3 September 2015

~~PRIVATE AND CONFIDENTIAL~~

Dr Richard Chadwick
General Manager Adjudications
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra
ACT 2601

Our ref: 50067874
Your ref: 57520
By email
richard.chadwick@accc.gov.au

Dear Dr Chadwick

ihail Pty Ltd application for authorisation [A91501] - request for information

We refer to the Australian Competition and Consumer Commission's (**Commission**) request for information dated 27 August 2015 in relation to ihail Pty Ltd's (**ihail**) application for authorisation. ihail has provided its responses and further information for the Commission below.

1.   Choice provided to consumers

(a)   The ihail app does not give consumers the ability to:

(i)   specify which taxi company or companies they wish their fare to be offered to;

(ii)   specify companies that they do not wish their fare to be offered to; or

(iii)   decline a dispatched taxi based on the taxi company.

(b)   The ihail app has been designed specifically to provide the most efficient service available to consumers. In order to provide a fast and responsive level of customer service, ihail does not distinguish between taxi companies, but will send the closest available vehicle (that has registered with ihail) to the customer's location. This will allow ihail to compete with its main rivals in the taxi booking market, who all aim to provide as broader coverage of available cars as possible. This is the business model used by existing services Ingogo, GoCatch, Uber Taxi and RideBoom.

(c)   The vast majority of taxi companies already provide specific services through "*white label*" apps run by each individual company. A consumer with a particular preference for a taxi company will continue to be able to access the white label app operated by that taxi company.

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(d)   The ihail app is targeted towards business or travelling consumers who do not have local knowledge or a preference for a particular taxi company. This is a key reason why ihail has international partners.

(e)   ihail seeks to expand on the options currently available to consumers. Consumers retain the ability to contact a particular taxi company through the traditional means, including telephone, online bookings, taxi ranks and the white label app of each taxi company.

(f)   We note the Commission's concern that individual taxi companies may discontinue the use of their own white label app. However, we submit this is highly unlikely for the following reasons:

(i)   each taxi company has an incentive to retain its customers through its own app as that taxi company will receive 100% of the business (as opposed to the ihail app where taxi companies must compete for business with other taxi companies); and

(ii)   taxi companies in other countries who have founded apps similar in structure to ihail (for example, ecab in Europe) have retained their own white label apps, no doubt for the reason identified in sub-paragraph (a) above.

2.   Tipping function

(a)   ihail is committed to co-operating with State and Territory governments and regulators. ihail intends to disable its tipping function where it is required to do so by a State or Territory government or regulator. This may take the form of regulation or a request by the relevant State or Territory government or regulator.

(b)   ihail notes that it would be unfair and anti-competitive for State or Territory regulator to require ihail to disable the tipping function where ihail's competitors use a tipping function. The market is in structural change and regulators should ensure a level playing field for all competitors.

(c)   Accordingly, ihail's cooperation in disabling tipping is subject to a fair and level playing field for all competitors in the relevant market.

3.   Differentiating GPS and dispatch services

(a)   GPS location services and dispatch services are two separate and distinct services, as follows:

(i)   GPS location services allow hardware (such as phones, tablet and in-built car systems) to use information from cellular and Global Positioning System (ie GPS) networks to determine the hardware's approximate location. The hardware provides a latitude and longitude which is then relayed by the software

to a mapping provider which provides a current location to be displayed on the software's chosen mapping provider. ihail utilises Google Maps and the users GPS chip in their mobile device; and

(ii) dispatch service is the hardware and software used to communicate work to taxis in accordance with fleet business rules. These rules are common for all taxis in a network and refer to the ability for a taxi to operate in ranks, areas/zones and accept all job requests provided automatically by the taxi network to which they subscribe in accordance with the taxi networks business rules.

(b) Taxi networks require GPS location services in order to track their vehicles current location so that they may apply their dispatch rules in an automated manner. GPS forms the basis for how ihail jobs are dispatched via ihail in accordance with closest vacant car dispatch. ihail jobs are dispatched in accordance with the following steps:

(i) A user submits a booking in their chosen location through the ihail application.

(ii) The user's booking is sent to the cloud.

(iii) The cloud simultaneously sends a booking request to <u>all</u> participating taxi networks or directly to drivers utilising the ihail driver application at the relevant location.

(iv) The participating taxi networks dispatch the booking automatically to the most appropriate driver, separately and in isolation from each other, via the separate ihail fleet setup in each taxi dispatch system based on ihail's common dispatch parameters. Drivers using the driver app have the booking sent directly to their device.

(v) The first driver to accept the job through their taxi dispatch system or via the driver application receives the work.

(vi) The cloud receives the relevant information from the accepting taxi network or driver application which is then relayed to the user. These details include the vehicle registration number, vehicle make and model and details of taxi network (if relevant).

(c) Mobile Tracking and Data Pty Ltd (**MTData**) provides GPS location services for its taxi dispatch customers. MTData does not provide GPS location services for the ihail application. These services are provided by the relevant operating system/manufacturer of the user's chosen device (ie phone, tablet or in-built car system). ihail does not require, nor has a preference, for any GPS location service provider.

(d)   GPS location services are provided by the taxi companies dispatch provider. We consider that it is highly unlikely that a taxi company would obtain separate GPS location services and dispatch services for ihail and other bookings, as ihail does not provide, nor have any preference for, either GPS location services or dispatch services.

4.   Dispatch systems

(a)   ihail has been designed to operate with any existing taxi dispatch system. ihail has developed a generic inter system API that allows 3rd party dispatch systems, such as SmartMove, to dispatch ihail bookings. ihail by utilising our generic inter system API, ihail will pass bookings onto the 3rd party dispatch system for them to be pushed to registered drivers. For a competing taxi dispatch provider to provide ihail to its customers the company would have to have its partners agree to the ihail terms of service (as outlined in the Licence Services Agreement) and follow the protocols listed in the InterSystem WebAPI document.

(b)   ihail has no preference as to which dispatch network taxi companies use as ihail's commercial terms are the same regardless of which dispatch network is adopted.

5.   Accepting a job

(a)   A driver will receive a notification of an available job, in a similar form to their existing notifications through, for example, a taxi company or directly to their mobile phone/tablet via the driver app.

(b)   ihail will offer work to participating taxis if their vehicle is located within the following radius of the user (which differentiates depending on the density of the location):

(i)   CBD: vacant cars within a 200, 400 and 600 metre radius;

(ii)   Inner suburbs: vacant cars within a 1, 2 and 4 kilometre radius;

(iii)   Outer suburbs: vacant cars within a 2, 4 and 6 kilometre radius; and

(iv)   Rural: vacant cars within a 3, 6 and 9 kilometre radius.

(c)   There are, however, slight variations in the way that ihail communicates with drivers (as opposed to, for example, a taxi company). For an ihail booking, the booking offer screen will include the fleet name (ie ihail) and display the pickup compass, customer's phone number and distance to pickup. Other displayed information will include fields which are mutually agreed as required for each individual city of operation.

(d)   ihail will also adopt its own dispatch rules. Under ihail's dispatch rules if a taxi driver accepts a job from the app they cannot recall the job. Customers can also rate drivers through ihail, low scoring drivers may be removed from ihail in order to maintain a high standard of service. These penalties are proposed as the user experience is paramount to the success of the app. If user's bookings are unduly delayed then they are unlikely to continue using the app.

6.   Payment processing

(a)   Customers using ihail will only be permitted to pay via credit card or Cabcharge card through the ihail app's payment processing system.

(b)   ihail requires all payments be processed via credit card in order to charge users a "*no job fee*" for their failure to show for a booking without cancelling the request. This mechanism gives drivers greater certainty when travelling to bookings and helps the industry raise its service standards.

(c)   In-taxi payment and multiple in-payment options are technically feasible but are uneconomic for the business. By removing guaranteed credit card payment ihail can no longer charge customers a no job fee or automatically deduct ihail's relevant fees and charges from the taxi networks' revenue. This would mean ihail would be responsible for tracing payments across multiple processors and we would be required to invoice networks separately for each registered payment processor. Users would also have to separately register their card with multiple payment processors meaning the speed and simplicity of ihail would be diminished.

(d)   Further, ihail considers that in-app payment is a safe and convenient method for both drivers and consumers. Consumers are not required to carry cash, or to process a payment at the end of the trip - they simply leave the cab at their destination. Drivers are protected from consumers not paying for trips, and are not required to carry cash to process ihail jobs (making them less likely to be attacked or robbed).

(e)   The use of in-app payment systems also promotes better behaviour as the consumer's account is registered and the consumer is traceable and therefore more accountable for his or her behaviour.

(f)   ihail understands that there have been interested party submissions that raise a concern that third party providers of taxi payment systems would be excluded from offering services to passengers using the ihail app. ihail submits that there is a wide range of apps that provide consumers with access to third party providers. These apps are heavily promoted by the taxi companies and competitors such as Ingogo, Uber, RideBoom and GoCatch.

(g) ihail notes that taxi customers already have a number of methods for paying for taxi services, depending on the method that the consumer uses to book the cab. A consumer who flags, calls or takes a cab from a rank may pay by cash or card in-car. A consumer who books via an existing app may be required to use that app's in-app payment system or, through most white label apps, may then pay by cash or card in-car. ihail is an additional method of booking a cab that is aimed at providing convenience, including to customers not from the location they are booking the cab, and that consumer is not required to do anything in-car.

(h) Currently ihail does not have any market share. ihail anticipates that it may be able to secure approximately 1% of the market within the first year. Therefore, it is highly unlikely that this will have any material effect on third party payment providers.

7. Marketing requirements

(a) ihail only requires that when a driver signs up to ihail that he or she agree to display the ihail brand on the exterior of the taxi and that ihail must always be promoted in accordance with the branding guidelines outlined in ihail's brand book that will be placed on ihail's website.

(b) ihail is solely responsible for the marketing and promotion of its product and will not impose any marketing or promotion obligations on taxi companies or drivers which provide services through, or intend to provide services through, ihail's app.

Yours sincerely

Jo Daniels
Partner
+61 7 3069 6220
Jo.Daniels@bakermckenzie.com

Cc: Gavin Jones
        Australian Competition and Consumer Commission
        By email: gavin.jones@accc.gov.au

        Jaime Martin
        Australian Competition and Consumer Commission
        By email: jaime.martin@accc.gov.au