

Review of the maximum unbooked taxi fares and non-cash payment surcharges

Draft decision

5 June 2024

Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

An appropriate citation for this paper is:

Essential Services Commission 2024, Review of the maximum unbooked taxi fares and non-cash payment surcharges: Draft decision, 5 June

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Summary

Our role in taxi price regulation

Taxis provide vital services to the community and are an important part of Victoria's transport system. For some people, taxis are their primary means of transportation, enabling them to participate in the broader community and economy.

The Essential Services Commission has a role in the price regulation of some aspects of taxi services. In fulfilling our role, our objectives include:

- promoting the long-term interests of consumers¹
- promoting the efficient provision and use of unbooked taxi services²
- promoting efficiency in the taxi non-cash payment industry³
- ensuring that those who facilitate non-cash payment transactions are able to recover the reasonable cost of accepting and processing these transactions.⁴

We are required to conduct a review of our current determinations on the maximum unbooked taxi fares and maximum non-cash payment surcharges every two years.⁵

Our draft decision is to increase maximum unbooked taxi fares

Our draft decision is that the maximum unbooked taxi fares should increase by 5.7 per cent, except for the high occupancy fees and charges, which should increase by 6.4 per cent.

These increases reflect the change in the cost of operating a taxi since our last review. Our methodology for assessing the changes in the costs of operating a taxi remains unchanged. We updated the taxi cost index we developed in our 2022 review with the latest information to inform our draft decision.

¹ *Essential Services Commission Act 2001*, s. 8.

² *Commercial Passenger Vehicle Industry Act 2017*, s. 110C.

³ *Commercial Passenger Vehicle Industry Act 2017*, s 122(1).

⁴ *Commercial Passenger Vehicle Industry Act 2017*, s 122(1).

⁵ Sections 110F(2) and 124(4) of the *Commercial Passenger Vehicle Industry Act 2017*

The maximum fares only apply to unbooked trips that begin in the Melbourne Metropolitan or Urban and Large Regional Zones (which includes Dandenong, Frankston, the Mornington Peninsula, Ballarat, Bendigo and Geelong).⁶

In coming to our draft decision, we weighed stakeholder views and our legislative objectives. We consider that the proposed increase in fares will promote the efficient provision and use of unbooked taxi services and the long-term interests of Victorian consumers.

We also propose to set a fare adjustment mechanism that will index fares before our next review. If certain conditions are met, the mechanism will adjust maximum fares in line with the change in our taxi cost index in October 2025.

Our draft decision is to retain the current fare structure. This means we will maintain options for either a 'time and distance' or 'time or distance' tariff structure. We also do not propose to increase the cleaning fee.

Our draft decision is to maintain the current non-cash payment surcharges

Our draft decision is that the maximum non-cash payment surcharge for taxi services in Victoria will remain at:

- 4 per cent (including GST) for all non-cash payment methods, except commercial passenger vehicle specific payment instruments
- 6 per cent (no GST payable) for commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments).

The maximum non-cash payment surcharge can be applied when a passenger uses any method other than cash to pay for a taxi service. It applies to all taxi trips in Victoria.

We consider that the current surcharges will recover the reasonable costs of accepting and processing non-cash payments and promote the long-term interests of Victorian consumers and efficiency in the non-cash payment industry.

In coming to our draft decision, we examined information and views provided by stakeholders on whether the surcharges recovered the reasonable costs of accepting and processing non-cash payments. Stakeholders presented mixed views on whether the surcharges are appropriate. On balance, we were not persuaded that a change to the surcharges was warranted.

⁶ An unbooked taxi trip refers to commercial passenger vehicle trips that are hailed from the street or at a designated taxi rank.

We performed benchmarking analysis to assess whether the current 4 per cent surcharge for most payment methods was appropriate. We compared the surcharge to the cost of non-cash payments for small businesses across the economy but tailored the analysis to reflect taxi market conditions.

Our benchmarking analysis shows that surcharges ranging from 1.8 per cent to 3.6 per cent may recover the cost of accepting and processing non-cash payments in the taxi industry.

The current 6 per cent surcharge for commercial passenger vehicle specific instruments reflects the higher costs associated with issuing these payment instruments as determined by the cost build-up we undertook in our 2019 review. Based on the information available to us, we consider this cost build-up continues to reflect the reasonable cost of processing commercial passenger vehicle specific payment instruments.

The maximum 6 per cent surcharge only applies to passengers that sign up to use commercial passenger vehicle specific payment instruments and does not apply to passengers that use other payment methods.

We have not identified any information in the course of our current review to suggest the assumptions underpinning our previous analysis are no longer valid. Therefore, we consider a 6 per cent surcharge for commercial passenger vehicle specific payment instruments will continue to allow A2B to recover the reasonable costs of providing the Cabcharge payment instrument. It will also apply to any future commercial passenger vehicle specific payment instruments that are developed by market participants during the regulatory period.

Providing feedback on our draft decision

We are seeking feedback on our draft decision.

Visit the Engage Victoria website to make a submission: www.engage.vic.gov.au/taxireview2024.

If you have any issues in making a submission, please email us at transport@esc.vic.gov.au for assistance.

Next steps

Consultation on our draft decision will close on 12 July 2024.

We will consider all feedback and make a final decision by 31 August 2024. We will release the final paper and two new price determinations following our decision.

Visit the commission's website for more information: www.esc.vic.gov.au/transport/commercial-passenger-vehicles.

Summary

1. Introduction

Every two years, we are required to review and set the:

- maximum unbooked taxi fares
- maximum non-cash payment surcharges.

This paper sets out our draft decision of our review.

Our role is limited by legislation to setting maximum unbooked fares and surcharges. Safe Transport Victoria is responsible for ensuring operators comply with the determinations.

Our role in the commercial passenger vehicle industry

Maximum unbooked taxi fares

The commercial passenger vehicle industry provides the hire of point-to-point transport. This is different to other forms of commercial transport that run on pre-specified routes and timetables. Taxis are a type of commercial passenger vehicle that can perform booked and unbooked services.⁷

Booked and unbooked taxi services

Booked commercial passenger vehicle services are trips made through a booking service provider, where passengers typically reserve their trip in advance via an app, over the phone or via a website.

In contrast, unbooked commercial passenger vehicle services are all other trips, such as trips hailed from the street or at a designated taxi rank. In this paper, we refer to unbooked commercial passenger vehicle services as ‘unbooked taxi services’.

Maximum fare zones

We set the maximum fares for unbooked trips that begin in the Melbourne Metropolitan or Urban and Large Regional Zones only (which includes Dandenong, Frankston, the Mornington Peninsula, Ballarat, Bendigo and Geelong). The fares of unbooked taxi trips that begin in other areas of Victoria are not regulated.

⁷ See Appendix B for more information on the commercial passenger vehicle industry in Victoria.

Taxi operators

We refer to those people who own and maintain taxis as taxi operators. Taxi operators may rent vehicles out to taxi drivers or drive taxis themselves.

Our draft decision on maximum unbooked taxi fares is set out in [chapter 2](#).

Maximum non-cash payment surcharges

Non-cash payment surcharges are fees charged to taxi passengers for paying by any method other than cash. For example, a surcharge may be applied when a passenger pays via a credit or debit card, or when using a commercial passenger vehicle specific payment system, like Cabcharge. The surcharge is added to the standard taxi fare.

We set the maximum non-cash payment surcharges for all taxi trips (booked and unbooked) that begin anywhere in Victoria.

What are non-cash payment surcharges?

When a buyer uses a non-cash payment method to make a purchase, the merchant (seller) incurs a cost for accepting and processing the payment. This cost may vary, depending on the size of the merchant's business and the type of payment method used. The merchant may choose to apply a surcharge to cover the cost of accepting and processing the payment.⁸

In the taxi industry, the surcharge will be paid by the passenger when using non-cash payment methods, such as debit or credit cards. The surcharge will either be collected by:

- **taxi payment processors** – these businesses provide terminals and equipment to taxi drivers, taxi operators or booking service providers, to facilitate payments between customers and taxi drivers. Most taxi drivers will use terminals provided by taxi payment processors.
- **booking service providers** – booking service providers may provide terminals to taxi drivers or recover the cost of non-cash payments directly via the use of smartphone apps or online booking services.⁹
- **taxi drivers or operators** – taxi drivers or operators may choose to use payment terminals they have sourced directly from a bank or other payment facilitator.

⁸ See Appendix C for more information on non-cash payments processing in the taxi industry.

⁹ We have heard from stakeholders that booking service providers typically do not charge a surcharge for payments made via a smartphone or online booking system. Rather, the cost of processing non-cash payments is recovered through a service fee or the booked taxi fare (which is not regulated).

Taxi payment processors

Taxi payment processors provide services to booking service providers, taxi drivers and taxi operators. In some cases, they also act as booking service providers.

Acting as payment facilitators, they provide payment terminals and equipment to enable taxi drivers to accept non-cash payments from passengers. This typically involves obtaining terminals from terminal providers and entering pricing plans with acquirers (financial institutions that have access to various card/payment schemes).¹⁰

Some taxi payment processors have relationships with certain booking service providers or taxi operators; others compete by offering terminals directly to taxi drivers.

In undertaking their business, taxi payment processors will face costs such as:

- **merchant service fees** – this is the variable cost of processing non-cash payments and includes interchange fees (fees set by the card scheme to be paid by the merchant's bank to the cardholder's bank), scheme fees (fees paid by the merchant's bank and cardholder's bank to the payment scheme) and the merchant's bank's margin.
- **operational costs** – includes wages, payment terminal maintenance, fraud prevention and other administrative overheads.
- **capital costs** – the payment terminals and other infrastructure that is needed to process non-cash payments.

Our draft decision on maximum non-cash payment surcharges is set out in [chapter 3](#).

Market developments since our last reviews

Inflation increased by 9 per cent since June 2022

Since our 2022 reviews, it has been a period of high inflation. This has put cost pressures on both taxi service providers and Victorian consumers. Since June 2022, the consumer price index has increased by 9 per cent.¹¹

However, this has also been a period of taxi fare increases. In our 2022 review we increased maximum unbooked taxi fares by 11.2 per cent, the first rise in eight years. We also introduced an annual indexation mechanism which increased maximum fares a further 4.1 per cent in October 2023.

¹⁰ One taxi payment processor, Live Payment Group, has become an acquirer itself.

¹¹ Consumer Price Index, All Groups, Melbourne.

Demand for commercial passenger vehicles

Our previous review coincided with Victoria emerging from the coronavirus pandemic, and it was unclear how the taxi market would develop.

We have heard from stakeholders that the demand for taxi services has not returned to 2019 (pre-pandemic) levels. While we do not have complete data on taxi services demand to confirm this, Commercial Passenger Vehicle Levy data shows that the total number of commercial passenger vehicle trips has not recovered to pre-pandemic levels.¹²

Table 1 shows that, after a low in 2020–21 (due to the coronavirus pandemic), the number of trips has increased every year. However, the 2022–23 figure is still 13 per cent below 2019–20.

Table 1 Change in commercial passenger vehicle levy revenue – implied trips

	CPV levy revenue collected (\$'000)	CPV levy (\$)	Number of CPV trips taken ('000)
2019–20	67,239	1	67,239
2020–21	26,971	1	26,971
2021–22	44,981	1.05	42,839
2022–23	61,119	1.05	58,209

Source: Essential Services Commission analysis of SRO reported commercial passenger vehicle levy revenue.

Submissions to this review have also discussed changes to people movement, via increased work from home arrangements and declines in international tourism, which mean that the types of trips have changed. We observe that taxi volumes at Melbourne Airport are 34 per cent lower in 2022–23 than 2019–20.¹³ However, this partly reflects a 65 per cent increase in the use of rideshare at the airport over the same period.

Consumer spending behaviour and the payment system

In the payments industry, there have been some notable changes to consumer and merchant behaviours:

¹² State Revenue Office Victoria Annual Review, Financial Statements, Administered Items.

¹³ Essential Services Commission analysis of ACCC data – ACCC, 2024, “2022-23 airport monitoring report – supplementary database” [Excel file], <https://www.accc.gov.au/about-us/publications/serial-publications/airport-monitoring-reports/airport-monitoring-report-2022-23>.

- The proportion of cash transactions continues to decline, going from 27 per cent to 13 per cent between 2019 and 2022.¹⁴
- Card payments continue to increase, as technology improvements such as tap to pay and mobile wallets increase the opportunities for consumers to pay through non-cash means.
- Businesses across the economy are increasingly surcharging, with the amount of card payments incurring surcharges increasing from 4.7 per cent to 7.3 per cent between 2019 and 2022.¹⁵

Technological developments

Card schemes have introduced tap to phone protocols which enable payment processors to offer tap to phone services to merchants. This means merchants can use their own smartphones as payment terminals and do not need to pay fees for terminals.¹⁶ While tap to phone and other mobile payment services (mPOS terminals) could be used in the taxi industry, we have heard that driver take-up of these options remains low.¹⁷ Given the current low take-up, we have focused our benchmarking for this review on EFTPOS terminals rather than mPOS terminals.

Some taxi terminals which rely on 3G network connectivity will need to be replaced due to the 3G network being shut down. We have heard that taxi payment processors are using the network shutdown as an opportunity to upgrade their terminals, including the integration of terminals with taximeters, booking/dispatch systems and improved data collection functions.

How we are undertaking the review

We are required to complete a review of the maximum unbooked taxi fares and non-cash payment surcharges determinations every two years. Therefore, we must review the current determinations for maximum unbooked taxi fares and maximum non-cash payment surcharges by 31 August 2024.

¹⁴ Tanya Livermore et al, 2023, “The Evolution of Consumer Payments in Australia: Results from the 2022 Consumer Payments Survey” Reserve Bank of Australia Research Discussion Paper, <https://www.rba.gov.au/publications/rdp/2023/2023-08/full.html>

¹⁵ Thuong Nguyen and Benjamin Watson, 2023, “Consumer Payment Behaviour in Australia” Reserve Bank of Australia Research – Bulletin – June 2023, <https://www.rba.gov.au/publications/bulletin/2023/jun/consumer-payment-behaviour-in-australia.html>

¹⁶ Some of these services are advertised to the taxi industry. For example, <https://livepayments.com/product/livetap-for-taxi>, accessed 17 May 2024

¹⁷ GM Cabs, submission to the Essential Services Commission consultation paper ‘Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge’, 22 December 2023.

In the past we conducted these reviews separately. As the review timeframes now align, we are undertaking a review on both topics concurrently. However, the determinations will remain separate.

We released a [consultation paper](#) in October 2023 which set out our approach to the review and invited feedback from stakeholders.¹⁸ We received 14 submissions, 6 of which were confidential.

We have also held one-on-one meetings with taxi payment processors, booking service providers and government agencies.

Providing feedback on our draft decision

We are seeking views from stakeholders on our draft decision.

Visit the Engage Victoria website to make a submission:

www.engage.vic.gov.au/taxireview2024.

If you have any issues in making a submission, please email us at transport@esc.vic.gov.au for assistance.

Next steps

Consultation on our draft decision will close on 12 July 2024.

We will consider the feedback we receive and make a final decision by 31 August 2024. We will release the final decision paper and determinations following our decision.

Visit the commission's website for more information: www.esc.vic.gov.au/transport/commercial-passenger-vehicles.

Submissions policy

We will treat all submissions in line with our submissions policy. Submissions will be made available on our website, except for any information that is commercially sensitive or confidential.

Submissions should clearly identify which information is sensitive or confidential. To assist us in publishing submissions on our website, we ask that you avoid including personal details in your submission (for example, email addresses or signatures).

You may also request anonymity in your submission. This means we will not publish your name. This is different to an anonymous submission, where we do not know who the submitter is. We generally do not accept anonymous submissions.

¹⁸ <https://www.esc.vic.gov.au/transport/commercial-passenger-vehicles/unbooked-taxi-fares-and-non-cash-payment-surcharge-review-2024>.

Requesting confidentiality and/or anonymity may affect the weight we can give your submission.
View more information at www.esc.vic.gov.au/submissions.

2. Unbooked taxi fares

Our draft decision is to:

- increase maximum fares for unbooked taxi trips that begin in the Melbourne Metropolitan, Urban and Large Regional Zones by 5.7 per cent
- increase the high occupancy fee and charges by 6.4 per cent
- keep the fare structures unchanged
- include all cost components of our taxi cost index in the fare adjustment mechanism.

We considered stakeholder feedback and updated our taxi cost index inflators with the latest information to understand how the costs of operating a taxi have changed since our 2022 review.

The increase in the cost index helped us determine the increase in maximum fares.

Taxis in Victoria are commercial passenger vehicles that can perform either booked or unbooked services.

We set the maximum fares for unbooked trips that begin in either the Melbourne Metropolitan Zone or the Urban and Large Regional Zone (which includes Dandenong, Frankston, the Mornington Peninsula, Ballarat, Bendigo and Geelong). We do not set the boundaries of these zones and we cannot review them.¹⁹

Fares for all booked commercial passenger vehicle services (including rideshare services) and unbooked taxi services outside the Melbourne Metropolitan Zone and the Urban and Large Regional Zone are not regulated. This means that rideshare and taxi service providers set their own fares for these trips.

We are required to review maximum unbooked taxi fares every two years.

Booked services

Booked commercial passenger vehicle services are trips made through a booking service and are typically reserved in advance of the trip via an app, phone call or website.

¹⁹ *Commercial Passenger Vehicle Industry Act 2017*, s 110A.

Unbooked services

Unbooked commercial passenger vehicle services are all other trips such as trips hailed on the street or at a taxi rank. In this paper, we refer to unbooked commercial passenger vehicle services as ‘unbooked taxi services’.

Fare structures

There are currently two unbooked taxi fare schedules in the state. The first schedule sets fares for the *Melbourne Metropolitan Zone and the east urban area of the Urban and Large Regional Zone*, which includes Dandenong, Frankston and the Mornington Peninsula.

The second schedule sets fares for the *large regional areas of the Urban and Large Regional Zone*, which includes Geelong, Ballarat and Bendigo.

Tariff components

Unbooked fares are made up of three main tariff components: flagfall, distance rate and time rate. For each fare schedule, the determination provides two options for calculating maximum fares:

- time and distance tariffs: where the fare is calculated as flagfall + (kilometres travelled x distance rate) + (duration of trip in hours x time rate [hourly])
- time or distance tariffs: where the fare is calculated as flagfall + (kilometres travelled at speed above 21 kilometres per hour x distance rate) + (hours spent at speed below 21 kilometres per hour x time rate [hourly])

There are a few other fees and charges including holiday fees, late night fees, high occupancy fees and charges, cleaning fees, and non-cash payment surcharges. We do not set toll fees, the airport taxi rank fee or the commercial passenger vehicle service levy.

See [Appendix G](#) for the proposed fare structures.

Our approach to setting taxi fares

In determining the maximum fares for unbooked taxi services, our objectives include promoting both the long-term interests of Victorian consumers and the efficient provision and use of unbooked taxi services.²⁰

Regulating maximum fares ensures that there is fare certainty for all passengers, and that they do not pay excessive amounts for this service. This is particularly important for passengers

²⁰ *Essential Services Commission Act 2001*, s. 8; *Commercial Passenger Vehicle Industry Act 2017*, s. 110C.

experiencing vulnerability who may not be able to access alternatives and may therefore rely on taxis for their travel needs.

In regulating maximum fares for unbooked taxi services, we must have regard to a range of matters under the *Essential Services Commission Act 2001* and the transport system objectives and decision making principles under the *Transport Integration Act 2010*.²¹ These matters include the financial viability of the industry, the degree of and scope for competition within the industry, and consistency in regulation between States and on a national basis.

The *Commercial Passenger Vehicle Industry Act 2017* also enables us to determine maximum fares that differ according to a range of factors, including the prevailing economic conditions (including the price of fuel and the consumer price index), the Fair Work Commission's annual wage review²² and the commercial viability of operating a taxi service.²³

See [Appendix F](#) for further information on the legal framework for setting maximum fares for unbooked taxi services.

Our approach for this review

Our consultation paper outlined that, in deciding whether maximum fares need to change, we would consider the changes in the costs of operating a taxi service, changes in the supply and demand for taxi services, and changes in service quality.

We last collected data on the unbooked taxi market in 2022 and do not consider that the benefits of updating our analysis for this review would be proportionate to the cost of collecting it. Therefore, we have drawn on data from our previous reviews and sought views from stakeholders on how the unbooked taxi market has changed since 2022.

We also updated our taxi cost index in line with contemporary information, to understand how the costs of operating a taxi have changed since 2022. These updates helped us determine the level of increase in maximum fares.

Our taxi cost index suggests that costs have increased

We use a taxi cost index to measure changes in the costs of operating a taxi

²¹ *Essential Services Commission Act 2001*, ss. 8, 8A, 33; *Transport Integration Act 2010*, s. 24.

²² *Commercial Passenger Vehicle Industry Act 2017*, s. 110E(1)(ga). The Fair Work Commission's annual wage review is conducted under section 285 of the *Fair Work Act 2009 (Cwlth)*.

²³ *Commercial Passenger Vehicle Industry Act 2018*, s. 110E(1)(gb).

2. Unbooked taxi fares

We have used the results of a taxi cost index as the basis for changing maximum fares in previous reviews. The taxi cost index:

- identifies the cost components associated with operating a taxi
- calculates the share of each cost component as a proportion of total cost (cost share)
- assigns a cost inflator to each cost component.

We developed our first taxi cost index in 2014. In our 2022 review, we developed a new taxi cost index to ensure that it reflected the current operating environment and accounted for any changes in inputs caused by technological, regulatory, or other factors that had occurred in the commercial passenger vehicle industry since 2014.

We surveyed taxi operators in May 2022 about their actual costs to help us identify the cost components and calculate the cost shares for our new taxi cost index.²⁴

We identified some differences in the costs of operating a conventional taxi and a wheelchair accessible taxi.²⁵ For example, the cost share for purchasing or leasing a vehicle is higher for wheelchair accessible taxis (11.5 per cent) compared to conventional taxis (7.6 per cent). To capture these differences, we developed two cost indexes: one for conventional taxis and one for wheelchair accessible taxis.

In our 2022 review, we used the taxi cost index for conventional taxis as the basis for increasing most fees and charges by 11.2 per cent. We used the taxi cost index for wheelchair accessible taxis as the basis for increasing the high occupancy fee and charges by 12.2 per cent.

See [Appendix D](#) for further information on the cost components, cost shares and cost inflators for conventional taxis and wheelchair accessible taxis.

Stakeholder views were mixed on whether the taxi cost index is still appropriate

Most stakeholders supported the taxi cost index.²⁶ A2B added that the cost components and weights accurately reflect the key costs, and their respective weights, of operating a taxi in

²⁴ This survey data included responses from 355 out of 6,419 taxi operators. The respondents comprised small and medium sized operators in the Melbourne Metropolitan and Urban and Large Regional Zones.

²⁵ A conventional taxi is a standard taxi. A wheelchair accessible taxi (also referred to as a high occupancy vehicle) is a taxi which can carry up to 11 passengers and can accommodate one or two occupied wheelchairs.

²⁶ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023; Anonymous submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023; A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

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Victoria.²⁷ One stakeholder noted that we could consider increasing the weight of fuel costs in the index, considering how volatile its prices can be.²⁸

Other stakeholders stated the taxi cost index was not appropriate but did not give reasons to support their view.²⁹

Given that the taxi cost index is based on recent actual cost data from taxi operators, and most stakeholders did not provide any specific detail on suggested changes to the cost components or cost weights, we consider that the taxi cost index is still appropriate for this review. We also note that we already capture any volatility in fuel when we measure the change in the cost inflator for fuel in each fare review and the fare adjustment mechanism.

Updating the taxi cost index

This draft decision updates the taxi cost index to reflect the change in costs since our 2022 review, based on the most up to date information available to us.³⁰ We will update the cost index again prior to our final decision to reflect the full change in costs since our last review. We have not made any changes to the cost components, cost shares or cost inflators.

To update the taxi cost index and measure the change in the costs of operating a taxi since our last review, we:

- multiplied the cost share for each cost component by the change in its respective cost inflator to obtain an index contribution
- added up the index contribution for each cost component to find the total percentage change in costs.

The results for conventional taxis and wheelchair accessible taxis are shown in Table 2 and Table 3 below.

Under the Essential Services Commission Act, we must have regard to the efficient costs of operating a taxi. We estimated efficient costs using the costs for an 'average taxi' recognising

²⁷ A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

²⁸ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023.

²⁹ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 30 October 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023.

³⁰ For most components, we have measured the change in costs over the period from June 2022 to March 2024, however there are some exceptions: driver labour and registration. These exceptions are explained in Appendix D.

2. Unbooked taxi fares

that actual average costs can differ significantly between different operators depending on factors such as size and operating model.

Conventional taxis

Our taxi cost index suggests that the costs of operating a conventional taxi have increased by 10.0 per cent since our last review. Table 2 shows the cost components and the cost share, change in cost inflator and index contribution for each cost component.

Table 2 **Change in costs of operating a conventional taxi**
June 2022 to March 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	6.6%	-12.1%	-0.8%
Network (equipment)	5.7%	2.0%	0.1%
Network (labour)	5.7%	6.6%	0.4%
Insurance	3.6%	20.6%	0.7%
Vehicle	7.6%	20.7%	1.6%
Registration	1.2%	1.5%	0.0%
Repairs and maintenance	6.9%	6.9%	0.5%
Administration	7.7%	6.8%	0.5%
Total operating costs	45%	6.7%	3.0%
Driver labour	55%	12.7%	7.0%
Total operating and labour costs	100%	Not applicable	10.0%

Note: most changes in costs are measured over the period from June 2022 to March 2024. However, there are some exceptions: registration (July 2022 to July 2023) and driver labour (June 2022 to June 2024). See Appendix D for more information.

Source: Essential Services Commission analysis (see Appendix D)

Wheelchair accessible taxis

Our taxi cost index suggests that the costs of operating a wheelchair accessible taxi have increased by 10.8 per cent since our last review. Table 3 shows this information.

2. Unbooked taxi fares

Table 3 **Change in costs of operating a wheelchair accessible taxi**
June 2022 to March 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	7.0%	-13.2%	-0.9%
Network (equipment)	4.3%	2.0%	0.1%
Network (labour)	4.3%	6.6%	0.3%
Insurance	3.9%	20.6%	0.8%
Vehicle	11.5%	23.1%	2.7%
Registration	1.1%	1.5%	0.0%
Repairs and maintenance	6.3%	6.9%	0.4%
Administration	6.5%	6.7%	0.4%
Total operating costs	45%	8.4%	3.8%
Driver labour	55%	12.7%	7.0%
Total operating and labour costs	100%	Not applicable	10.8%

Note: most changes in costs are measured over the period from June 2022 to March 2024. However, there are some exceptions: registration (July 2022 to July 2023) and driver labour (June 2022 to June 2024). See Appendix D for more information.

Source: Essential Services Commission analysis (see Appendix D)

The key drivers of the increase in costs of operating both conventional taxis and wheelchair accessible taxis are higher vehicle costs and higher labour costs.

Our draft decision

Maximum fares will increase

Our draft decision is to increase the maximum fares for unbooked taxi trips by 5.7 per cent. The basis for this increase is the change in costs of operating a conventional taxi since our last review as suggested by our taxi cost index.

Our conventional cost index shows that costs increased by 10.0 per cent since 2022. However, as fares increased under the fare adjustment mechanism by 4.1 per cent in October 2023, the current maximum fares will need to increase by 5.7 per cent to recover the change in costs.

2. Unbooked taxi fares

The proposed increase in maximum fares will apply equally to all relevant tariff components³¹ of both fare schedules (that is, to all fares within the Melbourne Metropolitan and Urban and Large Regional Zones).

We estimate that a 5.7 per cent increase in maximum fares equates to an increase of about \$0.84 in maximum fares for a three-kilometre trip within the Melbourne central business district³² or \$3.22 for a longer trip such as from the Melbourne central business district to the Melbourne International Airport.³³

We consider that the proposed increase in maximum fares will promote the efficient provision and use of unbooked taxi services. Our taxi cost index reflects the current costs of operating a taxi in Victoria, and therefore, the costs that should be recovered to facilitate the commercial viability of operating an unbooked taxi service in Victoria.

In setting the fares for our final decision and determination, we will use the most up-to-date information available to us at that time. We will update our taxi cost index to reflect the changes in costs over the period from June 2022 to June 2024. The change in the maximum fares in our final decision may therefore differ from what we have proposed in this draft decision.

The high occupancy fee and charges will increase

Our draft decision is to increase the high occupancy vehicle fee and charges by 6.4 per cent. The basis for this increase is the change in costs of operating a wheelchair accessible taxi since our last review as suggested by our taxi cost index.

Our wheelchair accessible taxi cost index shows that costs increased by 10.8 per cent since 2022. However, as fares increased by 4.1 per cent under the fare adjustment mechanism in October 2022, the current high occupancy fee and charges will need to increase by 6.4 per cent to recover the change in costs.

³¹ The relevant tariff components in fare schedule 1 (fares for Melbourne Metropolitan, Dandenong, Frankston and the Mornington Peninsula) include the flagfall and variable components of the day tariff, peak tariff and overnight tariff. The relevant tariff components in fare schedule 2 (fares for Ballarat, Bendigo and Geelong) include the flagfall and variable components of tariff one, the flagfall of the high occupancy tariff, late night fee and holiday surcharge.

³² This estimate is for a conventional taxi and is based on daytime 'time and distance' tariffs. Distance and travel time to destination (Parliament to Docklands) are based on Google maps. Fare estimates exclude other charges not set by the commission.

³³ This estimate is for a conventional taxi and is based on daytime 'time and distance' tariffs. Distance and travel time to destination (Melbourne CBD to Melbourne Airport) are based on Google maps. Fare estimates exclude other charges not set by the commission such as tolls and the Melbourne Airport fee.

2. Unbooked taxi fares

The proposed increase would apply to:

- the high occupancy fee in fare schedule 1 (fares for Metropolitan Melbourne, Dandenong, Frankston and the Mornington Peninsula)
- the variable components of the high occupancy tariff in fare schedule 2 (fares for Ballarat, Bendigo and Geelong).

The high occupancy fee and charges can only be charged when there are five or more people using the taxi (excluding children under the age of five years) or where a larger vehicle is required by the hirer other than for the carriage of a person who uses a wheelchair or mobility aid (for example, to carry luggage).³⁴

The high occupancy fee and charges compensate drivers of higher occupancy vehicles, including wheelchair accessible vehicles, for the higher costs associated with operating a larger vehicle. Increasing the high occupancy fee and charges in line with the increase in operating costs (as suggested by our wheelchair accessible taxi cost index) will help promote the sustained and commercially viable operation of these taxis.³⁵

While the high occupancy fee and charges cannot be charged for the carriage of a person who uses a wheelchair or mobility aid, the driver is compensated for the additional costs of the vehicle in this situation through a separate wheelchair 'lifting fee'. Our proposed increase in the high occupancy fee and charges does not change the lifting fee or the current 50 per cent subsidy under the Multi Purpose Taxi Program.³⁶

Fare structures remain unchanged

Our draft decision is to keep the fare structures unchanged in both fare schedules. This includes that fares can be calculated using either a 'time and distance' tariff or a 'time or distance tariff'.

³⁴ In making a new determination at the end of our current review we intend to make it clear that a high occupancy fee or charge can be applied where there are fewer than five passengers but a vehicle larger than a standard taxi is required by the hirer, except for the carriage of one or more persons who use a wheelchair or other mobility aid (for example, due to luggage requirements). While this is not explicit in the current determination, the ability to charge a high occupancy fee or charge in this circumstance will help promote efficiency in the unbooked taxi market as passengers who require a larger vehicle will contribute to the higher costs of operating these vehicles.

³⁵ High occupancy vehicles that are wheelchair accessible have an important role in providing means by which persons with disability can access social and economic opportunities to support their wellbeing. This is one of the transport system objectives the commission is to have regard to (*Transport Integration Act 2010*, s. 8).

³⁶ The Multi Purpose Taxi Program (MPTP) assists with the travel needs of people with accessibility and mobility needs by offering subsidised CPV fares to members. Members get 50 per cent off the total fare, up to \$60, with some restrictions. The MPTP is administered by Safe Transport Victoria (STV). The lifting fee is a fee paid by STV to the taxi driver/operator for helping MPTP members in wheelchairs or scooters get into a wheelchair accessible vehicle. STV also pays a partial fee for loading wheelchairs into other types of vehicles. The lifting fee is set by STV.

2. Unbooked taxi fares

In previous reviews, we collected data from industry participants to help us form a view on how the unbooked taxi market was performing, including whether the fare structures were appropriate.

While we did not collect this data for this review, we have drawn on data from previous reviews and sought views from stakeholders in our consultation paper and stakeholder meetings. We have not received any information to suggest that the current fare structures are not appropriate for the upcoming period; therefore we have proposed to keep them unchanged.

The cleaning fee remains unchanged

Occasionally taxi passengers soil the vehicle they hired by, for example, vomiting or spilling food or drink. When this happens, the drivers must take the vehicle out of service for cleaning. This usually takes between one and two hours, but in particularly bad cases the vehicle can lose an entire shift.

Our draft decision is to continue to allow taxi drivers to charge a reasonable cleaning fee of up to a maximum of \$120. Our benchmarking analysis suggests that a \$120 cleaning fee remains within the range of cleaning fees charged by taxis and rideshare vehicles in Australia.³⁷

Maximum cleaning fees allowed for taxis in other Australian jurisdictions range from \$50 (Northern Territory) to \$154.80 (Queensland).³⁸ Rideshare providers in Victoria currently charge a cleaning fee of up to a maximum of \$180.³⁹

The fare adjustment mechanism will include all cost components

In our 2022 review, we introduced a fare adjustment mechanism to apply between fare reviews for the 2022 to 2024 regulatory period. The mechanism allowed us to adjust the maximum fares between fare reviews without the need to undertake a review or make a new price determination, if the increase or decrease in costs was greater than 1 per cent. The mechanism accounted for changes in driver labour and fuel costs only and led to an increase in maximum fares of 4.1 per cent from 1 October 2023.⁴⁰

³⁷ Northern Territory Government, Taxi and minibus areas and fares, <https://nt.gov.au/driving/industry/commercial-passenger-vehicles/taxi-areas-meters-and-fares> (accessed 21 March 2024).

³⁸ Queensland Government, Taxi Service Standards, <https://www.qld.gov.au/transport/public/operators/information-for-passengers/passenger-rights-and-fares/taxi-service-standards> (accessed 21 March 2024).

³⁹ Didi, How do I request a cleaning fee, <https://web.didiglobal.com/au/help-center/how-do-i-request-a-cleaning-fee/> (accessed 21 March 2024); Uber, I want to claim a cleaning fee, <https://help.uber.com/driving-and-delivering/article/i-want-to-claim-a-cleaning-fee?nodeId=300209b3-2960-4ef6-899f-974e6bdeb47> (accessed 21 March 2024); Ola, Driver cleaning fee reimbursement policy, <https://ola.com.au/driver/drivers-guidelines/ola-driver-cleaning-fee-reimbursement-policy/> (accessed 21 March 2024).

⁴⁰ Essential Services Commission 2023, Unbooked Taxi Fare Annual Adjustment, 24 August.

2. Unbooked taxi fares

The main purpose of the fare adjustment mechanism was to help maintain the commercial viability of taxi services and address concerns about increasing labour costs and fluctuating fuel prices. We consider it worked well but acknowledge other cost components in the taxi cost index have increased significantly over the last two years, such as vehicle and insurance costs.

In our consultation paper, we asked stakeholders for their views on our proposal to retain the fare adjustment mechanism and expand it to include all cost components of our taxi cost index. Stakeholders generally supported this proposal.⁴¹

Our draft decision is to include all cost components of our taxi cost index in the fare adjustment mechanism in the 2024 to 2026 regulatory period. This will more accurately reflect the change in costs of operating a taxi and help maintain the commercial viability of taxi services. It should also reduce the impact of price changes on passengers and taxi operators by smoothing any large fare changes that could occur if fares only changed every two years.

The process for the fare adjustment mechanism is shown below.

Process for the fare adjustment mechanism in year 2025

- In August 2025, we will update the cost inflators in the taxi cost index to account for changes in all cost components that occurred between June 2024 and June 2025.
- We will calculate and assess the change in the costs of operating a taxi using the taxi cost index in the 2024 to 2026 regulatory period.
- If the indicated change is more than plus/minus 1 per cent, the maximum fares will change by this amount.
- If the indicated change is less than plus/minus 1 per cent, the maximum fares will remain unchanged as the administrative and implementation costs of changing fares are likely to outweigh any benefits.
- In September 2025, we will publish our assessment and a notice in the Government Gazette if the maximum fares are to change.
- To assist unbooked taxi providers, we will also include updated tariffs in our assessment paper and publish the newly calculated fares on our website.

⁴¹ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 30 October 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023.

2. Unbooked taxi fares

- New maximum fares would take effect by 1 October 2025 and remain in place until a new price determination takes effect.

2. Unbooked taxi fares

3. Non-cash payment surcharge

Our draft decision is for the maximum non-cash payment surcharge for taxi services in Victoria to remain at:

- 4 per cent (including GST) for all non-cash payment methods, except commercial passenger vehicle specific payment instruments
- 6 per cent (no GST payable) for commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments).

In making our decision, we considered the reasonable costs of facilitating non-cash transactions in taxis by examining information provided by stakeholders and undertaking benchmarking analysis.

Our benchmarking shows that the 4 per cent surcharge should enable taxi payment processors to recover the reasonable costs of accepting and processing non-cash payments for taxi services.

The 6 per cent surcharge reflects higher costs for the Cabcharge payment instrument.

In the taxi industry, non-cash payment surcharges may be charged to taxi passengers to recover the costs of accepting and processing non-cash payment transactions. Non-cash payment transactions refer to payments made by any method other than cash, such as payments via debit or credit cards.

In other sectors of the economy (including rideshare and hire car services), surcharges for non-cash payments fall under rules set by the Reserve Bank of Australia and the Australian Competition and Consumer Commission is responsible for enforcing those rules.⁴² However, the Reserve Bank of Australia's rules specifically exclude non-cash payments for taxi services.

The Essential Services Commission is responsible for setting the maximum surcharges for non-cash payment transactions for taxi services (applies to both booked and unbooked taxi services) in Victoria. Safe Transport Victoria (the commercial passenger vehicle industry regulator) is responsible for enforcing compliance with the surcharges.

⁴² Reserve Bank of Australia 2016, Standard no. 3 of 2016: Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions, section 4, 1 Sep 2016 as varied with effect from 1 Jan 2022, <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/pdf/standard-no-3-of-2016-scheme-rules-relating-to-merchant-pricing-2021-11-18.pdf>

We are required to review the maximum surcharges every two years.

Our approach to setting non-cash payment surcharges

Our role is to set the maximum non-cash payment surcharge that applies to taxi services in Victoria.

In undertaking this role, our objectives include promoting both the long-term interests of Victorian consumers and efficiency in the taxi non-cash payment industry.⁴³ We must also ensure that those who facilitate taxi non-cash payment transactions are able to recover the reasonable cost of accepting and processing these transactions.⁴⁴

We define ‘reasonable cost’ to mean the costs incurred in accepting and processing non-cash payment transactions, which are moderate, not excessive, and within the limits of what it would be rational or sensible to expect for the given level of service quality and reliability.

In the taxi industry, the surcharge is primarily collected by taxi payment processors. However, the surcharge may alternatively be collected by the taxi driver, operator or booking service provider.⁴⁵

In processing non-cash payments, taxi payment processors reasonable costs typically include:

- **merchant service fees** – this is the variable cost of processing non-cash payments and includes interchange fees (fees set by the card scheme to be paid by the merchant’s bank to the cardholder’s bank), scheme fees (fees paid by the merchant’s bank and cardholder’s bank to the payment scheme) and the merchants bank’s margin.
- **operational costs** – includes wages, payment terminal maintenance, fraud and fraud prevention and other administrative overheads.
- **capital costs** – payment terminals and other infrastructure that is required to process non-cash payments.

We consider that costs related to other parts of taxi services, such as booking services, Multi Purpose Taxi Program processing, taxi meter and dispatch functions, and driver incentives and commissions should not be recovered via the surcharge. We set out the detailed reasons for not including these costs in our previous reviews.⁴⁶

⁴³ *Commercial Passenger Vehicle Industry Act 2017*, s 122(1); *Essential Services Commission Act 2001*, s 8(1).

⁴⁴ *Commercial Passenger Vehicle Industry Act 2017*, s 122(2).

⁴⁵ See Appendix C for more detail on how the payments industry is structured.

⁴⁶ For example, see our 2022 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2022*, August 2022, pp. 45-48.

3. Non-cash payment surcharge

The basis of the current surcharges

In our 2019 review, we set the maximum non-cash payment surcharges at:

- 4 per cent (including GST) for most non-cash payment methods
- 6 per cent (excluding GST) for commercial passenger vehicle specific payment instruments (like Cabcharge).

Using industry cost data, we undertook a bottom-up cost assessment and found that most payment processors required a surcharge of between 3.5 per cent and 3.9 per cent to recover their reasonable costs.⁴⁷

In consideration of taxi payment processors' costs, benchmarking and stakeholder views, we set the surcharge for most payment methods to 4 per cent. We set a higher surcharge for commercial passenger vehicle specific payment instruments, such as Cabcharge, because cost data showed that this payment method incurred higher costs.

After following a similar method in our 2022 review, we decided to maintain the surcharges at the current level.⁴⁸

See [Appendix F](#) for our legislative considerations.

Our approach for this review

Our consultation paper set out our view that the current maximum surcharges enabled the reasonable costs of accepting and processing non-cash transactions for taxi services to be recovered. We asked stakeholders to provide information and evidence supporting their views on whether the current surcharges continue to be appropriate.

In response, we received 13 submissions on the maximum surcharges and held one-on-one meetings with booking service providers, taxi payment processors and government agencies. We received mixed views on whether the current surcharges are appropriate. Our consideration of this information is set out below.

We have also used benchmarking analysis to assess the reasonable cost of accepting and processing non-cash payment surcharges in the Victorian taxi industry. In our benchmarking

⁴⁷ See our 2019 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2019*, Final Decision, March 2020.

⁴⁸ See our 2022 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2022*, Final Decision, September 2022

3. Non-cash payment surcharge

analysis, we looked at the cost of accepting non-cash transactions for small businesses across the economy and the implied surcharges these small businesses would need to apply to recover these costs. We tailored this analysis to the taxi industry in Victoria to ensure our benchmark analysis was comparable with the taxi non-cash payment surcharges.

Benchmarking shows that the 4 per cent surcharge is appropriate

Our benchmarking analysis compares the maximum 4 per cent surcharge against the cost small businesses in Australia face when accepting and processing credit and debit card transactions. Our analysis shows that it may be possible for taxis to process most non-cash payments with a surcharge between 1.8 per cent and 3.6 per cent.

This means that a 4 per cent charge will enable taxi payment processors to recover the reasonable costs of accepting and processing transactions. Processors may also choose to charge less than the maximum.

We also examined how costs have changed overtime. This involved analysing public data on economy-wide trends in merchant service fees and comparing our benchmarking results to our 2019 and 2022 reviews. This shows that the cost of processing non-cash payments as a percentage of fare revenue has not increased since our initial review in 2019.

Our benchmarking analysis includes most non-cash payment methods, such as eftpos, Visa and Mastercard debit and credit cards and American Express credit cards. It does not include the Cabcharge payment instrument.

See [Appendix E](#) for more information on our benchmarking methodology and analysis.

Our benchmarking analysis

To benchmark taxi surcharges, we estimated an implied surcharge that would be needed to recover the cost of facilitating non-cash payments for a given level of revenue.

The implied surcharge is equal to the monthly cost of processing non-cash payments divided by an estimated monthly turnover for a payment terminal in a taxi in Victoria.

$$\text{Implied surcharge} = \frac{\text{Monthly cost}}{\text{Monthly turnover}}$$

We estimated **monthly cost** based on the payment terminals available to small businesses in Australia. These offers typically included a rate for different payment types (such as debit and credit) and a monthly fee for terminal hire. However, the pricing plans vary. For example, some

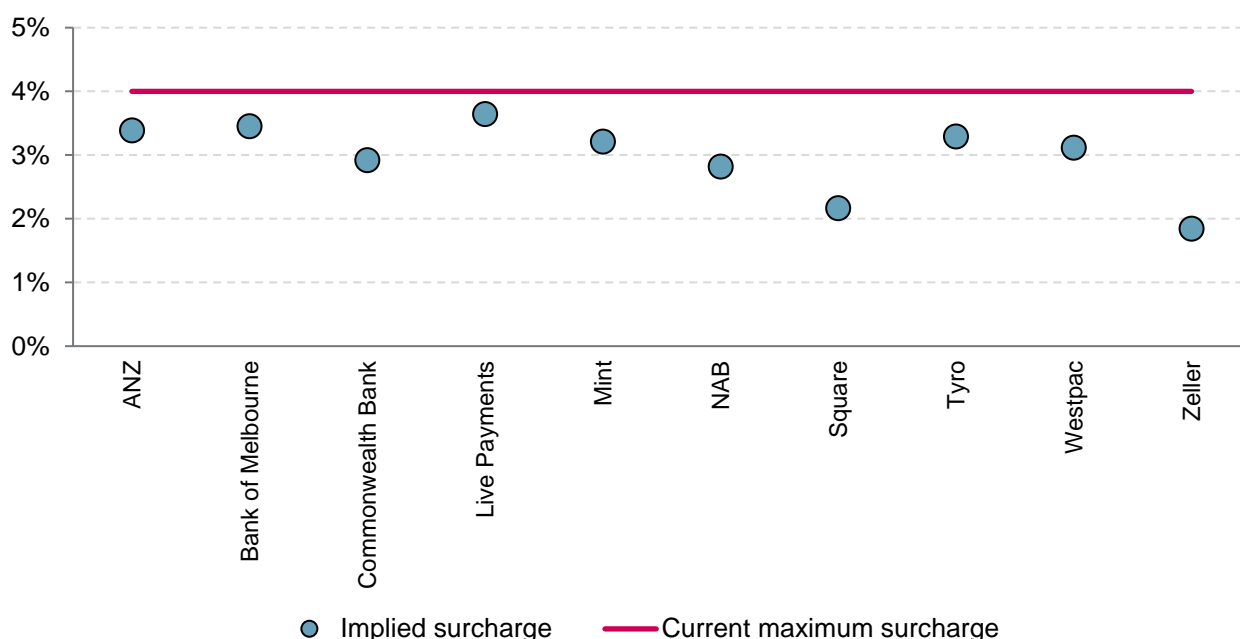
3. Non-cash payment surcharge

offer a fixed fee for all payment types and others differentiate by payment schemes (e.g. eftpos, Visa and Mastercard, American Express) and card types (e.g. debit, credit).

We estimated **monthly turnover** based on actual taxi payment processor data we collected in previous reviews and the views provided by stakeholders for this review. The revenue estimate is 26 per cent lower than the figure in our 2019 review (\$1625 per terminal, or \$3250 per taxi). This reflects views from stakeholders that the market had not returned to pre-pandemic levels.⁴⁹

Figure 1 shows the implied surcharge needed to recover the costs of terminals available to small business offers.

Figure 1 Implied surcharge assuming two terminals



We consider that payment terminals from banks and merchant aggregators are an appropriate benchmark for assessing the reasonable costs of processing non-cash payments in taxi services. The payment terminals we have selected provide a similar service level to customers that terminals in taxis provide to passengers.

However, we have made some assumptions to ensure our analysis reflects the taxi industry in Victoria:

- 4G connectivity is included in all terminals used in our benchmarking analysis.

⁴⁹ A2B's submission outlined that the amount of fares processed was 26 per cent lower in October 2023 than October 2019. This was similar to the change in total CPV levy revenue from 2019-20 to 2022-23 so we consider it is a reasonable scenario for this benchmarking analysis. The CPV levy is charged on every commercial passenger vehicle trip.

3. Non-cash payment surcharge

- Monthly turnover reflects an estimated revenue per terminal for taxis operating in Victoria. This is based on payment processor data and stakeholder views (estimated at \$1625 per month).
- Taxis use multiple payment terminals.

We have assumed that taxi drivers use multiple payment terminals

A key assumption we have made is around the use of multiple terminals in taxis. This is an important assumption as the use of multiple terminals increases the cost of facilitating non-cash payments for taxi services.

For comparison, if we assume a single terminal, our benchmarking analysis shows that taxi payment processors may be able to process non-cash payments at a cost between 1.6 per cent and 2.4 per cent.

However, since we are required to ensure that taxi payment processors are able to recover reasonable costs, and on the information available to us those reasonable costs include multiple terminals, we have accounted for the use of multiple payment terminals in our benchmarking. This is consistent with our obligation, under section 8A of the Essential Services Commission Act, to have regard to the degree of and scope for competition within the taxi payments industry.

As a condition of registration, unbooked taxis are required to be able to provide services for the Multi Purpose Taxi Program (MPTP).⁵⁰ At the time of this report, only two companies had been approved to provide access to MPTP processing (A2B and Oiii).⁵¹

A2B provides access to the MPTP program via its payment terminals while Oiii provides access via its integrated taxi platform. This means that providers of unbooked taxi services are effectively required to use A2B payment terminals or to join the Oiii platform.

If we did not allow for multiple terminals in our benchmarking analysis, a potential consequence might be that most taxi drivers would be limited to using only the terminal supplied by A2B as this is currently the only terminal available to them to process MPTP subsidies.

We have heard in this and previous reviews that most taxi drivers choose to have at least a second terminal which they may use for non-MPTP trips. They may choose to have an additional terminal to the A2B terminal as a backup device or due to their relationship with a booking service provider or taxi operator, cash flow control, driver incentives and commissions, or other service offerings.

⁵⁰ The Multi Purpose Taxi Program is a government program that subsidises taxi fares for people with accessibility and mobility needs. MPTP members receive a 50 per cent subsidy on taxi fares up to a maximum of \$60 per trip. See: <https://safetransport.vic.gov.au/on-the-road/multi-purpose-taxi-program/>.

⁵¹ Uber and Get Picked Up also have MPTP approval but do not provide unbooked taxi services.

3. Non-cash payment surcharge

We will revisit whether this assumption continues to be appropriate in future reviews considering any changes that may occur in the industry. For example, changes in technology or an expansion of the MPTP program may result in fewer taxi drivers using multiple terminals.⁵²

We have not included chargeback fees in the monthly cost

In its submission to our consultation paper, GM Cabs noted that 'non-taxi benchmarking fails to address taxi-specific items such as prevalence of high-cost chargebacks'.⁵³

We have not included chargeback fees in the monthly cost as we do not have information on the average number of chargebacks per terminal to estimate the cost of chargebacks for the typical taxi. The data we have received in previous years suggests that the cost of card fraud in the taxi payments industry is relatively minor compared to total costs. Therefore, the impact of including costs associated with chargebacks is unlikely to be material.

The benchmarking analysis also suggests that payment processors may incur costs less than the 4 per cent maximum. This means that the maximum surcharge could provide a buffer for any unexpected increase in costs.

We have not benchmarked commercial passenger vehicle specific instruments

Our benchmarking analysis has not assessed the costs of commercial passenger vehicle specific payment instruments, such as Cabcharge. We have not identified any benchmarks that are comparable to commercial passenger vehicle specific payment instruments.

Cost of non-cash payment services has not increased in other sectors

We examined available data on how the costs of facilitating non-cash transactions are changing across the economy. This is to understand the change in the costs of facilitating non-cash transactions as opposed to the level of costs, which may be higher in the taxi industry than in other sectors of the economy.

The Reserve Bank of Australia publishes aggregate market data on merchant service fees in Australia. Merchant service fees are variable costs of processing non-cash transactions. They do not include the cost of the terminals, or other costs that taxi payment processors may bear (such as fraud and fraud prevention and other overheads). However, significant changes in the average

⁵² However, we note there may be other competition issues that arise even if access to MPTP processing is more widespread. This could be due to access to default terminals provided by booking service providers and conditions around how payment terminals integrate with taximeters.

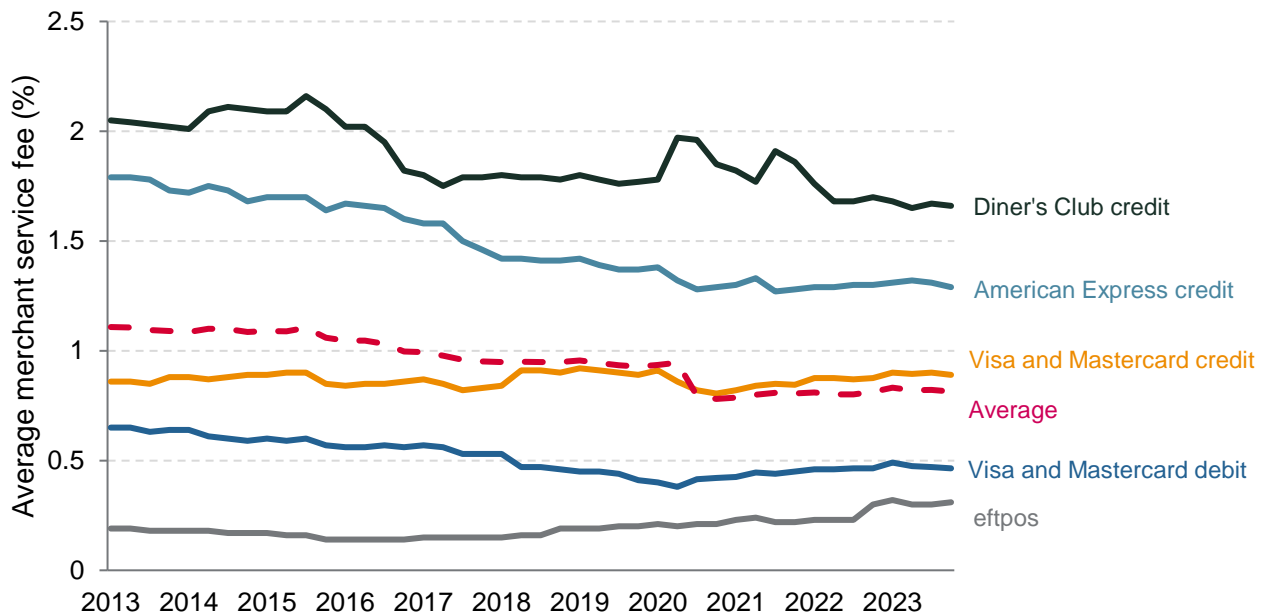
⁵³ GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023.

3. Non-cash payment surcharge

merchant service fees could provide an indication of whether the current taxi non-cash payment surcharges remain appropriate.

Figure 2 shows how the average merchant service fee by card type has changed since 2013. Overall, the trend indicates that costs have decreased over the past decade for most payment methods.

Figure 2 Average merchant service fee by card type



Note: Diners Club was shut down by NAB on 15 April 2024.

Source: RBA

While this data does not include the cost of terminals, our benchmarking analysis above does. As part of this analysis, we have recorded the market offerings available to small businesses since 2019. This data also shows costs have not increased.

Comparing our benchmarking analysis for our current review (3 per cent) to our 2019 review (2.9 per cent) shows that the average implied surcharge has increased slightly. However, this is driven by a decrease in fare revenue per terminal. Costs have also changed however the fall in revenue outweighs the change in cost of payment processing services available to small businesses, which have decreased or remained stable.

3. Non-cash payment surcharge

We considered stakeholder views on whether the current surcharges recover the reasonable costs of facilitating taxi non-cash payments

In our consultation paper, we asked stakeholders to provide information and evidence to support their views on whether the current surcharges recovered the reasonable costs of facilitating non-cash payments for taxi services.

In response, we heard mixed views on whether the current surcharges were appropriate. Some stakeholders said the current surcharges were too high, noting that other sectors of the economy had lower levels of surcharging.⁵⁴ Other stakeholders, particularly payment processors, put forward that the 4 per cent surcharge should be increased to 5 per cent.⁵⁵

Stakeholders' arguments for why the current surcharges are not reasonable include:

- Taxi payment processing costs increased due to inflation.
- Revenue per terminal is lower than 2019 levels (pre-pandemic).
- 3G network shutdown means processors must replace their payment terminals.
- Surcharges are higher than other sectors of the economy.

Our consideration of these matters is outlined below.

Taxi payment processing costs increased due to inflation

Some submissions discussed the impact that inflation has had on their costs.⁵⁶ They stated that it resulted in increases in the costs of their operational activities.

Most taxi payment processors act as intermediaries between acquirers and taxi drivers.⁵⁷ In addition to merchant service fees (the variable cost charged to the business for processing a transaction), taxi payment processors have costs related to accessing, maintaining, and providing

⁵⁴ VISA, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 30 October 2023.

⁵⁵ A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023; GM cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December; anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023.

⁵⁶ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023; A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023, GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023.

⁵⁷ Not all are intermediaries. Live Payment Group, formerly Live Taxi, is an acquirer.

3. Non-cash payment surcharge

terminals to taxi drivers. While our analysis suggests merchant service fees have not increased (see Figure 2 above), broader operational costs are likely to have increased due to inflationary pressures.⁵⁸

We consider that increases in taxi fares are likely to compensate for some of the underlying increases in costs. While taxi payment processors do not retain fare revenue, increases in fares means the dollar amount recovered via the surcharge per trip should increase.⁵⁹

After no fare changes since 2014, we increased unbooked taxi fares by 11.2 per cent in 2022 and 4.1 per cent in 2023.⁶⁰ Our draft decision for this review is to increase unbooked taxi fares further by 5.7 per cent.

These fare increases only apply to unbooked taxi trips. Booking service providers have told us that they use unbooked fares as a benchmark for setting fixed fee booked taxi fares, and that many booked trips still use the taxi meter. So, booked fares are also likely to have increased.

Overall, this means that for any given taxi trip, such as the airport to the CBD, the dollar amount collected via the surcharge has been increasing in line with the changes in the costs of providing taxi services.

Revenue per terminal is falling over the long term

In their submissions, taxi payment processors outlined how fare revenue per payment terminal was falling over the long term.⁶¹ As there are fixed costs associated with processing non-cash payments, taxi payment processors argued that the surcharge needs to increase to compensate for the fall in revenue.⁶²

Taxi payment processors attributed the fall in revenue per payment terminal to the following:

⁵⁸ Our previous reviews found that merchant service fees account for between 10 and 43 per cent of taxi payment processors' costs.

⁵⁹ This only relates to the revenue recovered per trip and not overall revenue. Broader changes in supply and demand for taxi services could result in increases or decreases in total revenue.

⁶⁰ <https://www.esc.vic.gov.au/transport/commercial-passenger-vehicles/commercial-passenger-vehicle-prices/maximum-taxi-fares/unbooked-taxi-fare-review-2022>.

⁶¹ GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023, A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

⁶² As noted in our previous review, the surcharge needed to recover their costs is equal to 'total reasonable costs' divided by 'total fare revenue processed'. If fare revenue falls relative to costs, the implied surcharge would need to increase.

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- Increases in part time drivers. This reflects changing labour conditions and lower barriers to entry due to the 2017 legislative change that removed limits on the number of taxis and reduced licencing costs.
- Increase in use of app-based taxi payments. These apps are run by booking service providers. As more payments are made via apps there will be less revenue processed by in-taxi payment terminals.
- Demand for taxi services has not recovered to 2019 levels (pre-pandemic). Changes in demand for taxi services will change the amount of fare revenue that is processed by payment processors.

We have taken into account the changes in revenue per terminal and the number of terminals per taxi in our benchmarking analysis.

However, we also note that there are risks associated with increasing prices in response to falling demand and heightened competition from apps. It could put downward pressure on demand and result in further declines in revenue per terminal.

We note that the supply of payment terminals is not fixed. If the falls in utilisation and demand are driven by long-term changes in taxi supply or consumer behaviour, then we expect that the number of terminals would also respond to these changes over time. As noted in our benchmarking analysis, a consolidation of terminals per taxi would reduce costs.

3G network shutdown means processors must replace their payment terminals

The payment terminals that taxi drivers use require a connection to the mobile network. As a result, the upcoming shutdown of the 3G network is having an impact on taxi payment processors.⁶³

Some of the taxi payment processors who engaged in our review have stated that they are required to roll out new payment terminals, as their current stock of terminals only have 3G connectivity. The submissions point to increases in capital expenditure (for new terminals) and operating expenditure (for example, for software development) related to the 3G network shutdown.⁶⁴

⁶³ Telstra is shutting down its 3G network on 31 August 2024, while Vodafone has already shut down its network and Optus plans to shut down its 3G network later this year. This occurs periodically as mobile providers seek to provide more spectrum for next generation technology, such as 5G (for example, Telstra shut down its 2G network in December 2016).

⁶⁴ GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023, A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

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The current 4 per cent surcharge was set based on a cost build-up model. It included a revenue allowance for the rental or purchase cost of terminals and staffing costs related to managing terminals. This means that the cost of managing the replacement of payment terminals is already included in the current surcharge.

We understand that the upcoming shutdown was announced as early as October 2019.⁶⁵ As payment terminals have useful lives of around 3 years, businesses had the opportunity to replace the payment terminals to reduce the risk of cost spikes and stranded assets.

We have heard from several taxi payment processors that, for various business reasons, they have only recently commenced the roll-out of their 4G terminals, meaning that many terminals will be replaced prior to the end of their useful life. We acknowledge that the replacement of an entire stock of payment terminals could result in a spike in expenditure. However, the current surcharge accounted for the cost of payment processors replacing their terminals over time. The timing of capital investment is a purely business decision by payment processors.

We do not see evidence of cost increases related to 4G connectivity. Comparing the payment terminals in our benchmarking analysis that are available today to our 2019 review, the costs have not increased. However, stakeholders have stated that new terminals in the taxi payment industry may cost more due to additional functionality and features.⁶⁶

We note that some payment processors are using the rollout of new terminals to provide higher standards of service to taxi operators and passengers. This includes the integration of payment terminals with taxi meters that may improve metering capabilities. We consider that this brings broader benefits to networks, operators and passengers that are not reasonable costs of accepting and processing non-cash payments.⁶⁷

Surcharges are higher than other sectors of the economy

In contrast to the views provided by taxi payment processors, other submissions stated that the current surcharges are too high, and exceed the Reserve Bank of Australia's guide on the cost of acceptance of non-cash payment methods.⁶⁸ The Reserve Bank of Australia states that the cost of

⁶⁵ <https://www.telstra.com.au/exchange/1--2--3--4-and-5--the-continuing-evolution-of-our-mobile-network>, accessed 2 April 2024.

⁶⁶ A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023

⁶⁷ Our task is to set a surcharge that recovers the reasonable costs of accepting non-cash payments. See *Commercial Passenger Vehicle Industry Act 2017*, s 122(2).

⁶⁸ VISA, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 14 December 2023; Anonymous, submission to the Essential Services

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acceptance for merchants is around 0.3 per cent for eftpos, 0.5 per cent for debit cards, 0.75 per cent for credit cards and 1 to 1.5 per cent for American Express card payment.⁶⁹

However, this range is based on average data across the economy. Typically, taxi drivers have lower turnover per terminal than the average business. As outlined in our benchmarking analysis, it is common for taxi drivers to use multiple payment terminals. This dilutes the amount of revenue that is processed per terminal and increases the proportion of fixed costs that needs to be recovered when processing payments for taxi services. Recent Reserve Bank of Australia research shows that for businesses with low turnover, the average cost of acceptance of debit and credit transactions is around 2 per cent.⁷⁰ Previous research shows it is not uncommon for low turnover businesses to have a cost of acceptance as high as 4 per cent.⁷¹

Some submissions stated that the surcharges should decrease over time due to improvements in technology and the growth of the digital economy.⁷² This includes increased availability of low-cost payment terminals such as mPOS and tap to phone technologies. However, we have heard that take-up in the taxi industry has been low and that EFTPOS terminals are a more appropriate benchmark (partly due to regulatory requirements – see Appendix E).

We considered the impact of the multiple EFTPOS terminals and the typical amount of turnover for taxi services in our benchmarking analysis. It shows that using market offers for payment terminals available to small businesses requires up to a 3.6 per cent surcharge to recover their cost of accepting non-cash payments.

Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 30 October 2023.

⁶⁹ <https://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/q-and-a/card-payments-regulation-qa-conclusions-paper.html#surcharging-consumers-q8>, accessed 2 April 2024.

⁷⁰ [The Effect of Least-cost Routing on Merchant Payment Costs | Bulletin – April 2024 | RBA](https://www.rba.gov.au/publications/bulletin/2024/apr/the-effect-of-least-cost-routing-on-merchant-payment-costs.html), Graph 1: Cost of Acceptance by Scheme, <https://www.rba.gov.au/publications/bulletin/2024/apr/the-effect-of-least-cost-routing-on-merchant-payment-costs.html>.

⁷¹ [The Cost of Card Payments for Merchants | Bulletin – March 2020 | RBA](https://www.rba.gov.au/publications/bulletin/2020/mar/the-cost-of-card-payments-for-merchants.html), Graph 4: Cost of acceptance by merchant size, <https://www.rba.gov.au/publications/bulletin/2020/mar/the-cost-of-card-payments-for-merchants.html>.

⁷² Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 31 October 2023; Visa, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023.

3. Non-cash payment surcharge

Other matters raised by stakeholders

There should be a single surcharge for all non-cash payments

Some submissions stated that the separate surcharge for commercial passenger vehicle specific instruments should be removed.⁷³ Those submissions supported uniform surcharges amongst comparable payment instruments.⁷⁴

In our previous reviews, we set a 6 per cent surcharge to reflect the reasonable costs of the Cabcharge payment instrument. A2B incurs costs related to issuing cards to its Cabcharge cardholders that other taxi payment processors do not incur.⁷⁵ The issuing costs include things like card printing, account management, and working capital to fund account holder credit. Overall, this results in the reasonable costs of accepting and processing Cabcharge payments being higher than the reasonable costs of other non-cash payment methods.

We have not received added information that indicates that these costs have changed. As the surcharge is set at a level to recover costs it should not produce any windfall profit for A2B.

From the perspective of taxi passengers, we note that Cabcharge payment instruments are generally used by employees of corporations. These users are opting in to the Cabcharge system. Passengers that do not use the Cabcharge payment instruments are not affected by the higher surcharge.

Differentiating surcharges by card type

One submission advocated for the surcharges to be differentiated by card type.⁷⁶ This would mean having different surcharges for eftpos, debit and credit card transactions.

Our view is that having different surcharges for different payment methods could create confusion. The payment processor data we collected in our previous reviews showed that the differences in processing costs between most payment methods for taxi services were relatively small (except for

⁷³ GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023.

⁷⁴ A2B currently provides the only commercial passenger vehicle specific payment instrument – Cabcharge.

⁷⁵ Taxi payment processors are providing services to merchants (taxi driver and operators). Cabcharge provides services to merchants and cardholders (customers who have Cabcharge accounts). The costs involved in issuing cards to these customers are what we refer to as 'issuing costs'.

⁷⁶ Visa, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023.

3. Non-cash payment surcharge

the Cabcharge instrument). We consider there would be little benefit to differentiating surcharges at this stage.

Submissions have called for changes in the regulatory framework or deregulation

Several submissions called for a review of the regulatory arrangements related to taxi non-cash payment surcharging.⁷⁷

They noted that changes in the demand for taxi services, technological advancements in payments, changes in consumer spending behaviour and inconsistencies between the regulation of rideshare and taxi services means that the current regulatory framework may not be fit-for-purpose.

Submissions discussed the potential of alternative models, such as deregulation or inclusion in the Reserve Bank of Australia's payment scheme rules.

These issues are outside the scope of our role.

Our draft decision is to maintain the existing non-cash payment surcharges

Our draft decision is for the maximum non-cash payment surcharge for taxi services in Victoria to remain at:

- **4 per cent** (including GST) for all non-cash payment methods, except commercial passenger vehicle specific payment instruments
- **6 per cent** (no GST payable) for commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments).

Our draft decision maintains two separate surcharges. The difference between the two relates to additional issuing costs associated with the Cabcharge payment instrument. This surcharge applies to any other future commercial passenger vehicle specific payment instruments that taxi payment processors may develop during this regulatory period.

⁷⁷ Visa, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023, GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023, A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023, Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 31 October 2023; Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023.

3. Non-cash payment surcharge

The 4 per cent surcharge recovers the reasonable costs of processing most non-cash payment methods

We propose to set a maximum 4 per cent surcharge that applies to most non-cash payment methods, including:

- eftpos transactions
- Mastercard and VISA debit and credit card transactions
- American Express transactions.

We consider that a 4 per cent surcharge recovers the reasonable costs of processing non-cash payment transactions. This is based on our previous reviews where we conducted benchmarking analysis and collected extensive cost data to perform a cost build-up.

In coming to our draft decision, we considered views and information provided by stakeholders about whether the 4 per cent continued to be appropriate. We heard mixed views but did not consider that the information provided supported a change to the current level of surcharges.

We also benchmarked these surcharges against comparable market offerings in the broader economy. It shows that non-cash payment transactions can be processed at cost between 2.0 per cent and 3.6 per cent. This means that the current 4 per cent surcharge should enable taxi payment processors to recover the cost of processing non-cash payments in the taxi industry.

More broadly, we do not see evidence of changes in the cost of facilitating non-cash payment transactions. Economy-wide data and market offers for payment services for small businesses shows that the cost of accepting non-cash payments has stabilised since 2022 and is around the same levels as pre-pandemic data.

While inflation is likely to contribute to increases in operational costs for taxi payment processors, we consider that the 15.8 per cent increase in fares since 2022, and further fare increase proposed in this draft decision, should compensate for some of the increase in operational costs.

The 6 per cent surcharge reflects higher issuing costs for the Cabcharge payment system

We propose to set a 6 per cent surcharge (no GST payable) for commercial passenger vehicle specific payment instruments. At present, A2B is the only taxi payment processor that operates a payment scheme (Cabcharge). It will also apply to any future commercial passenger vehicle specific payment instruments that may be developed during the regulatory period.

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Through the Cabcharge payment instrument, A2B provides a charge card like service similar to American Express.⁷⁸ It also provides Cabcharge account holders with additional services using a combination of different payment instruments (single use cards, plastic cards, and digital passes) and geographical usage information.

We previously found that a 6 per cent surcharge recovered the reasonable costs of facilitating non-cash payments made using commercial passenger vehicle specific payment instruments (such as Cabcharge payment instruments). This was based on the bottom-up cost assessment we conducted in our previous reviews. We found that processing Cabcharge payments had different costs than other payment methods and that a 6 per cent surcharge was required to recover these costs.⁷⁹

We have not identified any substantive new information during this review that suggests the costs of processing commercial passenger vehicle specific instruments have changed since we undertook our cost build-up analysis in 2019. Therefore, we consider the cost build-up analysis remains valid and that a 6 per cent (no GST payable) surcharge will recover the reasonable costs of these types of payment instruments.

We note that the 6 per cent surcharge is a maximum and A2B currently chooses to charge a 5 per cent surcharge only for Cabcharge users, consistent with the maximum surcharge that applies in each of the other Australian states and Territories.⁸⁰

⁷⁸ See Appendix C for an explanation of the differences between different payment schemes.

⁷⁹ For the Cabcharge payment system, A2B acts as both the merchant's bank (the taxi driver or operator) and the cardholder's bank and therefore faces different costs in relation to this specific payment instrument compared to other taxi payment processors. Other taxi payment processors only provide 'merchant' services and do not face costs related to cardholders (which we call 'issuing costs'). These costs primarily relate to issuing cards to customers, such as card printing, account management and working capital to fund account holder credit. As outlined in our previous reviews, overall, the Cabcharge instrument had higher reasonable costs than the taxi payment processors. See our 2019 decision: Essential Services Commission, *Taxi Non-Cash Payment Surcharge Review 2019, Final Decision*, March 2020

⁸⁰ [Cabcharge Fees | Cabcharge Help Center](#), accessed 23 May 2024.

3. Non-cash payment surcharge

Appendix A: Stakeholder submissions

Between October and December 2023, we released a consultation paper seeking public and stakeholder views on our proposed approach to setting the maximum fares for unbooked taxi services and non-cash payment surcharge. Our public engagement ran for a total of six weeks. We received a total of 14 written submissions throughout the engagement process. Six of these submissions were confidential.

Table A.1 Consultation paper submissions received via Engage Victoria and via email

Name of submitter	Date received
Anonymous	31 October 2023
Anonymous	30 October 2023
Anonymous	24 November 2023
Anonymous	12 December 2023
Anonymous	12 December 2023
Visa	15 December 2023
A2B	20 December 2023
GM Cabs	22 December 2023

Appendix B: Commercial Passenger Vehicle industry

This Appendix provides context for our review of maximum fares including a brief overview of the commercial passenger vehicle industry and a comparison of maximum fares across jurisdictions.

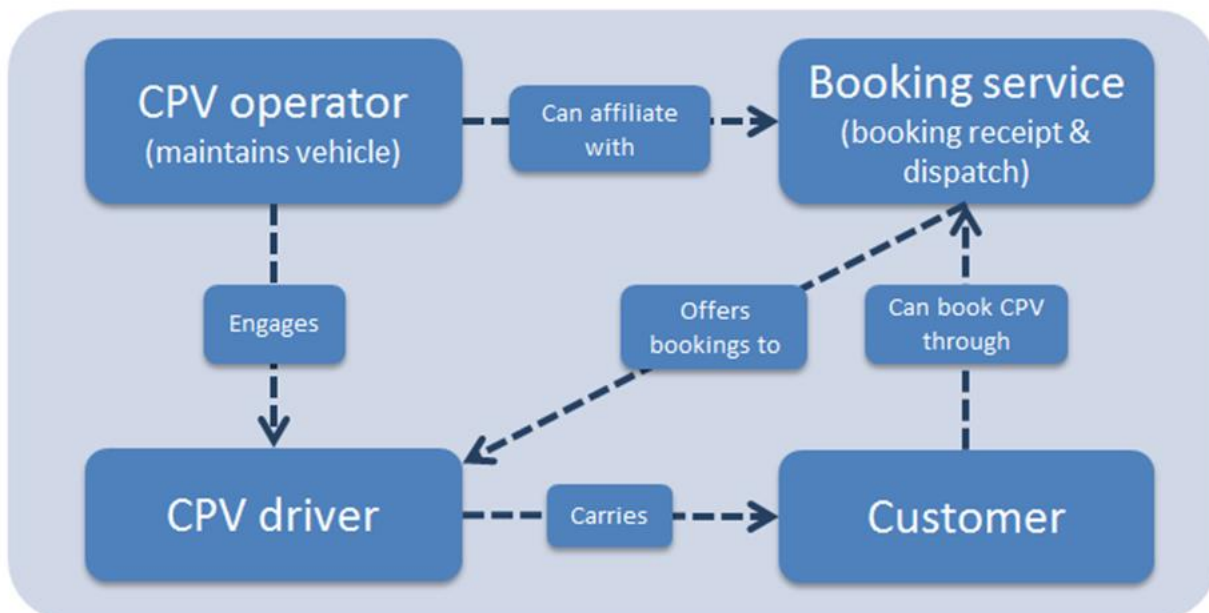
The commercial passenger vehicle industry

The commercial passenger vehicle industry provides the hire of point-to-point vehicle transport. This is different to other forms of commercial transport that, for example, run on pre-specified routes. Commercial passenger vehicles include taxis, hire cars and rideshare vehicles.

Commercial passenger vehicle industry participants

The main industry participants in the commercial passenger vehicle industry are operators, drivers and booking service providers. The key functions of these industry participants are shown in Figure B.1. In some cases, an individual participant may take on more than one role. For example, an operator may drive vehicles, or a booking service provider may operate vehicles. Taxi drivers may also operate independently as an operator-driver and choose not to be affiliated with any major booking service provider.

Figure B.1 Commercial passenger vehicle industry participants



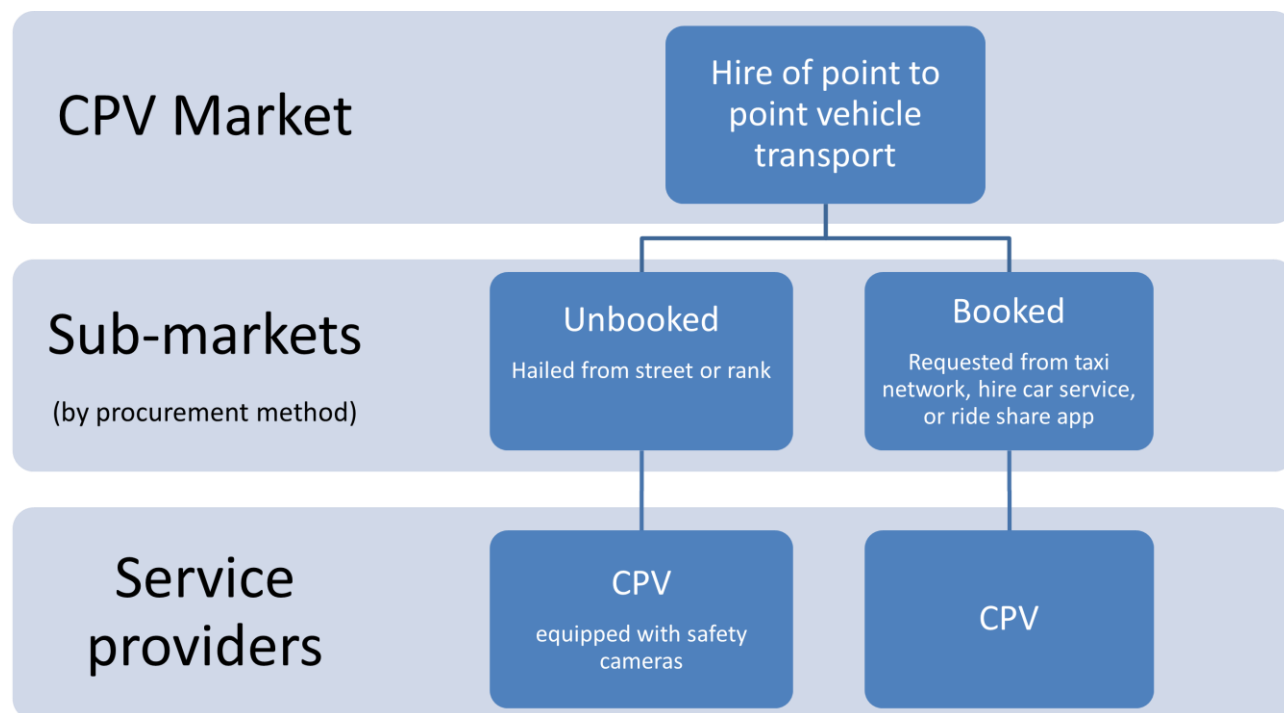
Submarkets and service providers

It is useful to divide the market for commercial passenger vehicle services into two submarkets depending on the way passengers obtain services:

- unbooked (rank and hail) services: trips hailed from the street or hired from a designated taxi rank
- booked services: trips that have been booked in advance via an app, over the phone or via a website.

To provide unbooked commercial passenger vehicle services, a vehicle must meet certain requirements. For example, a fare calculation device⁸¹ and security camera⁸² must be installed. Typically, taxis are the only commercial passenger vehicles that meet these requirements and therefore it is currently only taxis that can provide unbooked services. Figure B.2 illustrates the differences between booked and unbooked commercial passenger vehicle services.

Figure B.2 Submarkets for commercial passenger vehicle services



⁸¹ Commercial Passenger Vehicle Industry Regulations 2018, r. 12.

⁸² Commercial Passenger Vehicle Industry Regulations 2018, r. 14.

Hire cars and rideshare vehicles that operate exclusively in the booked market are not subject to fare regulation. Fares for booked taxi services are also not subject to regulation. Some taxis are now also providing booked services via rideshare apps.⁸³

In the unbooked submarket, negotiation of fares between service providers and consumers may be difficult or impractical. Consumers do not have complete information on the availability of services and fares offered by other service providers. In the booked market, consumers are typically better placed to negotiate prices, or to at least compare differing services and prices. It is easier to seek a fare estimate upfront and compare service providers using an app or over the phone or the internet.

Commercial passenger vehicle zones

Historically, there were four zones in Victoria: the Melbourne Metropolitan Zone, the Urban Zone (which we now refer to as the Urban and Large Regional Zone), the regional zone, and the country zone (shown in Figure B.3). These zones were determined to define the boundaries of where taxis were allowed to operate before taxi licences were abolished.⁸⁴ While the licence restrictions no longer exist, the zone boundaries are still used to define the areas in which we may regulate unbooked fares.

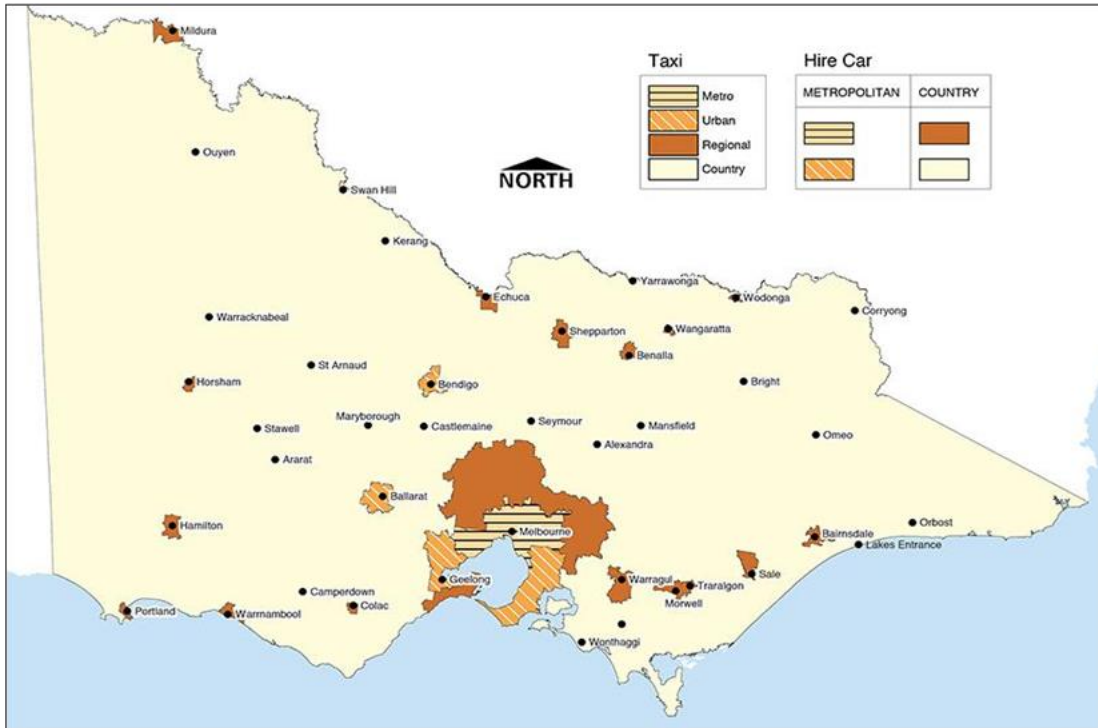
We may only set maximum fares for unbooked commercial passenger vehicle trips that begin in the Melbourne Metropolitan or Urban and Large Regional Zones.⁸⁵ For trips that begin in all other parts of Victoria, taxi service providers set their own prices for both unbooked and booked trips.

⁸³ <https://www.uber.com/au/en/r/cities/taxi/melbourne-vic-au/>, accessed May 2024

⁸⁴ These zones are defined in the 2014 Determination of Taxi Zone Boundaries, issued by the Taxi Services Commission (now Safe Transport Victoria) (Victorian Government Gazette No. S 184 Thursday 12 June 2014).

⁸⁵ Section 110A of the *Commercial Passenger Vehicle Industry Act 2017*.

Figure B.3 Historical taxi zones in Victoria



Competition in the commercial passenger vehicle industry

There are currently many commercial passenger vehicle services utilising smartphone technology. This has resulted in more competition between taxi operators, hire cars and rideshare services.

Smartphone technology has also changed the way that passengers can book a commercial passenger vehicle service. It is now common for passengers to book taxis using a booking app.

The increasing number of booking apps has had two notable impacts:

- It is easier to make bookings for taxis and hire cars where the consumer requests an immediate pick up. As a result, booked services are increasingly becoming a substitute for unbooked services.
- Booking apps have introduced some degree of flexibility to fares for booked services. Some taxi booking service providers and operators have been providing discounted trips and fixed fares for booked services.

Dynamic pricing in rideshare services

Fares for rideshare services are calculated in the booking app and vary with the time and distance travelled. The booking service provider sets a base fare rate. Some booking service providers vary their rates using an algorithm that increases fares above the base rate during times of peak demand and limited supply. This allows dynamic pricing in response to demand and supply (also referred to as surge pricing).

Comparison of fare regulation and taxi fares in Australian jurisdictions

Unbooked taxi services remain regulated in all Australian jurisdictions

All jurisdictions in Australia have a maximum tariff fare structure in place for unbooked taxi services. Some states still set a regulated maximum fare for booked taxi trips. Most of the jurisdictions still regulate taxi licences. This comparison is provided in table B.1.

Table B.1 Taxi regulation in Australian jurisdictions, as of May 2024

Jurisdiction	Regulation of booked Fares	Regulation of unbooked fares	Limit on number of licenses
Australian Capital Territory	✓	✓	✓
New South Wales	x	✓	x
Northern Territory	✓	✓	✓
Queensland	x	✓	✓
South Australia	✓	✓	✓
Tasmania	✓	✓	✓
Victoria	x	✓	x
Western Australia	x	✓	x

All Australian jurisdictions increased their maximum fares since 2022

All states and territories increased their maximum fares since 2022. These increases range from 4 to 15 per cent. Tasmania had the smallest increase, while the increase in maximum fares in Victoria was the highest, reflecting the 11.2 per cent increase in 2022 and 4.1 per cent increase in 2023.

The structure and level of fares varies. Tables B.2 and B.3 compare maximum fares in Australian jurisdictions for day period and peak period fares respectively.

Table B.2 Day period fares in urban areas, as of May 2024

Jurisdiction	Flagfall	Distance rate	Waiting rate
Australian Capital Territory ^a	\$5.85	\$2.45	101.2c/minute
New South Wales ^b	\$3.60	\$2.29	94.4c/minute
Northern Territory ^c	\$5.70	\$1.78	107.1c/minute
Queensland ^d	\$3.40	\$2.48	93.0c/minute
South Australia ^e	\$3.90	\$2.11	74.3c/minute
Tasmania ^f	\$3.90	\$2.12	64.0c/minute
Victoria ^g	\$4.85	\$1.88	65.8c/minute
Western Australia ^h	\$5.10	\$2.04	96.7c/minute

^a Australian Capital Territory, Road transport (Public Passenger Services) maximum fares for taxi services determination 2023 (No 1), Accessed May 2024, (actcabs.com.au). ^b Point to point transport (Fares) Order 2023 under the Point to Point Transport (Taxis and Hire Vehicles) Act 2016, Accessed May 2024, Rank and hail taxi fares and charges | transportnsw.info. ^c Northern Territory, Taxi areas, meters and fares, Accessed 20 May 2024, Taxi areas, meters and fares | NT.GOV.AU. ^d Queensland Government Department of Transport and Main Roads, Maximum taxi fares notices (No. 1) 2023 under Transport Operations (Passenger Transport) Act 1994, Accessed 20 May 2024 | publications.qld.gov.au. ^e South Australia, Taxis, Accessed 20 May 2024, [SA.GOV.AU – Taxis \(www.sa.gov.au\)](http://SA.GOV.AU – Taxis (www.sa.gov.au)). ^f Tasmania Transport Services, Calculating your fare, Accessed 20 May 2024, Calculating your fare – Transport Services. ^g Essential Services Commission 2023, Unbooked Taxi Fare Annual Adjustment 2023: Commission assessment, 24 August, Accessed 20 May 2022 | esc.vic.gov.au. ^h Western Australia Department of Transport, On-demand rank or hail fares, Accessed 20 May 2024, [On-demand rank or hail \(taxi\) fares \(transport.wa.gov.au\)](http://On-demand rank or hail (taxi) fares (transport.wa.gov.au)).

Table B.3 Peak period fares in urban areas, as of May 2024

Jurisdiction	Flagfall	Distance rate	Waiting rate
Australian Capital Territory ^a	\$5.85	\$2.75	101.2c/minute
New South Wales ^b	\$6.10	\$2.73	94.4c/minute
Northern Territory ^c	\$6.90	\$2.18	107.1c/minute
Queensland ^d	\$5.50	\$2.48	93.0c/minute
South Australia ^e	\$5.20	\$2.43	74.3c/minute
Tasmania ^f	\$3.90	\$2.54	64.0c/minute
Victoria ^g	\$6.05	\$2.09	65.8c/minute
Western Australia ^h	\$7.30	\$2.04	96.7c/minute

^a Australian Capital Territory, Road transport (Public Passenger Services) maximum fares for taxi services determination 2023 (No 1), Accessed May 2024, (actcabs.com.au). ^b Point to point transport (Fares) Order 2023 under the Point to Point Transport (Taxis and Hire Vehicles) Act 2016, Accessed May 2024, Rank and hail taxi fares and charges | transportnsw.info. ^c Northern Territory, Taxi areas, meters and fares, Accessed 20 May 2024, Taxi areas, meters and fares | NT.GOV.AU. ^d Queensland Government Department of Transport and Main Roads, Maximum taxi fares notices (No. 1) 2023 under Transport Operations (Passenger Transport) Act 1994, Accessed 20 May 2024 | publications.qld.gov.au. ^e South Australia, Taxis, Accessed 20 May 2024, [SA.GOV.AU – Taxis \(www.sa.gov.au\)](http://SA.GOV.AU – Taxis (www.sa.gov.au)). ^f Tasmania Transport Services, Calculating your fare, Accessed 20 May 2024, Calculating your fare – Transport Services. ^g Essential Services Commission 2023, Unbooked Taxi Fare Annual Adjustment 2023: Commission assessment, 24 August, Accessed 20 May 2022 | esc.vic.gov.au. ^h Western Australia Department of Transport, On-demand rank or hail fares, Accessed 20 May 2024, [On-demand rank or hail \(taxi\) fares \(transport.wa.gov.au\)](http://On-demand rank or hail (taxi) fares (transport.wa.gov.au)).

Approach to setting maximum taxi fares differ

Approaches to setting maximum taxi fares vary across jurisdictions, but the most commonly used approach is either to index fares directly to CPI inflation, or to use a taxi cost index to adjust fares by changes in taxi operating costs over time.

In Victoria, fares are adjusted using a taxi cost index. A comparison of fare setting methodologies is shown in Table B.4, including the years fares were last increased.

Table B.4 Approach to setting maximum fares, as of May 2024

Jurisdiction	Last Increase to maximum fares	Approach to setting fares
Australian Capital Territory	2023	CPI
Tasmania	2022	Index
Western Australia	2023	Index
Northern Territory	2023	CPI
South Australia	2023	Index
New South Wales	2022	Supply model
Queensland	2023	Index
Victoria	2023	Taxi cost index

Appendix C: Non-cash payments supply chain

This Appendix explains how non-cash payment products work in general and the ways in which non-cash payments in the taxi industry are similar or different to non-cash payments in the broader economy.

Non-cash payment products

Non-cash payment products allow consumers to pay, and businesses to accept payment, for goods and services without using cash. There are two main elements of non-cash payment products:

- The payment instruments consumers use, like cheques and credit, debit and charge cards.
- The payment arrangements or card schemes in place, which ensure funds move to and from the accounts of relevant financial institutions.

The Reserve Bank of Australia reports that between 2010 and 2023, non-cash payments increased from 38 per cent to 87 per cent of all transactions in Australia.⁸⁶

Payment instruments

There are three types of non-cash payment products:

- Payment cards – credit cards, charge cards, debit cards, store cards, and prepaid cards.
- Paper products – personal cheques, bank cheques, travellers' cheques, and money orders.
- Electronic products – direct debit, direct credit, BPAY, POSTbillpay, New Payments Platform, and Real Time Gross Settlements.

A payment product may be combined with a payment interface. For example, a mobile wallet (payment interface) can be combined with many payment products (credit cards, debit cards or the New Payments Platform).

While payment cards are currently the most used payment product on mobile wallets, this may not be the case in the future (for example, a mobile wallet could be combined with an electronic product like the New Payments Platform to perform an account-to-account two party payment).

⁸⁶ RBA (2023), Consumer Payment Behaviour in Australia: Evidence from the 2022 Consumer Payments Survey, Research Discussion Paper 2023-08, June, p.3.

The most used form of non-cash payment in Australia is payment cards. In 2022, card payments made up 76 per cent of all payments.⁸⁷ Some of the most used cards are Visa, Mastercard, and eftpos.

When a credit or charge card is used, the cardholder pays for goods and services using credit from the financial institution that issued the credit or charge card. The card may be used by the cardholder at the point of sale (card-present) or via phone or the internet (card-not-present).

When a debit card is used, the cardholder uses money they have deposited in an account to purchase goods or services. There are two types of debit cards in Australia: eftpos cards and scheme debit cards. Eftpos cards are issued by Australian banks and are mainly used domestically. Eftpos card transactions may only occur in person at the point of sale (card-present). Scheme debit cards are part of either the Visa Debit or Mastercard Debit networks. Scheme debit cards can be used in Australia or overseas for either card-present or card-not-present transactions, such as online transactions.

Payment arrangements or card schemes

A payment arrangement or a card scheme is a payment network which consumers and businesses can access to make or accept payment. The networks are accessed mostly by payment cards.

A cash transaction involves two parties, while non-cash payment transactions usually involve at least three or four parties, and sometimes can involve more. These additional parties are known as payment intermediaries, and their role is primarily to undertake payment authorisation and payment clearing, and to provide settlement.

The two most common types of payment card schemes are four-party and three-party schemes which are outlined in detail below.

Key players

There are five main groups of participants in the payments card network:⁸⁸

- **Cardholders** – the person or customer who has been issued the card.
- **Cardholder banks (also called issuing bank or issuer)** – the bank that issues the card to the cardholder, providing credit in the case of credit cards or access to the cardholder's funds in the case of debit cards.
- **Merchant** – the person or business accepting a card as payment for goods or services.

⁸⁷ RBA (2023), Consumer Payment Behaviour in Australia: Evidence from the 2022 Consumer Payments Survey, Research Discussion Paper 2023-08, June, p.3.

⁸⁸ RBA (2005), Review of RBA and Payment Systems Board Annual Reports 2005 (First Report), June, p.25.

- **Merchant banks (also called acquiring bank or acquirer)** – the institution that provides payment to merchants who have accepted a card as payment. It is responsible for requesting authorisation of a transaction from the cardholder’s bank. It also supplies payment terminals to merchants.
- **Payment schemes** – these schemes provide a range of services including transaction processing and international networking.

Another participant in the payments industry is a **merchant aggregator** (also known as a payment aggregator). Merchant aggregators facilitate payments between merchants and consumers, and process transactions for multiple merchants (‘sub-merchants’) through a single merchant account. This means merchants can accept non-cash payments without an individual merchant account. Merchant aggregators exist within the taxi payments industry and the broader economy. For example, Square is a merchant aggregator that operates within the broader economy. Square charges 1.6 per cent per transaction for card-present transactions.⁸⁹

How credit, debit, and charge card transactions work

There are two main stages of the payment process:

- **Clearing (information flow)** – the process of transmitting, reconciling and, in some cases, confirming transfer orders prior to settlement.
- **Settlement (money flow)** – the completion of a transaction with the aim of discharging participants’ obligations through the transfer of funds.

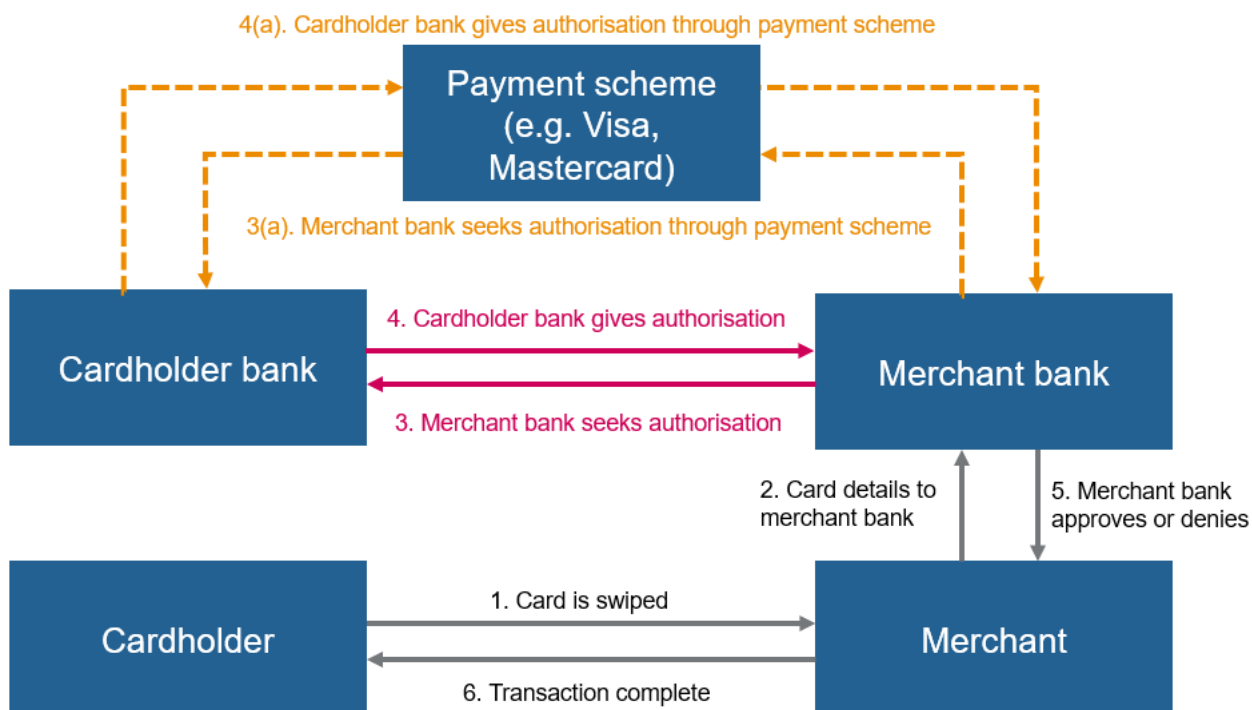
Figures C.1, C.2 and C.3 in this appendix describe the clearing (information flow) stage and the various fees and surcharges that are applied at this stage. These figures represent what occurs in relation to non-cash payments in the broader economy.

Flow of information and relevant charges: four-party scheme

The parties involved in a four-party scheme are the cardholder, the cardholder’s bank, the merchant, the merchant’s bank and, in some cases, the payment scheme. Figure C.1 describes the flow of information in a typical four-party scheme transaction.

⁸⁹ Square Pricing 2024, available at: <https://squareup.com/au/pricing> (last accessed 21 March 2024).

Figure C.1 Information flow for four-party scheme transaction



Notes: 1 Card is swiped through the payment terminal. 2 Transaction and cardholder details are sent to the merchant's bank. If the merchant's bank is also the cardholder's bank the transaction can be authorised internally and the authorisation returned to the merchant (Step 5). 3 If the cardholder's bank is a different financial institution, the merchant's bank sends the transaction to the cardholder's bank (3) or through the payment scheme such as Visa or Mastercard (3a). 4 The cardholder's bank authorises or declines the transaction and sends the relevant message to the merchant's bank (4) or via the payment scheme (4a). 5 The merchant's bank tells the merchant if the payment is authorised. 6 If the transaction is authorised, the transaction is complete.

Source: House of Representatives, Standing Committee on Economics, Finance and Public Administration (2006), Review of RBA and Payment Systems Board Annual Reports 2005 (First Report), June, p.26.

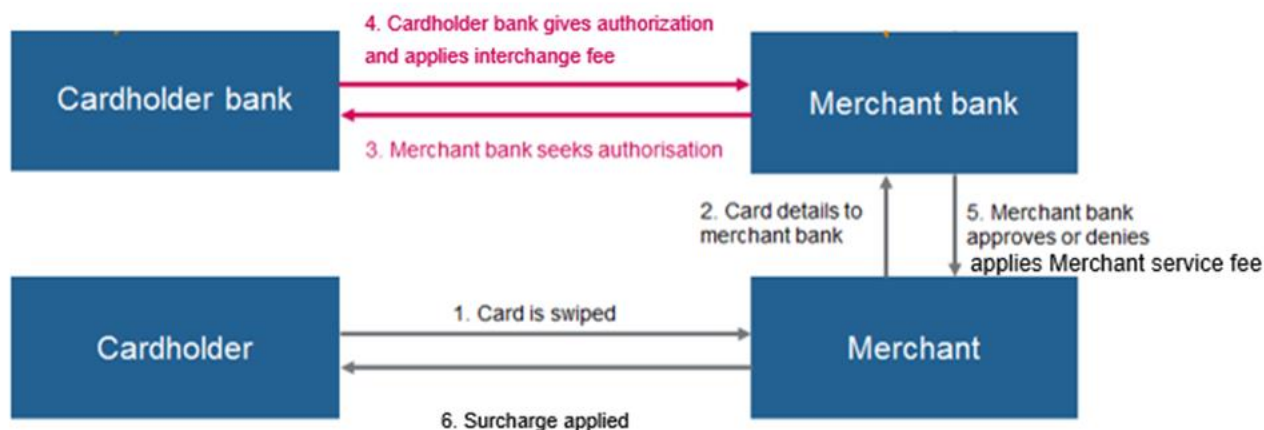
Fees paid in a four-party scheme transaction generally include an interchange fee, a merchant service fee, and a surcharge.

- An **interchange fee** is paid by the merchant's bank to the cardholder's bank every time a payment is made with a credit, debit, and charge card. However, for eftpos transactions it is the cardholder's bank which pays the merchant's bank an interchange fee. The level of interchange fee is agreed between the cardholder's bank and the card schemes (Visa, Mastercard, eftpos) but is capped by the Reserve Bank of Australia.
- The **merchant service fee** is charged by the merchant's bank to recover the costs of providing services to merchants. The merchant service fees are not capped by the Reserve Bank of Australia.

- The **surcharge** is the charge a merchant collects from a cardholder/customer to recover the costs of accepting a non-cash payment. Under the Reserve Bank of Australia's standards, a surcharge must not exceed the merchant's costs of accepting a card, being the average cost per card transaction.

Figure C.2 shows the four-party scheme transaction including a surcharge, a merchant service fee and interchange fees between the four parties.

Figure C.2 Four party scheme transaction surcharge and fee model



Note: for eftpos transactions, the cardholder's bank pays the interchange fee to the merchant's bank.

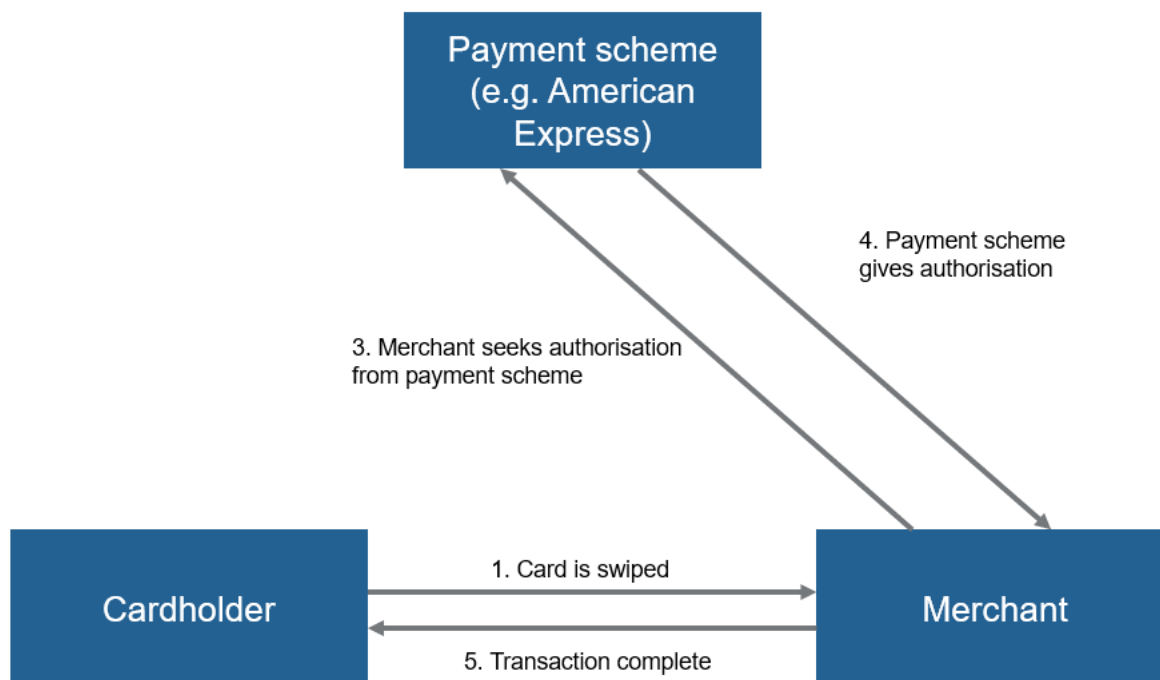
Source: House of Representatives, Standing Committee on Economics, Finance and Public Administration (2006), Review of RBA and Payment Systems Board Annual Reports 2005 (First Report), June, p.26.

Flow of information and relevant charges: three-party scheme

In a three-party scheme the issuer and the acquirer are the same entity. The key players are the issuer/acquirer, the cardholder and the merchant. American Express is a three-party scheme. American Express issues the card to the cardholder and authorises merchants to accept or decline the cardholder's American Express card. Three-party transactions accounted for around eight per cent of the number of all card transactions in 2023.⁹⁰ Figure C.3 shows the flow of information in a typical three-party scheme transaction.

⁹⁰ RBA, Payments Data, C1.3: Credit and Charge Cards – Market Share of Card Schemes, available at: <https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html> (last accessed 21 March 2024).

Figure C.3 Information flow for three-party scheme transaction



Notes: 1 Card is swiped by cardholder. 2 Merchant sends card details to the payment scheme (for example, American Express). 3 The payment scheme authorises or declines the transaction and sends the relevant message to the merchant. 4 If the transaction is authorised, the transaction is complete.

Source: House of Representatives, Standing Committee on Economics, Finance and Public Administration (2006), Review of RBA and Payment Systems Board Annual Reports 2005 (First Report), June, p.26.

Because the issuing and acquiring entities are the same, there is no interchange fee in a three-party scheme transaction. However, the issuing/acquiring entity charges the merchant a merchant service fee. Merchant service fees under three-party schemes are generally higher than those under four-party schemes.⁹¹ Three-party schemes are not subject to the Reserve Bank of Australia’s standard on surcharging. However, American Express has a voluntary undertaking consistent with the Reserve Bank of Australia’s surcharging standard.⁹²

Non-cash payments in the taxi industry

Payment instruments

In the taxi payments industry, credit, debit, and charge cards are all accepted forms of non-cash payments. Compared to other parts of the economy, charge cards have a larger market share of

⁹¹ RBA (2021), Review of Card Payments Regulation Conclusions Paper, October 2021, p.12.

⁹² RBA (2021), Review of Card Payments Regulation Conclusions Paper, October 2021, p.47.

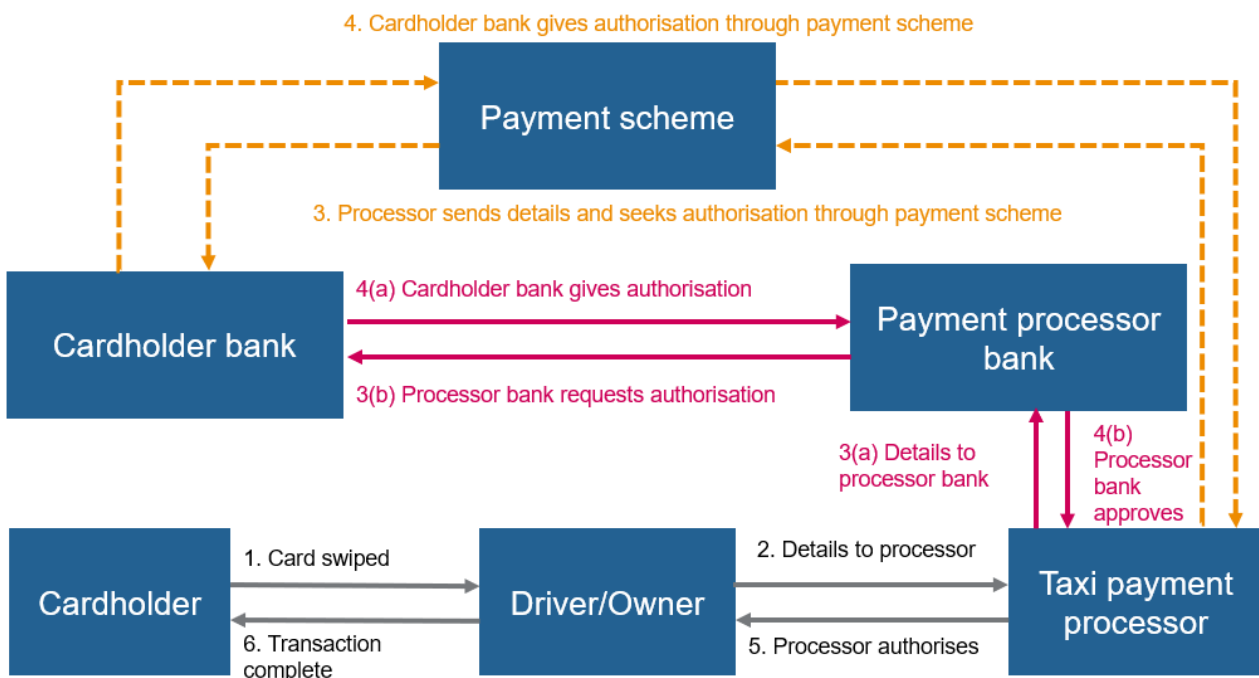
non-cash payments in the Victorian taxi payments industry. This is due to the widespread use of commercial passenger vehicle specific payment instruments (such as Cabcharge).

Four-party schemes

Some non-cash payment transactions in the taxi industry operate in the same way as the four-party scheme in the broader economy (shown in figure C.1). However, the majority of non-cash payments will be facilitated by another player – the taxi payment processor (primarily a sub-group of merchant aggregators)⁹³.

The taxi payment processor supplies payment terminals to drivers, booking service providers or taxi operators as part of its payment services. These processors aggregate taxi drivers and operators non-cash transactions and act as a merchant (see figure C.4).

Figure C.4 Four party scheme transactions in the taxi payments industry



Unlike other industries, the maximum surcharge that may be charged for non-cash payments for taxis is not regulated by the Reserve Bank of Australia. It is regulated by state regulators, including us in Victoria. Since 2020, we have set the maximum surcharges in Victoria at 4 per cent for most

⁹³ One taxi payment processor – Live Payment Group – is no longer a merchant aggregator but an acquirer that has also expanded into providing payment solutions to businesses in other sectors.

payment instruments and 6 per cent for commercial passenger vehicle specific payment instruments (like Cabcharge).

Cabcharge payment system

The Cabcharge payment scheme is a three-party scheme like that shown in figure C.3. As an issuer, A2B Australia has a relationship with Cabcharge account holders. It issues Cabcharge cards to account holders and can charge them a maximum surcharge of 6 per cent on all payments made on the card.

There is no interchange fee in the Cabcharge scheme because Cabcharge is both the issuer and acquirer.

Competition in Victoria for providing payment services

Historically, there has been a high degree of market concentration in taxi payment processing, with A2B holding a strong position in the market through the provision of payment processing services and a taxi-specific payment instrument (Cabcharge).⁹⁴ There are now a few companies providing payment services in the Victorian taxi non-cash payment transaction industry such as Live Payments, CabFare, GM Cabs and Oiii. A2B Australia continues to be the largest provider of taxi non-cash payment transaction services.

A2B Australia's competitors generally provide payment terminals to taxi drivers. To steer payments to their payment devices, taxi payment processors may provide drivers with different forms of incentives to encourage the use of their payment terminals. Some taxi payment processors offer drivers incentives such as commissions⁹⁵ or redeemable credits.⁹⁶

Another key benefit for many taxi drivers of using more than one terminal is cashflow control. If a driver uses the payment terminal provided by their booking service provider, their booking service provider or operator can automatically deduct money owed from the driver's non-cash payment takings. If the driver uses their own terminal, they can decide when to pay their booking service provider or operator.

While there are several taxi payment processors competing to process payment methods in widespread use throughout the economy, most of A2B Australia's competitors cannot accept Cabcharge or process Multi Purpose Taxi Program (MPTP) transactions. Cabcharge is a form of payment for business and government travellers, and under state government regulation, all

⁹⁴ Taxi Industry Inquiry, Customers First: Service, Safety, Choice, Final Report, September 2012, p. 208.

⁹⁵ <https://livepayments.com/industry/taxi> (accessed on 21 March 2024).

⁹⁶ <https://gmcabs.com.au/drivers/> (accessed on 21 March 2024).

commercial passenger vehicles that provide unbooked services are required to have a terminal that can process MPTP subsidies.⁹⁷

Oiii, Get Picked Up and Uber now offer MPTP services, meaning MPTP customers have an option to use an Oiii vehicle, Get Picked Up vehicle, Uber vehicle or taxi with an A2B terminal for their MPTP trips.⁹⁸

There is an increasing number of other non-cash payment services in the market including in-app payments, mPOS terminals and tap to phone services that are available to taxi operators. We understand some taxi operators in Victoria are using these products, but the uptake of mPOS terminals and tap to phone services has been low to date.

Taxi non-cash payment surcharging in other jurisdictions

This section looks at regulation of non-cash payments in taxis in other jurisdictions. We note that surcharges for non-cash payments are not permitted in the European Union and the United Kingdom. In the United States, surcharges are only permitted for credit card transactions but not debit cards.

The fees charged in other jurisdictions

Table C.1 shows the non-cash payment surcharges for taxis that apply in Australia and other jurisdictions. These maximum surcharges apply to all payment methods. Victoria is the only jurisdiction that has a separate surcharge for commercial passenger vehicle specific instruments.

Table C.1 Non-cash payment surcharges in other jurisdictions

Jurisdiction	0%	≈2%	≈5%	≈7%	≈10%
Australian Capital Territory ^a			X		
New South Wales ^b			X		
Queensland ^c			X		
Northern Territory ^d			X		
South Australia ^e			X		
Tasmania ^f			X		
Western Australia ^g			X		

⁹⁷ Safe Transport Victoria, Using your vehicle as a CPV, available at: <https://safetransport.vic.gov.au/on-the-road/commercial-passenger-vehicles/cpv-drivers/register-my-vehicle/> (accessed 21 March 2024).

⁹⁸ Safe Transport Victoria, MPTP Members, available at <https://safetransport.vic.gov.au/on-the-road/multi-purpose-taxi-program/mptp-members/> (accessed 3 June 2024).

Singapore ^h		X
United Kingdom ⁱ	X	
Chicago ^j	X	
Las Vegas ^k		X
New York ^l	X	
Quebec ^m	X	
European Union ⁿ	X	

^a Australian Capital Territory: <https://www.canberratimes.com.au/story/6045011/canberra-taxi-surcharges-to-be-capped-to-curb-exorbitant-card-fees/> (last accessed 21 March 2024). ^b New South Wales: https://www.transport.nsw.gov.au/system/files/media/documents/2023/Point-to-Point-Transport_Fares_Order.pdf (accessed 21 March 2024). ^c Queensland: <https://www.tmr.qld.gov.au/business-industry/Taxi-and-limousine/Industry-information/Industry-regulations/Maximum-payment-surcharge> (accessed 21 March 2024). ^d Northern Territory: <https://nt.gov.au/driving/industry/commercial-passenger-vehicles/taxi-areas-meters-and-fares> (accessed 21 March 2024). ^e South Australia: <https://www.sa.gov.au/topics/driving-and-transport/industry-services/taxi-and-passenger-transport/taxis> (accessed 21 March 2024). ^f Tasmania: https://www.transport.tas.gov.au/public_transport/taxis_and_ride_sourcing/calculating_your_fare/accordion/what_other_fees_and_charges_apply_to_taxis (accessed 21 March 2024). ^g Western Australia: <https://www.transport.wa.gov.au/On-demandTransport/on-demand-rank-or-hail-taxi-fares.asp> (accessed 21 March 2024). ^h Singapore: <https://www.cdgtaxi.com.sg/ride-with-us/fares/> (last accessed 21 March 2024). ⁱ United Kingdom: <https://tfl.gov.uk/modes/taxis-and-minicabs/taxi-fares> (last accessed 21 March 2024). ^j Chicago: https://311.chicago.gov/s/article/Paying-for-a-cab-with-a-credit-or-debit-card-brochure?language=en_US (last accessed 21 March 2024). ^k Las Vegas: https://taxi.nv.gov/Rider_Info/Approximate_Fare_Information/ (last accessed 21 March 2024). ^l New York: <https://www1.nyc.gov/site/tlc/passengers/taxi-fare.page> (last accessed 21 March 2024). ^m Quebec: <https://www.opc.gouv.qc.ca/en/consumer/topic/price-discount/advertised-price/debit-card/> (last accessed 21 March 2024). ⁿ European Union: https://europa.eu/youreurope/business/finance-funding/making-receiving-payments/electronic-cash-payments/index_en.htm#:~:text=You%20are%20free%20to%20accept%20whatever%20payment%20methods.providers%20are%20located%20within%20the%20EU.%20Sample%20story (last accessed 13 May 2024).

Appendix C: Non-cash payments supply chain

Appendix D: Taxi cost index

This appendix outlines how we propose to calculate the change in the maximum unbooked taxi fares and charges as part of our determination of maximum charges for unbooked commercial passenger vehicle services. To measure changes in the costs of operating a taxi over time, we use a taxi cost index. A cost index provides a way to estimate and track the cost of a good or service over time.

The Essential Services Commission Act requires us to have regard to efficient costs.⁹⁹ We use the **average** cost of operating a taxi because this is the cost that we consider is achievable for an efficient taxi. If costs are higher than average, we assume that operators will need to have other efficiency advantages to sustainably supply services, such as higher utilisation due to better service.

Our existing taxi cost index was constructed in 2022 using cost components relevant to taxi operators at that time. We measure changes in costs of conventional taxis and wheelchair accessible taxis separately.

To construct our taxi cost index, we:

- identified the **cost components** associated with operating a taxi
- calculated the share of each cost component as a proportion of total cost (**cost share**)
- assigned a **cost inflator** to each cost component

To update the taxi cost index and measure the change in the cost of operating a taxi since our review in 2022, we:

- multiplied the cost share for each cost component by the change in its respective cost inflator to calculate the **index contribution** for each component
- added up the index contribution for each cost component to find the total change in costs.

Applying the change in costs as suggested by the taxi cost index to the 2022 unbooked taxi fares gives us the fares required to recover the average cost of operating a taxi in 2024.

⁹⁹ *Essential Services Commission Act 2001*, s. 33(3)(b).

The cost components of operating a taxi

In 2022, we engaged Honeycomb Strategy to undertake a survey of taxi operators to understand the key cost components associated with operating a taxi.¹⁰⁰ Table D.1 identifies and explains each component.

Table D.1 Key cost components associated with operating a taxi

Cost component	Description
Fuel	Total fuel costs incurred
Network	Includes costs associated with network affiliation. Operators receive access to services such as centralised booking and dispatch and networked security alarms.
Insurance	Includes comprehensive vehicle insurance and workers' compensation insurance.
Vehicle	Includes costs associated with purchasing or leasing a vehicle, including fit-out. We have used purchase costs amortised over the life of the vehicle.
Registration	Includes VicRoads registration fee and compulsory third party insurance (Transport Accident Charge).
Repairs and maintenance	Includes cost of operators' own time, staff costs and costs paid to other businesses for repairs and maintenance.
Administration	Includes cost of operators' own time, building site costs, staff costs and costs paid to other businesses for administration (e.g. accountant).
Driver labour	Payment made to drivers as per the Driver Agreement. ^a

^a The driver must receive at least 55 per cent of the gross fares earned while they have possession of the vehicle. *Commercial Passenger Vehicle Industry Act 2017*, s. 97.

The Honeycomb survey results provided estimates of the average, lower bound and upper bound cost for each cost component associated with operating a taxi. Based on the average cost for each cost component, we determined the cost profile for a conventional taxi and a wheelchair accessible taxi in the Melbourne metropolitan zone and the Urban and Large Regional zone in 2022. We then used the cost profile to determine the cost share for each cost component by dividing the average cost for each cost component by the total operating cost. These cost shares form the 'weights' for the taxi cost index. Between 2022 and 2024, we do not consider there have been significant

¹⁰⁰ Honeycomb 2022, Essential Services Commission: Taxi Operator Cost Survey, June <https://www.esc.vic.gov.au/sites/default/files/documents/ESC%20Taxi%20Operator%20Survey%20-%20Report%2014%20June%202022%20-Final%20version%20-%2020220719.pdf>.

changes in inputs caused by technological, regulatory, or other factors that have occurred in the commercial passenger vehicle industry to warrant updating the cost shares for the indices.

Table D.2 shows the cost shares, including driver labour, based on a 55:45 revenue sharing arrangement. The 55 per cent driver share is the minimum mandated by the Victorian government.¹⁰¹

Table D.2 Cost shares for a conventional taxi and wheelchair accessible taxi index

Cost components	Cost shares – conventional taxi	Cost shares – wheelchair accessible taxi
Fuel	6.6%	7.0%
Network (equipment)	5.7%	4.3%
Network (labour)	5.7%	4.3%
Insurance	3.6%	3.9%
Vehicle	7.6%	11.5%
Registration	1.2%	1.1%
Repairs and maintenance	6.9%	6.3%
Administration	7.7%	6.5%
Driver labour	55%	55%

The difference between the cost shares for a conventional taxi and a wheelchair accessible taxi can be attributed to the higher costs of vehicles, fuel and insurance when operating a wheelchair accessible vehicle.

We identify the appropriate cost inflator for each cost component

We have maintained the cost inflators used in our 2022 taxi cost index for all cost components. We consider that these cost inflators are still appropriate. The cost inflators for all cost components are explained in Table D.3

¹⁰¹ *Commercial Passenger Vehicle Industry Act 2017*, s. 97.

Table D.3 Cost inflators for each cost component

Cost component	Cost inflator
Fuel	FuelTRAC (unleaded petrol, LPG and diesel, average for Melbourne, Ballarat, Bendigo and Geelong)
Network (equipment)	Consumer Price Index (CPI) (telecommunications equipment and services component, Melbourne)
Network (labour)	Wage Price Index (WPI) (Victoria)
Insurance	Insurance Council of Australia (comprehensive car insurance index)
Vehicle	Imputed on CPI (motor vehicle, Melbourne) and Reserve Bank of Australia lending rates for small businesses
Registration	VicRoads registration fee
Repairs and maintenance	CPI (maintenance and repairs of motor vehicles, Melbourne)
Administration	WPI (Victoria), CPI (all groups, Melbourne)
Driver labour	Fair Work Commission's annual wage review

Stakeholder views on the taxi cost index

Most stakeholders agreed that the cost index continued to be appropriate.¹⁰² Others proposed changing the weights or did not agree but provided no reasons as to why the cost index was not appropriate.¹⁰³ One submission stated that regulated fares increased too much but did not propose an alternative.¹⁰⁴

Draft decision approach to updating the taxi cost index in 2024

To measure the change in the cost of operating a taxi, we:

- multiplied the cost share for each cost component by the change in its respective cost inflator to obtain an index contribution for each component
- added up the index contribution for each cost component to find the total change in costs.

¹⁰² Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023; Anonymous submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023; A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

¹⁰³ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 24 November 2023.

¹⁰⁴ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 31 October 2023.

Table D.4 sets out the cost inflators used in our draft decision. For most cost components, we have increased the cost inflator from June 2022 to March 2024 for our draft decision. The two exceptions are the cost inflators for:

- driver labour – costs have been inflated from June 2022 to June 2024 to reflect the 2024 national minimum wage order
- registration – costs have been inflated from July 2022 to July 2023.

Table D.4 Changes in cost inflators for each cost component

Cost component	Changes in cost inflator
Fuel	Changes in FuelTRAC fuel prices between June 2022 and March 2024
Network (equipment)	Changes in Consumer Price Index (CPI) (telecommunications equipment and services component, Melbourne) between June 2022 and March 2024
Network (labour)	Wage Price Index (WPI) (Victoria) between June 2022 and March 2024
Insurance	Insurance Council of Australia (comprehensive car insurance index) between June 2022 and March 2024
Vehicle	Imputed on CPI (motor vehicle, Melbourne) between June 2022 and March 2024 Reserve Bank of Australia lending rates for small businesses between June 2022 and March 2024
Registration	VicRoads registration fees between July 2022 and July 2023
Repairs and maintenance	CPI (maintenance and repairs of motor vehicles, Melbourne) between June 2022 and March 2024
Administration	WPI (Victoria) and CPI (all groups, Melbourne) between June 2022 and March 2024
Driver labour	Fair Work Commission's annual wage review between June 2022 and June 2024.

For our final decision we will update the cost index to reflect the changes in costs with the latest information. This will include the following updates to our cost inflators:

- Comprehensive Motor Vehicle Insurance (National) Average premium for the June quarter 2024
- CPI data for the June quarter 2024
- FuelTRAC average fuel price data for Melbourne and regional areas up to June 2024
- Registration fees from VicRoads applicable from 1 July 2024
- RBA small business lending rates up to June 2024
- WPI data for the June quarter 2024.

Our taxi cost index suggests the costs of operating a taxi have increased

Using our taxi cost index, we can estimate how much the costs of operating a taxi have changed since our last review.

We estimate the cost of providing conventional taxi services has increased by 10.0 per cent since our last review. After taking the fare adjustment mechanism into account, this means that most unbooked taxi fares components will increase by around 5.7 per cent.

We estimate the cost of operating a wheelchair accessible taxi has increased by 10.8 per cent since our last review. After taking the fare adjustment mechanism into account, this means that the high occupancy fee and rates will increase by around 6.4 per cent.

Tables D.5 and D.6 show the cost components, cost shares and index contribution in the taxi cost index for conventional taxis and wheelchair accessible taxis, respectively.

Table D.5 **Change in costs of operating a conventional taxi**
June 2022 to March 2024

Cost component	Cost share	Change in cost inflator	Index contribution
Fuel	6.6%	-12.1%	-0.8%
Network (equipment)	5.7%	2.0%	0.1%
Network (labour)	5.7%	6.6%	0.4%
Insurance	3.6%	20.6%	0.7%
Vehicle	7.6%	20.7%	1.6%
Registration	1.2%	1.5%	0.0%
Repairs and maintenance	6.9%	6.9%	0.5%
Administration	7.7%	6.8%	0.5%
Total operating costs	45%	6.7%	3.0%
Driver labour	55%	12.7%	7.0%
Total operating and labour costs	100%	Not applicable	10.0%

Note: most changes in costs are measured over the period from June 2022 to March 2024. However, there are some exceptions: registration (July 2022 to July 2023) and driver labour (June 2022 to June 2024).

Source: Essential Services Commission analysis.

Table D.6 Change in costs of operating a wheelchair accessible taxi
June 2022 to March 2024

Cost component	Cost share	Change in cost inflator	Contribution to overall change
Fuel	7.0%	-13.2%	-0.9%
Network (equipment)	4.3%	2.0%	0.1%
Network (labour)	4.3%	6.6%	0.3%
Insurance	3.9%	20.6%	0.8%
Vehicle	11.5%	23.1%	2.7%
Registration	1.1%	1.5%	0.0%
Repairs and maintenance	6.3%	6.9%	0.4%
Administration	6.5%	6.7%	0.4%
Total operating costs	45%	8.4%	3.8%
Driver labour	55%	12.7%	7.0%
Total operating and labour costs	100%	Not applicable	10.8%

Note: most changes in costs are measured over the period from June 2022 to March 2024. However, there are some exceptions: registration (July 2022 to July 2023) and driver labour (June 2022 to June 2024).

Source: Essential Services Commission analysis.

In both indices, the biggest changes in costs have come from the driver labour, vehicle, insurance and fuel cost components. The change in each of these is discussed below.

Driver labour costs

Consistent with section 110E of the Commercial Passenger Vehicle Industry Act, we have used the Fair Work Commission’s annual wage review under section 285 of the *Fair Work Act 2009* of the Commonwealth as the basis for estimating the cost of driver labour.¹⁰⁵ On 3 June 2024, the Fair Work Commission announced that the national minimum wage would increase by 3.75 per cent to \$915.90 per week. This means that driver labour costs have increased by 12.7 per cent since our last review.

¹⁰⁵ *Commercial Passenger Vehicle Industry Act 2017*, s. 110E(1)(ga).

We set the cost share of the driver labour component to 55 per cent as legislation requires drivers to receive at least 55 per cent of gross fares earned with they have possession of the vehicle.¹⁰⁶

Vehicle costs

The vehicle costs in the taxi cost index are based on the cost of the vehicle plus any fit-out costs. The costs are then amortised using the average operating life from the survey results (6.8 years for a conventional taxi and 8.1 years for a wheelchair accessible taxi). Between 2022 and 2024, vehicle costs increased substantially for both conventional taxis and wheelchair accessible taxis due to increases in the prices of vehicles and higher borrowing costs.

The increase in vehicle costs reflects a global shortage of motor vehicles in Australia due to pandemic-related supply chain constraints, particularly for crucial components such as semiconductors.¹⁰⁷

Borrowing costs have also increased. Small business lending rates for the 2022 to 2024 period nearly doubled to 8.8 per cent compared to 4.9 per cent for the preceding 2020 to 2022 period.

Insurance costs

The comprehensive motor vehicle insurance premium index, as published by the Insurance Council of Australia, increased from 164.6 in June 2022 to 198.5 in March 2024, representing a 20.6 per cent increase over the period. Insurance costs have been increasing across the economy due to increases in the number of claims and replacement costs.

Fuel costs

Our draft decision measures the change in fuel costs from June 2022 to March 2024. In 2022, there were large increases in fuel prices which peaked in June 2022. Our cost index also incorporates the full fuel excise tax that was temporarily halved at the time of our last review.

While there have been recent increases in fuel prices, they are still lower than the June 2022 prices. Our draft decision only reflects fuel price changes up to March 2024. Our final decision will reflect fuel prices up to June 2024.

¹⁰⁶ *Commercial Passenger Vehicle Industry Act 2017*, s. 97.

¹⁰⁷ IBIS World (2024), *Recent Trends – Motor Vehicle Price Index*, February 21, 2024, Accessed 24 April 2024 (<https://www.ibisworld.com/au/bed/motor-vehicle-price-index/1708/>).

Appendix E: Non-cash payment surcharge benchmarking analysis

In our consultation paper we proposed that we use benchmarking to assess the reasonableness of the current maximum surcharges. We used a similar benchmarking approach in our 2019 and 2022 reviews.

Benchmarking uses information on prices or costs from comparable markets to assess the reasonable cost of processing non-cash payments. We consider that payment terminals on offer to small businesses from banks and merchant aggregators in Australia are an appropriate benchmark for the reasonable cost of processing non-cash payments for the typical taxi in Victoria.

Payment terminals that are generally available to small businesses provide a similar service to consumers that payment terminals in taxis provide to passengers. The technology in payment terminals is similar and the same kind of payment instruments are used in taxis as for other small businesses (except for Cabcharge payment instruments). The need for mobile connectivity within the payment terminal to process non-cash payments remotely is needed for both taxis and many other small businesses. All payment terminals included in our benchmarking have 4G mobile connectivity.

In our benchmarking we looked at the fees and charges that may apply to small businesses for the processing of \$3,250 in non-cash payments per month (similar to the non-cash revenue of the typical taxi) and the implied surcharge these small businesses would need to apply to recover these costs. We have tailored our benchmarking to the taxi industry in Victoria to ensure it is comparable with the taxi non-cash payment surcharges. Our benchmarking does not include the costs of issuing payment instruments.

Our benchmarking suggests that it would be possible for a small business using two payment terminals to process non-cash payments of \$3,250 per month (\$1,625 per terminal) with a surcharge between 1.8 per cent and 3.6 per cent.

This appendix contains our analysis of benchmark costs for non-cash payment services on offer to small businesses across the broader Australian economy. All figures presented in this appendix are inclusive of GST.

How we estimated the reasonable cost of processing non-cash payments

We used publicly available offers for payment terminals and revenue data from taxi payment processors to estimate the implied surcharge that small businesses would need to apply to recover the costs of processing non-cash payments of \$3,250 per month. Our assumptions and calculations for our benchmarking analysis are explained below.

We have used EFTPOS terminals in our benchmarking

There is a range of products available to small businesses for processing non-cash payments including EFTPOS terminals, mobile point of sale (mPOS) terminals and tap to phone services.

An EFTPOS terminal is a standalone terminal, while an mPOS terminal is a card reader which connects to a smartphone or tablet to process non-cash payments. To use an mPOS terminal, the merchant downloads an app on their smartphone or tablet. The app allows the merchant to manage transactions and receipts, which may be sent via email or SMS or printed via a Bluetooth printer. Tap to phone services allow merchants to process non-cash payments using only an app on a phone or tablet.

There are some differences in features between EFTPOS and mPOS terminals. For example, most mPOS terminals do not allow automatic surcharging. This could be problematic for a taxi driver because if they were to use an mPOS terminal they would need to manually calculate the surcharge each time they used the terminal. This would be time consuming, potentially inaccurate and could introduce opportunities for fraud.

We consider EFTPOS terminals to be more comparable to the majority of payment terminals used in taxis and we have used the cost of EFTPOS terminals as the benchmark for the reasonable cost of processing non-cash payments (for most payment methods).¹⁰⁸ However, given that some taxi operators do use mPOS terminals despite the potential problems noted above, we have also benchmarked the cost of mPOS terminals for comparison.

We have assumed multiple payment terminals in our benchmarking

We have heard in this and previous reviews that most taxi drivers choose to have at least a second terminal which they may use for non-MPTP trips. They may choose to have an additional terminal to the A2B terminal as a backup device or due to their relationship with a booking service provider or taxi operator, or because of cash flow control, driver incentives and commissions, or other service offerings.

¹⁰⁸ While mPOS terminals are not directly comparable to the service currently used in Australia, we do note that mPOS terminals are widely used by taxis in other jurisdictions such as the United States.

We consider that the practice of having multiple terminals increases the cost of the taxi payments industry. The difference between having one terminal or multiple terminals is that with multiple terminals fewer transactions are processed through each terminal. The fixed costs of processing non-cash payments must then be recovered from a smaller number of transactions.

If we only allowed for a single terminal in our benchmarking, the benchmark costs overall would be lower. For example, our benchmarking suggests that with a single terminal, it would be possible for a small business to recover the cost of processing non-cash payments with an average surcharge of 2.1 per cent compared to 3.0 per cent with multiple terminals.

However, we are required to ensure that taxi payment processors can recover the reasonable cost of accepting and processing non-cash transactions, and the information currently available to us suggests that the reasonable cost includes multiple terminals. Therefore, we have accounted for this in our benchmarking. This is consistent with our obligation under section 8A of the Essential Services Commission Act 2001 to have regard to the degree of and scope for competition within the taxi payments industry.

If we did not allow for multiple terminals in our benchmarking, a potential consequence might be to limit taxi drivers to using only the terminals which by default would be capable of processing MPTP subsidies. A2B supplies MPTP enabled payment terminals to most taxis in Victoria.

We are also aware that there may be more than two payment terminals in use in each taxi. Many drivers have their own terminal, and often these drivers work in more than one taxi. Additionally, smartphones may also be used as payment terminals in some cases. We note that our benchmarking is based on actual monthly revenue **per terminal** as provided by taxi payment processors in our previous reviews (adjusted by the change in non-cash payment transactions per terminal from stakeholder submissions). This means that if we assumed there were more terminals in the typical taxi, the monthly revenue per terminal would be the same. Only the total non-cash revenue for the typical taxi would be higher which would reduce the implied surcharge for our single terminal benchmarking.

Stakeholders have told us that the assumption of using multiple payment terminals is still appropriate. Therefore, we have used this assumption in our benchmarking for this review. We will revisit whether this assumption continues to be appropriate in future reviews considering any changes that may occur in the industry. For example, changes in technology or an expansion of the MPTP program may result in fewer taxi drivers using multiple terminals.¹⁰⁹

¹⁰⁹ However, we note there may be other competition issues that arise even if access to MPTP processing is more widespread. This could be due to access to default terminals provided by booking service providers and conditions around how payment terminals integrate with taximeters.

We estimated the monthly revenue from non-cash payments

To estimate the monthly revenue for our benchmarking, we used data collected from taxi payment processors in previous reviews and information provided to us by stakeholders in this review.

As we have not collected financial data from payment processors for this review, we used the monthly non-cash revenue for the typical taxi from our 2019 review as the starting point.¹¹⁰ We have heard from stakeholders that revenue per terminal is below 2019 levels. We do not have data for the entire industry on the level of change in revenue per terminal, but A2B stated in its submission that the volume of in-car credit and debit transactions had decreased by 26 per cent between October 2019 and October 2023.¹¹¹ Given that A2B supplies the primary terminal for most taxis in Victoria, and we do not have any other data, we have reduced the revenue per terminal for our benchmarking by 26 per cent.

Based on this, the monthly non-cash revenue for the typical taxi in our benchmarking analysis decreased from \$4,392 in our 2019 review to \$3,250 in this review (in nominal terms).

We consider that this is the appropriate amount to use for the monthly revenue in our benchmarking because it is specific to taxis in Victoria and reflects the latest information available to us.

We note that, if the monthly non-cash revenue for a particular taxi is higher or lower than what we have used in our benchmarking, the actual cost of processing non-cash payments as a percentage of monthly revenue may be different from our benchmarks.

We estimated the monthly cost of processing non-cash payments

To estimate the monthly cost of processing non-cash payments of \$3,250 for a small business, we used publicly available information on market offers from 10 payment processors, including banks and merchant aggregators. These market offers include the fees and charges that may apply to a small business that has an EFTPOS terminal with the payment processor. We included these payment processors in our benchmarking because:

- they provide offers to small businesses in Australia processing about \$3,250 of non-cash payments per month, and

¹¹⁰ The data we collected for our 2022 revenue was affected by the coronavirus pandemic and is therefore not an appropriate starting point for our analysis.

¹¹¹ A2B, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 20 December 2023.

- information on their fees and charges is publicly available on their websites.¹¹²

Some of the fees and charges are fixed and others vary according to the number or value of non-cash payment transactions. It is important for us to understand the monthly non-cash revenue above to estimate the variable costs.

We used the following fees and charges from the market offers to estimate the monthly cost:

- monthly fee
- merchant service fees
- business account fee
- terminal/card reader fee.

We included these fees and charges as we consider that they are the main costs associated with processing non-cash payments. These fees are explained in more detail below.

Monthly fee

The monthly fee is a fixed fee charged per month. It covers the terminal rental and administrative costs of providing the terminal. Most market offers include terminal rental in this fee, however there are some that include an upfront fee for the purchase of the terminal.

Merchant service fees

The merchant service fee is a fee charged **per transaction**. It is charged by the acquiring entity for processing non-cash payments.

Most payment processors charge the merchant a percentage of dollar value for each eftpos, Visa and Mastercard transaction. Some charge a flat fee for each eftpos transaction and a percentage of dollar value for each Visa and Mastercard transaction.

Typically, the publicly available information on merchant service fees applies to eftpos, Visa and Mastercard transactions only. Other card types such as American Express are often subject to separate pricing, which is not publicly available.¹¹³ We have used information from taxi payment processors on merchant service fees for American Express.¹¹⁴

¹¹² There is one exception. We received information on fees and charges over the phone for ANZ. We are aware that ANZ provides payment terminals to some taxi providers.

¹¹³ There are some exceptions. For example, Commonwealth Bank includes a 1.10 per cent fee for American Express transactions in its market offer.

¹¹⁴ This is based on information collected from taxi payment processors in our 2022 review.

We estimated the share of the value of non-cash payments for a typical taxi for each payment type based on information received from taxi payment processors in our 2022 review. These shares are approximately:

- eftpos: 3 percent
- Visa/Mastercard: 88 per cent
- American Express: 9 per cent.¹¹⁵

Table E.1 Merchant Service Fees

Merchant service fee type	Method of calculation
The merchant service fee for eftpos transactions is a flat fee per transaction ^a	$(a \times b) + (c \times d) + (e \times f) + (g \times h)$ where a = number of eftpos transactions b = eftpos merchant service fee
The merchant service fee for Visa, Mastercard and American Express is a percentage fee	c = monthly revenue from Visa transactions d = Visa merchant service fee e = monthly revenue from Mastercard transactions f = Mastercard merchant service fee g = monthly revenue from American Express transactions h = American Express merchant service fee
The merchant service fee for eftpos, Visa, Mastercard and American Express is a percentage fee	$(k \times l) + (c \times d) + (e \times f) + (g \times h)$ where k = monthly revenue from eftpos transactions l = eftpos merchant service fee c = monthly revenue from Visa transactions d = Visa merchant service fee e = monthly revenue from Mastercard transactions f = Mastercard merchant service fee g = monthly revenue from American Express transactions h = American Express merchant service fee

^a Where the merchant service fee is a flat fee for eftpos transactions, and a percentage of dollar value for other card types, we need to know the number of eftpos transactions and the value of other card type transactions. We requested the number and value of transactions by payment type from taxi payment processors in our 2022 review and have used this information in our analysis.

¹¹⁵ We note that some payment processors do not offer default acceptance of American Express cards. If the merchant wishes to accept American Express cards, the merchant must enter into an agreement with American Express. Our calculations reflect what the merchant service fees would be if the merchant does accept American Express cards.

Business account fee

The business account fee is a flat fee charged **per month**. It covers the supply of a bank account for the payment processor to settle funds to and debit fees and charges from the merchant.

Generally, payment processors do not require the merchant to hold and settle funds to a business account with them. We have assumed that a small business would choose the lowest cost option for a business account. This would usually be a business account with no monthly fee and free online banking.

Terminal/card reader fee

The terminal/card reader fee is a flat fee charged **upfront** when a payment terminal is supplied to a merchant. It covers the supply of the card reader for mPOS terminals, and in some cases EFTPOS terminals (e.g. Square). To estimate the monthly terminal/card reader fee, we divided the terminal/card reader fee by its useful life in months. Stakeholders have reported that the useful life of a terminal/card reader is usually three years (that is, 36 months).

$$\text{Terminal/card reader fee} = \frac{\text{upfront terminal/card reader fee}}{36}$$

The monthly cost

To estimate the monthly cost of processing non-cash payments of \$3,250 for a small business, we summed the monthly fee, merchant service fees, business account fee and terminal/card reader fee.

$$\begin{aligned} \text{Monthly cost of processing non-cash payments} &= \text{monthly fee} \\ &+ \text{merchant service fees} \\ &+ \text{business account fee} \\ &+ \text{terminal/card reader fee}^a \end{aligned}$$

^a Generally, the card reader fee applies to mPOS terminals only. However, Square and Zeller have an upfront fee for the EFTPOS terminal, so this has been included in the terminal/card reader fee.

We do not have sufficient information to include chargeback fees

In its submission to our consultation paper, GM Cabs noted that 'non-taxi benchmarking fails to address taxi-specific items such as prevalence of high cost chargebacks'.¹¹⁶

¹¹⁶ GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023.

We have not included chargeback fees in the monthly cost as we do not have information on the average number of chargebacks per terminal to estimate the cost of chargebacks for the typical taxi. The data we have received in previous years suggests that the cost of card fraud in the taxi payments industry is relatively minor compared to total costs. Therefore, the impact of including costs associated with chargebacks is unlikely to be material.

In our 2019 review, stakeholders also raised other fees that are charged by payment processors such as establishment fees, cancellation fees, terminal replacement fees, additional outlet fees and stationery costs. We have not included these fees in our benchmarking because:

- these fees are recovered through separate charges, not standard charges related to processing non-cash payments
- these fees differ in type and structure between payment processors
- some of these fees are not relevant to taxis and for those that are relevant are unlikely to be material.

We estimated the implied surcharge that would allow a small business to recover the cost of processing non-cash payments

The implied surcharge is the surcharge that small businesses would need to apply to recover the cost of processing non-cash payments of \$3,250 (similar to the non-cash revenue of the typical taxi). To estimate the implied surcharge, we divided the monthly cost of processing non-cash payments by the monthly revenue from non-cash payments per terminal.

$$\text{Implied surcharge} = \frac{\text{monthly cost of processing non-cash payments}}{\text{monthly revenue from non-cash payments} - 1}$$

We considered the cost differences in processing non-cash payments in taxis and the broader economy

In our 2019 review, stakeholders identified some costs that they considered are incurred by payment processors in the taxi industry, but not by payment processors in the broader economy. These costs included:

- Multiple payment terminals
- Mobile payment processing

- Taxi non-cash payment surcharge record keeping requirements¹¹⁷
- Taxi receipt requirements¹¹⁸
- Integration of payment terminal and taxi meter¹¹⁹
- Multi Purpose Taxi Program subsidy processing¹²⁰
- Providing passenger credit
- High rate of fraud in the taxi payments industry¹²¹
- High transaction costs of dealing with taxi drivers¹²²
- High merchant fees for taxis
- Taxi payment processors do not have the scale of other payment processors
- High churn rate of users of taxi payment terminals.
- Installation of terminals.

We consider that many of these costs are incurred by all payment processors, including mobile payment processing which is discussed in more detail below. We adequately addressed these costs in our 2019 review and have adopted the same considerations for this review.¹²³ This means that the only cost that we have included an adjustment for is multiple payment terminals. It is common practice in the taxi industry for taxi drivers to have two payment terminals. For the reasons set out earlier, we have accounted for this in our benchmarking.

Mobile payment processing

Mobile payment processing is a common feature of payment terminals used by many small businesses. Our benchmarking includes only EFTPOS terminals with mobile network connectivity. This means that our benchmarking already accounts for the cost of mobility enabled devices.

To the extent that taxi drivers do face cost differences, due to taking payments in places where mobile coverage is poor, these costs are not likely to be material. If a payment terminal cannot

¹¹⁷ CabFare, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 February 2019, p. 13.

¹¹⁸ *ibid.*

¹¹⁹ Commercial Passenger Vehicle Association of Australia, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 4 February 2019.

¹²⁰ A2B Australia, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 March 2019, p. 16.

¹²¹ CabFare, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 February 2019.

¹²² A2B Australia, submission to the Essential Services Commission consultation paper 'Taxi non-cash payment surcharge review 2019', 1 March 2019, p. 5.

¹²³ Essential Services Commission, Taxi Non-Cash Payment Surcharge Review 2019, Final Decision, March 2020, pp. 70-77.

connect to its mobile network, then it takes payment in offline mode. The consequence of this is that the terminal takes the payment without it being authorised by the issuing bank, and thus there is a higher risk of the payment being declined and a chargeback occurring. The cost data that we received from taxi payment processors in our previous reviews shows that chargeback costs are not a material cost driver for taxi payment processors. As a result, we have not made further adjustment for mobile enabled devices.

Stakeholder views on our benchmarking approach

In its submission, Visa said that we should ensure our benchmarking uses comparable solutions available to small businesses, noting that some offers incorporate costs for capabilities that would not be utilised or required by the taxi (for example, some online solution providers include website hosting, fraud tools, and invoicing).¹²⁴ We note that our benchmarking includes EFTPOS payment terminals, not online payment services, and we consider EFTPOS payment terminals are the appropriate benchmark for the reasons explained earlier in this appendix.

One stakeholder said that the benchmarking needs to recognise the services being provided by taxi payment processors are broader than the recovery of merchant service fees.¹²⁵ We note that our benchmarking includes merchant service fees and other costs related to processing non-cash payments such as monthly fees and terminal rental fees. The surcharge should recover only costs related to processing non-cash payments.

The implied surcharge for small businesses is between 1.8 per cent and 3.6 per cent

Our benchmarking suggests that, if there is one EFTPOS terminal, it would be possible for a small business to recover the cost of processing non-cash payments of \$3,250 per month with a surcharge of between 1.6 per cent and 2.4 per cent. If there are multiple EFTPOS terminals (\$1,625 processed through each terminal), it would be possible with a surcharge of between 1.8 per cent and 3.6 per cent.

Figures E.1 and E.2 show a comparison of the current maximum taxi non-cash payment surcharge (other than for commercial passenger vehicle specific payment instruments) and the implied surcharge needed for small businesses to recover the cost of processing non-cash payments assuming one terminal and multiple terminals, respectively.

¹²⁴ Visa, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 15 December 2023.

¹²⁵ Anonymous, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 12 December 2023.

Figure E.1 Implied surcharge assuming one terminal

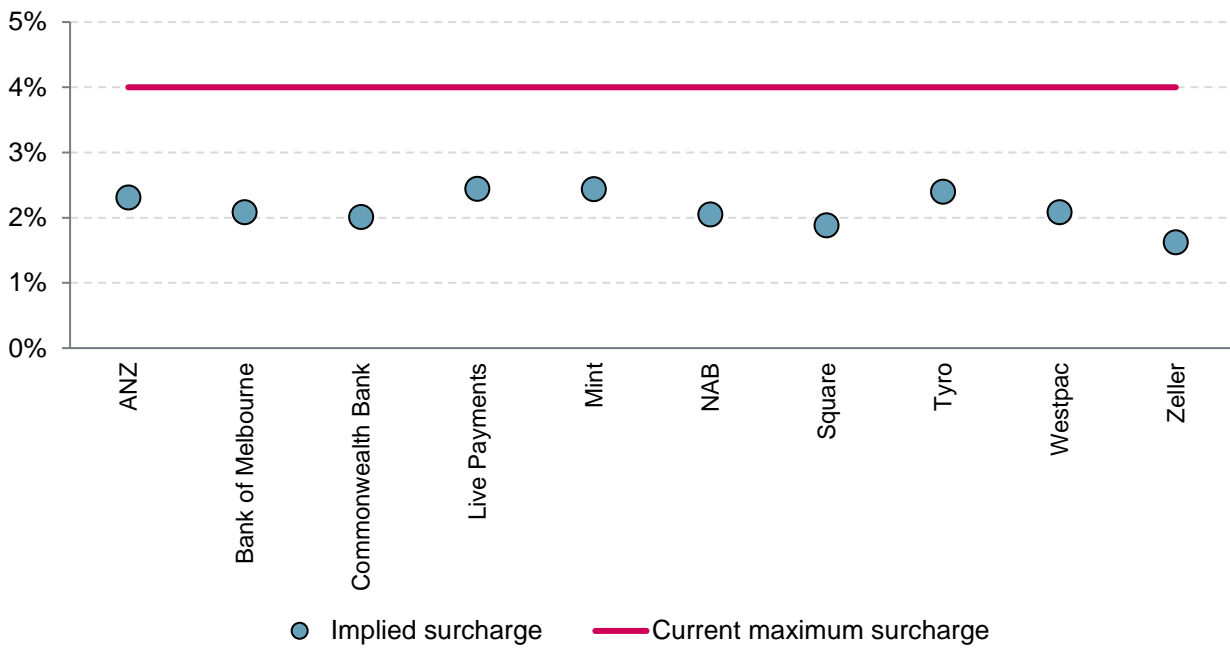
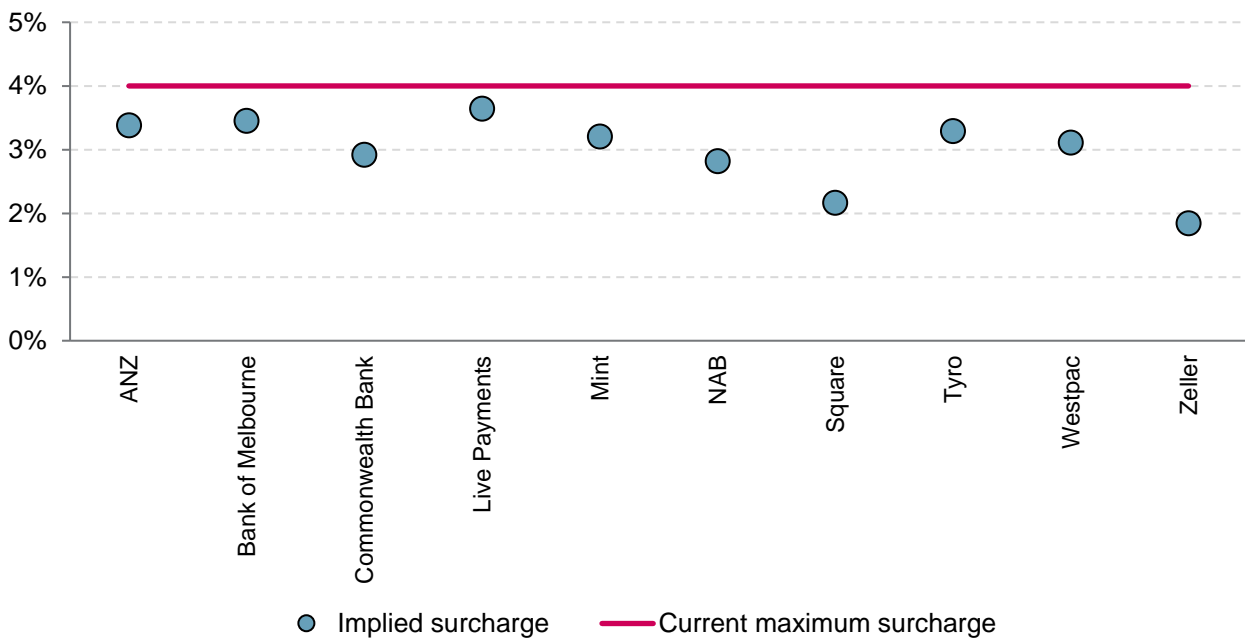


Figure E.2 Implied surcharge assuming two terminals



We note that mPOS terminals and tap to phone services are also available to small businesses, generally at a lower cost than EFTPOS terminals. For example, the implied surcharge for mPOS

terminals (assuming two terminals) is between 1.2 per cent and 2.8 per cent, and the implied surcharge for tap to phone services is between 1.4 per cent and 1.9 per cent.¹²⁶

We understand that some taxi operators are using mPOS terminals and tap to phone services. However, GM Cabs noted in its submission that there has been relatively low up-take of these products among taxi operators.¹²⁷ Given that these products are not widely used, and there are some potential problems with using them in the taxi industry, we consider that EFTPOS terminals are the appropriate benchmark for the taxi non-cash payment surcharge.

¹²⁶ For tap to phone offers, there is usually no monthly fee, but there is a single percentage fee per dollar value for eftpos, Visa and Mastercard transactions.

¹²⁷ GM Cabs, submission to the Essential Services Commission consultation paper 'Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge', 22 December 2023.

Appendix F: Our legal considerations

Our legislative powers and functions

The *Commercial Passenger Vehicle Industry Act 2017* (CPVI Act), the *Essential Services Commission Act 2001* (ESC Act) and the *Transport Integration Act 2010* govern our role in regulating maximum fares for applicable unbooked services and maximum non-cash payment surcharges.

Section 32 of the ESC Act gives the commission the power to regulate 'prescribed prices for or in respect of prescribed goods and services supplied by or within a regulated industry'. Section 110D of the CPVI Act provides that 'applicable unbooked services' are prescribed services and the maximum charges for these services are prescribed prices. Section 123 of the CPVI Act provides that 'non-cash payment transactions' are prescribed services and the maximum amounts of non-cash payment surcharges are prescribed prices. Further, for the purposes of the ESC Act, both the commercial passenger vehicle industry and the non-cash payment transaction industry are regulated industries.¹²⁸

Our price determinations are binding on the relevant regulated entities and industries.¹²⁹

We are required to complete a review of our last price determinations relating to applicable unbooked services and non-cash payment surcharges no later than two years from when they were made.¹³⁰ The previous determinations were both made on 31 August 2022.

Our power to determine maximum fares for unbooked taxi services

We regulate the maximum charges for 'applicable unbooked services' supplied by or within the commercial passenger vehicle industry. An 'applicable unbooked service' means an unbooked commercial passenger vehicle service in respect of carriage on a journey that begins in either the Melbourne Metropolitan Zone or the Urban and Large Regional Zone.¹³¹ An unbooked commercial passenger vehicle service refers to a service that is provided other than as a result of the provision

¹²⁸ Sections 110B(1) and 121(1) of the CPVI Act.

¹²⁹ Section 35(7) of the ESC Act.

¹³⁰ Sections 110F(2) and 124(4) of the CPVI Act.

¹³¹ Section 110A of the CPVI Act. These zones are defined in the 2014 Determination of Taxi Zone Boundaries, issued by the Taxi Services Commission (now Safe Transport Victoria) (Victorian Government Gazette No. S 184 Thursday 12 June 2014).

of a booking service.¹³² Unbooked commercial passenger vehicle services are generally hailed from the street or taken from a rank.

The Commercial Passenger Vehicle Industry Regulations 2018 outline a number of requirements that must be met by people or companies who provide unbooked commercial passenger vehicle services.¹³³ Given these regulatory requirements, it is typically only taxis that provide unbooked commercial passenger vehicle services in Victoria. Therefore, in this paper, we refer to commercial passenger vehicles that provide unbooked commercial passenger vehicle services as ‘unbooked taxis’, and applicable unbooked services as ‘unbooked taxi services’. However, we acknowledge that other commercial passenger vehicle services that meet the regulatory requirements in the future can also provide unbooked taxi services.

Our power to determine maximum surcharges for taxi non-cash payments

A ‘non-cash payment transaction’ is defined in section 3 of the CPVI Act to mean ‘the payment, other than by cash, of any amount due in respect of the hiring of a commercial passenger vehicle’.

A ‘non-cash payment surcharge’ is defined in section 112(1) of the CPVI Act as a ‘fee or charge:

- added to the amount otherwise payable by the hirer in respect of the hiring of a commercial passenger vehicle because the payment of the amount otherwise payable is made wholly or partly by means of a non-cash payment transaction or
- payable by the owner or driver of a commercial passenger vehicle or by all or any of them because the payment of an amount payable in respect of the hiring of the vehicle is made wholly or partly by means of a non-cash payment transaction.’

Non-cash payment surcharges that are regulated by the Reserve Bank of Australia are specifically excluded from this definition.¹³⁴ The Reserve Bank of Australia regulates all non-cash payment

¹³² Section 3 of the CPVI Act. A ‘commercial passenger vehicle service’ is ‘the carriage, for a fare or other consideration, of one or more passengers in a motor vehicle on a journey that begins in Victoria and ends at one or more destinations (whether in or outside Victoria)’ (s. 4 CPVI Act). A person provides a ‘booking service’ if the person carries on the business of receiving requests for persons to be provided with commercial passenger vehicle services; and arranging or facilitating the acceptance of those requests by or on behalf of drivers of commercial passenger vehicles (s. 7 CPVI Act). Booked commercial passenger vehicle services are typically reserved prior to travel through an app, online, or over the phone.

¹³³ These include requirements around fitting vehicles with fare calculation devices (meters) and security cameras. (reg. 12 and reg. 14)

¹³⁴ Section 112(2) provides that ‘A “non-cash payment surcharge” does not include a fee or charge that is imposed in respect of the use of a credit card, charge card or debit card – (a) by a participant in a designated payment system within the meaning of the Payment Systems (Regulation) Act 1998 (Cth) and is of a kind covered by a standard in force under section 18 of that Act; or (b) by a person consistently with a voluntary undertaking given by the person to, and accepted by, the Reserve Bank of Australia.

surcharges, except those related to the payment of a taxi fare.¹³⁵ This means that we only regulate non-cash payment surcharges in relation to taxi services (both booked and unbooked) in Victoria. Non-cash payment surcharges for rideshare or hire care services are regulated by the Reserve Bank of Australia under the national payment systems framework.¹³⁶

Our statutory objectives

In making determinations for maximum fares for unbooked taxi services and for maximum surcharges for taxi non-cash payments, we must adopt an approach and methodology that we consider will best meet our statutory objectives.¹³⁷

Our objectives under the ESC Act

The ESC Act states that in performing our functions and exercising our powers, our objective is to promote the long-term interests of Victorian consumers.¹³⁸ In performing our functions and exercising our powers in relation to essential services, we must, in seeking to achieve this objective, have regard to the price, quality and reliability of essential services.¹³⁹

The ESC Act also requires us to perform our functions and exercise our powers in a manner that best achieves any objectives specified in the CPVI Act.¹⁴⁰

Our objectives under the CPVI Act

Our specific objective under the CPVI Act when determining maximum fares for unbooked taxi services, is to promote the efficient provision and use of unbooked commercial passenger vehicle services.¹⁴¹

Our specific objective under the CPVI Act in relation to the non-cash payment transaction industry is 'to promote efficiency by regulating the amount that may be imposed by way of a non-cash payment surcharge'.¹⁴² In seeking to achieve this objective, we must 'ensure that persons

¹³⁵ Reserve Bank of Australia 2016, *Standard No. 3 of 2016; Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions*, section 2.7, 1 September 2016 varied with effect from 1 January 2022.

¹³⁶ Reserve Bank of Australia, [Questions and Answers: Card Payments Regulation](#), 'Do the rules affect the taxi industry', accessed 27 March 2024.

¹³⁷ Section 33(2) of the ESC Act.

¹³⁸ Section 8(1) of the ESC Act.

¹³⁹ Section 8(2) of the ESC Act.

¹⁴⁰ Section 8A(2) of the ESC Act.

¹⁴¹ Section 110C of the CPVI Act.

¹⁴² Section 122(1) of the CPVI Act.

facilitating the making of non-cash payment transactions are able to recover the reasonable cost of accepting and processing such transactions', where 'reasonable cost' is defined to include 'any fees payable for the acquisition of transactions involving the use of debit, credit or charge cards'.¹⁴³

Matters we must have regard to

In performing our functions and exercising our powers, we must have regard to the price, quality and reliability of essential services, as well as the following matters (to the extent they are relevant in any particular case):¹⁴⁴

- efficiency in the industry and incentives for long term investment
- the financial viability of the industry
- the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries
- the relevant health, safety, environmental and social legislation applying to the industry
- the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable consumers) and regulated entities
- consistency in regulation between States and on a national basis
- any matters specified in the empowering instrument (that is, the CPVI Act).

When making a price determination, we must also have regard to:¹⁴⁵

- the particular circumstances of the regulated industry and the prescribed goods and services for which the determination is being made
- the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry
- the return on assets in the regulated industry
- any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries
- any other factors that the commission considers relevant.

¹⁴³ Section 122(2) and 122(3) of the CPVI Act.

¹⁴⁴ Section 8A of the ESC Act.

¹⁴⁵ Section 33(3) of the ESC Act.

In addition, in making a determination, we must ensure that the expected costs of the proposed regulation do not exceed the expected benefits, and that the determination takes into account and clearly articulates any trade-offs between costs and service standards.¹⁴⁶

The *Transport Integration Act 2010* requires that we must have regard to the transport system objectives¹⁴⁷ in exercising our powers and performing our functions under any transport legislation. The transport system objectives we must have regard to relate to social and economic inclusion, economic prosperity, environmental sustainability, integration of transport and land use, efficiency, coordination and reliability, and safety and health and wellbeing.

Under the *Transport Integration Act 2010*, we must also have regard to a number of principles¹⁴⁸ in making our decisions, which include:

- the principle of integrated decision making
- the principle of triple bottom line assessment
- the principle of equity
- the principle of transport system user perspective
- the precautionary principle
- the principle of stakeholder engagement and community participation
- the principle of transparency.

The transport system objectives and decision-making principles are broad in nature. We may determine the weight to give to each transport system objective and decision-making principle.¹⁴⁹

In addition, the *Charter of Human Rights and Responsibilities Act 2006* requires us to give proper consideration to any relevant human rights in the charter.¹⁵⁰

Our regulation of unbooked taxi fares and non-cash payment surcharges

The ESC Act provides that the price determinations for unbooked taxi fares and non-cash payment surcharges may regulate in any manner we consider appropriate.¹⁵¹ This may include:

- fixing the price or the rate of increase or decrease in the price

¹⁴⁶ Section 33(4) of the ESC Act.

¹⁴⁷ Part 2, Division 2 of the Transport Integration Act.

¹⁴⁸ Part 2, Division 3 of the Transport Integration Act.

¹⁴⁹ Sections 26 and 27 of the Transport Integration Act.

¹⁵⁰ Section 38(1) of the Charter of Human Rights and Responsibilities Act

¹⁵¹ Section 33(5) of the ESC Act.

- fixing a maximum price or maximum rate of increase or minimum rate of decrease in the maximum price
- fixing an average price for specified goods or services or an average rate of increase or decrease in the average price
- specifying pricing policies or principles
- specifying an amount determined by reference to a general price index, the cost of production, a rate of return on assets employed or any other specified factor
- specifying an amount determined by reference to quantity, location, period or other specified factor relevant to the rate or supply of the goods or services
- fixing a maximum average revenue or maximum rate of increase or minimum rate of decrease in the maximum average revenue in relation to specified goods or services and
- monitoring the price levels of specified goods and services.

In regulating unbooked taxi fares, the CPVI Act specifically provides that the manner in which we may regulate unbooked taxi fares includes determining different prices according to:¹⁵²

- the time of day at which, or day of the week or kind of day on which, an applicable unbooked service is provided
- the speed at which the commercial passenger vehicle used in the provision of the applicable unbooked service is travelling
- the distance travelled by the commercial passenger vehicle used in the provision of the applicable unbooked service
- the type of commercial passenger vehicle used in the provision of the applicable unbooked service
- the occupancy of the commercial passenger vehicle used in the provision of the applicable unbooked service, including where there is more than one passenger
- where a journey in respect of which the applicable unbooked service is provided begins or ends
- the prevailing economic conditions, including the price of fuel and the consumer price index
- the Fair Work Commission's annual wage review under section 285 of the *Fair Work Act 2009* of the Commonwealth
- the commercial viability of operating a taxi service¹⁵³

¹⁵² Section 110E of the CPVI Act.

¹⁵³ For the purposes of section 110E of the CPVI Act, 'taxi service' means 'an unbooked commercial passenger vehicle service where the fare is calculated based on time and distance travelled as measured by a fare calculation device' and 'fare calculation device' means 'a mechanical, electrical or electronic device that calculates, records or displays information about fares and charges for the provision of unbooked commercial passenger vehicle services'. (s. 110E CPVI Act)

- any other matter the ESC considers to be relevant.

In regulating non-cash payment surcharges, the CPVI Act specifically provides that we may determine different prices according to circumstances specified in the determination if we consider it necessary in order to ensure persons facilitating the making of non-cash payment transactions are able to recover the reasonable cost of accepting and processing such transactions.¹⁵⁴

¹⁵⁴ Section 124(1) of the CPVI Act.

Table F.1 Legislative matters we must have regard to

	Examples of how we have had regard to this in making our draft decision for unbooked taxi fares	Examples of how we have had regard to this in making our draft decision for taxi non-cash payment surcharges
Section 8A of the ESC Act 2001		
(a) efficiency in the industry and incentives for long term investment	Our taxi cost index represents the costs of operating an ‘average taxi’, which we consider to be achievable for an efficient taxi. Our taxi cost index includes a return on assets, ensuring incentives for long term investment remain.	By enabling taxi payment processors to recover the reasonable cost of processing non-cash payments, our draft decision will promote efficiency in the industry and ensure there will be appropriate incentives for long term investment.
(b) the financial viability of the industry	Our final decision on maximum fares for unbooked taxi services reflects our estimates of the efficient cost of operating a taxi, and therefore will help promote the financial viability of the industry and the commercial viability of operating a taxi service	After taking into account our benchmarking analysis and our proposed increase in unbooked taxi fares we are satisfied that the taxi non-cash payment industry will be financially viable under our decision to maintain the maximum surcharges at 4 per cent and 6 per cent.
(c) the degree of, and scope for, competition within the industry, including countervailing market power and information asymmetries	Our draft decision proposes to set maximum fares based on efficient costs, as suggested by our taxi cost index. This is consistent with the principles of competition and does not prevent unbooked taxi service providers from competing with substitute services or from offering lower fares to attract customers.	Our consideration of competition within the industry and in the broader markets for taxis and commercial passenger vehicles is reflected in the assumptions underpinning our benchmarking analysis, in particular our assumptions around multiple payment terminals and average revenue per payment terminal.

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	Examples of how we have had regard to this in making our draft decision for unbooked taxi fares	Examples of how we have had regard to this in making our draft decision for taxi non-cash payment surcharges
Section 8A of the ESC Act 2001 (continued)		
(d) the relevant health, safety, environmental and social legislation applying to the industry	Our taxi cost index reflects the costs of operating a taxi, including those costs associated with regulatory requirements on unbooked taxi service providers, such as maintaining records of their unbooked trips, investigation and resolution of complaints, security camera and fare calculation devices. ^a	The current surcharges were developed using a cost build-up approach that considered the reasonable costs of accepting and processing non-cash payments, including those costs associated with regulatory requirements such as those related to the processing of Multi Purpose Taxi Program payments.
(e) the benefits and costs of regulation (including externalities and the gains from competition and efficiency) for consumers and users of products or services (including low income and vulnerable consumers) and regulated entities	We have not collected data from industry participants for this review as we consider that the benefits of updating some of our analysis would be proportionate to the cost of collecting it.	We have not collected data from industry participants for this review as we consider that the benefits of updating some of our analysis would be proportionate to the cost of collecting it.
(f) consistency in regulation between States and on a national basis	We looked at regulation of taxi fares and the level of taxi fares interstate and internationally (see Appendix B).	We looked at regulation of non-cash payments in taxis on a national basis and overseas (see Appendix C).
(g) any matters specified in the empowering instrument (that is, the CPVI Act)	Section 110C of the CPVI Act provides our objective is to promote the efficient provision and use of applicable unbooked services.	Section 112 of the CPVI Act provides our objective is to promote efficiency and ensure that persons facilitating the making of non-cash payment surcharges are able to recover the

reasonable cost of accepting and processing such transactions.

Table F.1 (continued)

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Table F.1 (continued)

	Examples of how we have had regard to this in making our draft decision for unbooked taxi fares	Examples of how we have had regard to this in making our draft decision for taxi non-cash payment surcharges
Section 33(3) of the ESC Act 2001		
(a) the particular circumstances of the regulated industry and the prescribed goods and services for which the determination is being made	Our taxi cost index was developed based on actual cost data from industry participants.	The assumptions underpinning our benchmarking analysis, including multiple payment terminals and average revenue per terminal, reflect the particular circumstances of the taxi payment industry.
(b) the efficient costs of producing or supplying regulated goods or services and of complying with relevant legislation and relevant health, safety, environmental and social legislation applying to the regulated industry	Our taxi cost index considers the reasonable cost of providing the regulated service and of complying with the relevant legislation	Our benchmarking analysis considers the reasonable cost of providing the regulated service and of complying with the relevant legislation.
(c) the return on assets in the regulated industry	Our taxi cost index includes a return on assets.	The return on assets in the taxi non-cash payments industry was considered implicitly through our benchmarking analysis and explicitly in our bottom-up cost assessment on which the current surcharges were based.
(d) any relevant interstate and international benchmarks for prices, costs and return on assets in comparable industries	We looked at regulation of taxi fares and the level of taxi fares interstate and internationally (see Appendix B and C).	Our benchmarking analysis examined the costs of accepting non-cash payments in the broader economy. We tailored our analysis to the particular circumstances of the taxi payment industry to ensure our benchmarks were comparable (see Appendix E).

Table F.1 (continued)

	Examples of how we have had regard to this in making our draft decision for unbooked taxi fares	Examples of how we have had regard to this in making our draft decision for taxi non-cash payment surcharges
Section 33(4) of the ESC Act 2001		
In making a determination, we must ensure that the expected costs of the proposed regulation do not exceed the expected benefits, and that the determination takes into account and clearly articulates any trade-offs between costs and service standards	We consider that the maximum fares for unbooked taxi services will be sufficient for unbooked taxi service providers to ensure that the quality of service experienced by customers will at least remain stable.	Maintaining the current surcharges should allow taxi payment processors to recover the reasonable cost of processing non-cash payments through the maximum surcharges. As the surcharge is unchanged, it is unlikely that service standards will change as a result of this decision.
Transport system objectives		
Section 8 – Social and economic inclusion The transport system should provide a means by which persons can access social and economic opportunities to support individual and community wellbeing including by- (a) minimising barriers to access so that so far as is possible the transport system is available to as many persons as wish to use it;	We are aware of the important role taxis have in enabling social and economic inclusion, particularly for people who are unable to drive themselves, or who lack the means to own a vehicle. This transport system objective is best served by ensuring Victorians who require access to unbooked commercial passenger vehicle services are able to access services at efficient prices from a viable industry.	

- (b) providing tailored infrastructure, services and support for persons who find it difficult to use the transport system.

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Table F.1 (continued)

	Examples of how we have had regard to this in making our draft decision for unbooked taxi fares	Examples of how we have had regard to this in making our draft decision for taxi non-cash payment surcharges
Transport system objectives (continued)		
<p>Section 9 - Economic prosperity The transport system should facilitate economic prosperity by-</p> <ul style="list-style-type: none"> (a) enabling efficient and effective access for persons and goods to places of employment, markets and services; (b) increasing efficiency through reducing costs and improving timeliness; (c) fostering competition by providing access to markets; (d) facilitating investment in Victoria; (e) supporting financial sustainability. 	<p>This overarching transport system objective is consistent with the specific objectives provided for us in the Commercial Passenger Vehicle Industry Act sections 110C (promote the efficient provision and use of applicable unbooked services) and 122 (in relation to the non-cash payment industry, to promote efficiency by regulating the amount that may be imposed by way of a non-cash payment surcharge, and ensuring persons facilitating the making of non-cash payment transactions are able to recover the reasonable cost of accepting and processing such transactions).</p>	
<p>Charter of Human Rights and Responsibilities Act consideration of relevant human rights Section 12 – Freedom of movement Section 18 – Taking part in public life Section 19 – Cultural rights</p>	<p>We are required to give proper consideration to relevant human rights when making a decision. We consider our work in regulating non-cash payment transactions and unbooked commercial passenger vehicle fares - through facilitating the ongoing availability of unbooked taxi services at efficient prices – advances the rights of freedom of movement, taking part in public life, and cultural rights in particular.</p>	

^a Under the Commercial Passenger Vehicle Industry Act 2017 and the Commercial Passenger Vehicle Regulations 2018.

Appendix G: Proposed maximum unbooked taxi fares

This appendix sets out the proposed maximum unbooked taxi fares for this draft decision. These draft decision fares are only indicative of our final decision. Following this draft decision, we will update our taxi cost index and base our final decision on the latest available data.

Fare schedule 1 – Metropolitan Melbourne, Dandenong, Frankston and the Mornington Peninsula

Table G.1 Maximum fares for unbooked taxi services that begin in the Melbourne Metropolitan Zone or the urban area (Dandenong, Frankston and the Mornington Peninsula) of the Urban and Large Regional Zone – ‘time or distance’ tariffs

	Tariff 1 ‘Day’ (9am–5pm)	Tariff 2 ‘Overnight’ (5pm–9am, excluding peak)	Tariff 3 ‘Peak’ (Fri & Sat nights 10pm–4am)
Standard fare components	Maximum charge up to		
Flagfall (\$)	\$5.10	\$6.40	\$7.60
Distance rate (\$/km) (when speed is above 21 km/hr)	\$1.984	\$2.207	\$2.429
Detention rate (\$/min) (when speed is below 21 km/hr)	\$0.695	\$0.772	\$0.850
Other fare components (applicable to tariffs 1, 2 and 3)			Maximum charge up to
High occupancy fee ^a			\$17.40
Airport taxi rank fee ^b	For trips from the airport rank		Pass-through
Holiday rate ^c			Tariff 3 rates
CPV levy recovery fee			Pass-through
CityLink and EastLink tolls ^d			Pass-through
Cleaning fee	Up to a maximum of \$120		

^a For taxis carrying five or more passengers (excluding children under 5) or where the hirer specifically requests a larger than standard vehicle regardless of the number of passengers (except where the booking is for one or more persons who use a wheelchair or other mobility aid). ^b As published by that airport in a daily newspaper generally circulating in Victoria and on that airport’s website. ^c For trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. ^d As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable.

Table G.2 Maximum fares for unbooked taxi services that begin in the Melbourne Metropolitan or the urban area (Dandenong, Frankston and the Mornington Peninsula) of the Urban and Large Regional Zone – ‘time and distance’ tariffs

	Tariff 1 ‘Day’ (9am–5pm)	Tariff 2 ‘Overnight’ (5pm–9am, excluding peak)	Tariff 3 ‘Peak’ (Fri & Sat nights 10pm– 4am)
Standard fare components	Maximum charge up to		
Flagfall (\$)	\$5.10	\$6.40	\$7.60
Distance rate (\$/km) (at all times)	\$1.641	\$1.823	\$2.016
Duration rate (\$/min) (at all times)	\$0.421	\$0.463	\$0.499
Other fare components (applicable to tariffs 1, 2 and 3)	Maximum charge up to		
High occupancy fee ^a			\$17.40
Airport taxi rank fee ^b	For trips from the airport rank		Pass-through
Holiday rate ^c			Tariff 3 rates
CPV levy recovery fee			Pass-through
CityLink and EastLink tolls ^d			Pass-through
Cleaning fee	Up to a maximum of \$120		

^a For taxis carrying five or more passengers (excluding children under 5) or where the hirer specifically requests a larger than standard vehicle regardless of the number of passengers (except where the booking is for one or more persons who use a wheelchair or other mobility aid). ^b As published by that airport in a daily newspaper generally circulating in Victoria and on that airport’s website. ^c For trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. ^d As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable.

Fare schedule 2 – Geelong, Ballarat and Bendigo

Table G.3 Maximum fares for unbooked taxi services that begin in the large regional area of the Urban and Large Regional Zone, including Geelong, Ballarat and Bendigo – ‘time or distance’ tariffs

Fare component		Maximum charge
Standard fare components		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (applies when speed is above 21 km/hr)		\$2.248
Detention rate (\$/min) (applies when speed is below 21 km/hr)		\$0.787
High occupancy trips		
For trips with five or more passengers (excluding children under 5) or where the hirer specifically requests a larger than standard vehicle regardless of the number of passengers (except where the booking is for one or more persons who use a wheelchair or other mobility aid): not applicable if the commercial passenger vehicle does not have the capacity for carriage of 5 or more passengers in fixed seats. ‘Fixed seats’ does not include positions for the carriage of persons in wheelchairs.		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (applies when speed is above 21 km/hr)		\$3.427
Detention rate (\$/min) (applies when speed is below 21 km/hr)		\$1.200
Other fare components		
Late night fee	For trips commencing between 7pm on Friday and Saturday nights through to 6am the following morning; and from midnight to 6am on all other days	\$4.20
Holiday rate ^{a, b}		\$5.10
CPV levy recovery fee		Pass-through
CityLink and EastLink tolls ^c		Pass-through
Airport taxi rank fee ^d	For trips from the airport rank	Pass-through
Cleaning fee		Up to a maximum of \$120

^a For trips commencing between 7pm on evenings prior to all public holidays, through to 6am the following mornings and trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. ^b The ‘late night fee’ does not apply during times that the holiday rate applies. ^c As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable. ^d As published by that airport in a daily newspaper generally circulating in Victoria and on that airport’s website.

Appendix G: Proposed maximum unbooked taxi fares

Table G.4 Maximum fares for unbooked taxi services that begin in the large regional area of the Urban and Large Regional Zone, including Geelong, Ballarat and Bendigo – ‘time and distance’ tariffs

Fare component		Maximum charge
Standard fare components		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (at all times)		\$1.827
Duration rate (\$/min) (at all times)		\$0.601
High occupancy trips		
For trips with five or more passengers (excluding children under 5) or where the hirer specifically requests a larger than standard vehicle regardless of the number of passengers (except where the booking is for one or more persons who use a wheelchair or other mobility aid): not applicable if the commercial passenger vehicle does not have the capacity for carriage of 5 or more passengers in fixed seats. ‘Fixed seats’ does not include positions for the carriage of persons in wheelchairs.		
Flagfall (\$)		\$4.40
Distance rate (\$/km) (at all times)		\$3.035
Duration rate (\$/min) (at all times)		\$0.658
Other fare components		
Late night fee	For trips commencing between 7pm on Friday and Saturday nights through to 6am the following morning; and from midnight to 6am on all other days	\$4.20
Holiday rate ^{a,b}		\$5.10
CPV levy recovery fee		Pass-through
CityLink and EastLink tolls ^c		Pass-through
Airport taxi rank fee ^d	For trips from the airport rank	Pass-through
Cleaning fee		Up to a maximum of \$120

^a For trips commencing between 7pm on evenings prior to all public holidays, through to 6am the following mornings and trips commencing on Christmas Day, Boxing Day, New Year’s Day and from 6pm on New Year’s Eve. ^b The ‘late night fee’ does not apply during times that the holiday rate applies. ^c As published from time to time in the *Victorian Government Gazette* in accordance with the *Melbourne City Link Act 1995* or the *EastLink Project Act 2004* as applicable. ^d As published by that airport in a daily newspaper generally circulating in Victoria and on that airport’s website.