOS terminals, the Cabcharge terminal and the Schmidt terminal. The 10 per cent processing fee charged by both Cabcharge and Schmidt Electronics is split differently. The 10 per cent processing fee charged by Cabcharge is split between the bank and Cabcharge. The 10 per cent processing fee charged by Mr Schmidt is split between the operator, the driver, the terminal provider (Schmidt) and the bank. Mr Althoff suggested that with more competition it is possible the 10 per cent processing fee could be reduced which would be a benefit to the public.

Mr Althoff was of the view that the incentive scheme offered by the Networks was being used in a manipulative manner to make it unviable to a greater extent to use terminals other than the Cabcharge terminal.