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By Email

Dear Gavin

## **Restriction of Publication of Part Claimed**

### **Response to additional ACCC issues**

We note the ACCC's ongoing consideration of ihail's authorisation application (A91501) and issues that have been raised recently by the ACCC. We set out below ihail's position on these matters.

#### **1 Payment methods, service fee disclosures and driver information**

This section responds to what ihail understands may be issues of concern to the ACCC about the proposed arrangements.

- (a) ihail's proposed pre-filled (or default) payment method being 'Via App', and possible alternatives.
- (b) Upfront disclosure of credit card surcharge fees on the payment selection screen of the ihail app.
- (c) Disclosing to individual drivers during the 'opt-in process' that they remain free to use any other booking services, including any other booking apps.

##### **(a) Payment method and credit card service fee**

As discussed in ihail's response to the ACCC's Further Information Request dated 24 February 2016, ihail considers that pre-filling is important for the useability of an app. Pre-filled options are a common feature of app design.

ihail understands that the ACCC may be concerned if the payment selection option will be pre-filled with in-app payment the first time a user seeks to book a taxi using the app.

ihail retains its submission (for reasons previously stated) that in-app payments are the more efficient and convenient payment method. It also submits that no detriment flows from pre-selection of the in-app payment method where the user can change that pre-selection at the time of booking and the next time a booking is made the user's most recent choice is pre-selected.

Nevertheless, ihail will incorporate steps in the registration process that allow the user to select the preferred payment method at the time of registration. This will see the following steps incorporated.

- As previously advised, all ihail registered users will be required to register their credit card details.
- During sign up, when a user registers their credit card details, the user will be required to select a preferred payment method (in-app or in-car) – that selection will become the pre-filled, 'bolded option' when the user is asked during the booking process, 'How would you like to pay?';



- When making the payment method selection, the user will be notified that all payments using credit cards will incur the applicable service fee. A similar notice of the applicable service fee will appear on the 'Book Now' screen.
- As previously advised, during the booking process, the user may select an alternative payment method on the 'Book Now' screen when the user is asked 'How would you like to pay?';
- The pre-filled, 'bolded option' will reflect the user's preferred payment method selected at registration unless the user subsequently changes their preferred payment selection in the profile menu.

#### (b) **Driver information regarding ihail**

As previously advised, it is an important part of the ihail offering that drivers will not be exclusively tied to the ihail app. They remain free both to not opt-in and to subsequently cancel their ihail registration as well as at all times being free to use whatever channel they choose to secure passengers.

At the time they opt-in to ihail, drivers will be informed that they remain free to use any other booking services, including any other booking app.

## 2 **Frontier Economics report**

Section 4.1.2 of the report prepared by Frontier Economics seeks to estimate the value of the public benefit created by a reduction in waiting times. The third paragraph in section 4.1.2 states:

*A key input into this estimate is the proportion of trips that benefit from a reduced waiting time. In our calculations, we assume that pre-booked trips are between 30 per cent and 50 per cent of the available trips<sup>45</sup>, and that ihail might be able to obtain 50 per cent of those trips (meaning 20 per cent of taxi trips use the app).*

...

<sup>45</sup> On the basis that there is some substitution from hailing taxis to pre-booking taxis.

We understand that a view has been expressed by ACCC staff that Frontier's approach suggests that Frontier considers it likely that ihail will secure a major proportion of available trips and (in the ACCC's words) will become the 'dominant app'. It is not accurate to interpret Frontier's assumption in its public benefit analysis as supporting that view.

As noted in the introductory paragraphs in section 4.1.2 of the Frontier report, Frontier's view is that 'potential' public benefit gains to consumers are material, but would be dependent on the strength of the marginal network effects discussed in section 3 of Frontier's report. In particular, Frontier noted that the app would likely fail to attract users if lower waiting times are not achieved. This scenario, if it emerged, would result in a smaller impact on competition and lower public benefits.

Having noted this possible 'failure' scenario, Frontier then proceeds with an assumption that ihail is sustainable as a result of achieving some positive marginal value from network size and proceeds to set out a methodology to estimate resulting benefits using publicly available estimates of the value of passenger waiting time. The analysis includes a number of key inputs based on stated estimates and assumptions. These include an assumption of substitution between hailing taxis and pre-booking taxis as well as an estimate of what ihail 'might be able to obtain' by way of a proportion of those trips. It is this latter estimate that has been the subject of the view expressed by ACCC staff.

As in most quantification exercises of this nature, the output of the analysis is dependent upon whether those assumptions can be realised. Importantly, Frontier's analysis does not state that ihail will secure a particular level of penetration, yet alone that it will achieve anything in the nature of 'dominance' properly defined. Indeed, Frontier does not accept that apps are likely to become dominant because this form of booking competes with



other forms of procuring a taxi, including rank and hail. Rather, Frontier's assumptions present a basis to compare the quantum of potential public benefits against perceived detriments, assuming a level of success.

In effect, Frontier's analysis identifies the potential for substantial public benefits that should be balanced against any potential detriments assuming (as did the ACCC in its draft determination) that ihail is successful in securing a substantial proportion of bookings.

Frontier also acknowledges at the end of section 4.1.2, that there is 'no doubt a degree of uncertainty associated with these estimates'.

In summary, the exercise was aimed at showing that significant potential benefit to consumers are possible with the ihail app – it does not provide a basis to assume that assumptions included in the analysis are likely market outcomes.

We submit that any such interpretation by the ACCC of Frontier's analysis is inaccurate and unfounded.

Yours sincerely

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