



12 July 2024

Essential Services Commission
Level 8
570 Bourke Street
MELBOURNE VIC 3000

Via: transport@esc.vic.gov.au

Dear Essential Services Commission representative,

Visa's submission to the Victorian Essential Services Commission on the *Taxi Review 2024: Unbooked taxi fares and non-cash payment surcharge: draft decision*

Visa welcomes the opportunity to respond to the Victorian Essential Services Commission's (the commission's) draft decision on the *Taxi Review 2024: Unbooked taxi fares and non-cash payment surcharge*. Our submission follows Visa having responded to the commission's consultation paper in December 2023.

Since Visa provided its response to the commission there have been a number of important developments regarding surcharging, which the commission should take into consideration before making a final decision on the maximum non-cash payment surcharge for the Victorian taxi industry. In March 2024, analysis by the Australian Broadcasting Corporation (ABC) of Reserve Bank of Australia (RBA) data estimated that card surcharges cost Australians approximately \$960.26 million per year.¹ In addition, the RBA has acknowledged that there has been increased public concern over payment surcharges.² As part of its upcoming Review of Retail Payments Regulation, the RBA plans to seek industry feedback on whether the current surcharging framework is still fit for purpose. In this regard, one of the options that the RBA is considering is prohibiting the use of surcharging on debit cards, given that debit is now the most frequent means of payment in Australia.³

¹ Australian Broadcasting Corporation (2024), Australians lose nearly \$1 billion a year in card surcharges and the RBA has warned banks it has to stop, [Australians lose nearly \\$1 billion a year in card surcharges and the RBA has warned banks it has to stop - ABC News](#)

² Reserve Bank of Australia (2024), Fireside Chat by Ellis Connolly, Head of Payments Policy, at the AFR Banking Summit, [Transcript of Question & Answer Session on 26 March 2024 | Speeches | RBA](#)

³ Ibid.

Although taxis are exempt from the RBA's current surcharging regulations⁴, Visa encourages the commission to take into account these developments ahead of deciding on the maximum non-cash payment surcharge for the Victorian taxi industry. In this regard, Visa continues to recommend the removal of the separate surcharging regime for taxis in Victoria as well as the rest of Australia.⁵ More specifically, we support a level playing field which would see the taxi industry included in the RBA's Standard No. 3 of 2016: Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions.⁶

However, in the absence of that outcome, **Visa recommends the commission make at a minimum a substantial reduction in the maximum surcharges permitted to be charged by Victoria's taxi industry, than what is currently proposed in the draft decision paper** (i.e., retention of the current maximum non-cash payment surcharges of 4 per cent including GST for most payment methods and 6 per cent no GST payable for commercial passenger vehicle specific instruments).⁷ As highlighted in our previous submissions, these surcharges are still significantly higher than the average surcharge in other industries.⁸ Surcharging, especially excessive surcharging, can negatively impact the consumer experience and discourage growth of the digital payments ecosystem. Advancing the digital economy ultimately benefits the Victorian economy.

It is important to recall that the Australian Competition and Consumer Commission (ACCC) shared the following advice reminding businesses (minus the taxi industry) that surcharges should not exceed the cost of acceptance: "The RBA has said that as a guide [a]ccepting a Visa or MasterCard debit transaction may cost a business around 0.5-1 per cent of the transaction value. Credit cards may cost up to 1-1.5 per cent for Visa and MasterCard, and between 1.5-2 per cent for an American Express card payment."⁹ In addition, independent, Visa-commissioned research undertaken in April 2022 and involving close to 1000 businesses found that the average surcharging amount for card transactions was below 1.5 per cent.¹⁰

Visa provides below: (a) an overview of our position on surcharging; (b) Visa's views on

⁴ 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. However, the Reserve Bank of Australia's rules specifically exclude non cash payments for taxi services. For more, see: [RBA 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.](#)

⁵ Visa acknowledges that this is beyond the scope of the commission's powers but the review provides a relevant opportunity to reiterate this position.

⁶ Ibid.

⁷ Essential Services Commission (2024), Review of the maximum unbooked taxi fares and non-cash payment surcharges: Draft decision, 5 June, <https://engage.vic.gov.au/download/document/35759>

⁸ These surcharges are four per cent (including GST) for most non-cash payment methods and six per cent (no GST payable) for Cabcharge payments and any other commercial passenger vehicle specific payment instruments.

⁹ See [Q&A: Payment surcharges | ACCC](#)

¹⁰ Retail Finance Intelligence Pty Limited (2022), Australian Merchant Accepting Program April 2022 Survey. This is a quantitative survey Visa commissioned, and it was conducted by Retail Finance Intelligence in an independent capacity. The April 2022 survey references survey results from the October 2019 survey.

the commission's approach and methodology for assessing the taxi non-cash payment surcharge and (c) strong support for the introduction of a surcharging regime under which surcharging for the use of debit and credit cards in taxis in Victoria would be split (as occurs with surcharging in other parts of the Victorian – and broader Australian – economy).

A. Visa's position on surcharging

Visa supports a level playing field among all forms of payment and protecting consumer choice at the Point of Sale (PoS). A consumer should be able to pay the same price for an identical product or service irrespective of the personal choices they make about their financial products, including payment cards. We recognise that in Australia, surcharging is expressly permitted by regulation and note that the ACCC has shared advice reminding businesses that surcharges should not exceed the cost of acceptance.¹¹ We support the ACCC's efforts to ensure excessive surcharging practices in Australia are prohibited.¹²

B. Visa's views on the commission's approach and methodology for assessing the taxi non-cash payment surcharge

Visa welcomes that the commission says that one of its objectives is to "promote the long-term interests of Victorian consumers"¹³, particularly given the current challenging domestic economic circumstances many Australians are facing.¹⁴ While we appreciate the commission's decision to not increase the maximum surcharge, we continue to hold the view that permitting a substantially higher surcharge (in this case, 4 per cent including GST for most non-cash payment methods) than the RBA's guide on the cost of acceptance does not assist in meeting that objective for a range of reasons. Visa's submission in this regard focuses on four key points:

- **Surcharging much higher than the RBA's guide on the cost of acceptance may disincentivise consumer use of taxis, compared to their competitors within the industry, such as hire cars and ride-sharing services;**
- **Australian consumers are impacted**, and research indicates that consumers feel they are penalised for choosing a certain payment method;
- **Surcharging does not take account of the costs associated with cash;** and
- **Substantive changes and innovations in the industry continue the trend towards digital commerce** and we are working with our partners to help more Australian businesses, including taxi operators, to accept digital payments securely and

¹¹ See [Q&A: Payment surcharges | ACCC](#)

¹² Australian Competition and Consumer Commission (2017), "Excessive payment surcharge ban" press release, <https://www.accc.gov.au/media-release/excessive-payment-surcharge-ban>

¹³ Essential Services Commission (2023), Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge: Consultation paper, 31 October <https://engage.vic.gov.au/download/document/33258>, p14

¹⁴ Visa (2024) As of May 2024, Visa's Spending Momentum Index remains below 100, implying that most Australians are still spending less than last year amidst the high inflationary and interest rate environment. For further detail, see [here](#).

conveniently, which will enable more acceptance and reduce reliance on terminals.

As a starting point, surcharging does not benefit the taxi industry - especially given that its competitors (e.g., ride-sharing services) in Australia do not surcharge across the board. As a result, in applying surcharging the industry disincentivises consumers from using taxis and risks driving them to other transport services. By comparison, the absence of surcharging helps to encourage a level playing field for transport service providers competing for the same consumer base. Independent research commissioned by Visa and conducted by YouGov in Australia in 2023 highlighted that additional fees can negatively impact the perceived value of the products and services offered by a business. A total of 87 per cent of respondents questioned the overall value and competitiveness of products and services when additional fees are applied.¹⁵

In regard to the impact on consumers, the previously mentioned independent research commissioned by Visa and conducted by YouGov found that when a surcharge is applied 89 per cent of respondents felt they were penalised for choosing a certain payment method, and 67 per cent of respondents disagree that these fees constitute a reasonable trade-off for the convenience of using a card.¹⁶ Prior to this, in 2021, independent research commissioned by Visa and conducted by a consultancy, CLEAR, asked Australian consumers to indicate the most important benefits when using their debit card. It found that security-related benefits were most important (73 per cent), followed by no additional charges when paying (70 per cent). This was equal to keeping personal data confidential and being alerted to potential fraud (both 70 per cent).¹⁷

Surcharging risks disincentivising consumer uptake of secure, transparent and reliable electronic payment systems. The RBA's latest Consumer Payments Study, which provides a comprehensive overview of consumer payment behaviour, found that the share of in-person transactions made with cash halved, from 32 per cent to 16 per cent, over the three years to 2022.¹⁸ This means that more Australians are using digital payments and, therefore, will be impacted by surcharging. This may especially impact low-income and vulnerable consumers who cannot necessarily afford to incur additional costs. Continuing to allow surcharging practices within the taxi industry at a level much higher (i.e., 4 per cent including GST for most non-cash payment methods¹⁹) in comparison to the RBA's guide on the cost of acceptance, could be viewed as creating

¹⁵ YouGov (2023) research commissioned by Visa in August 2023. Based on survey of 1018 Australian cardholders aged between 18-75 years undertaken in an independent capacity. The survey was conducted online between 31 August and 4 September 2023.

¹⁶ Ibid.

¹⁷ CLEAR (2021), 'Uncovering preference for routing debit transactions in Australia' research commissioned by Visa in May 2021. Based on survey of 2,045 Australian debit cardholders aged between 18-75 years undertaken in an independent.

¹⁸ Reserve Bank of Australia (2023), [The Evolution of Consumer Payments in Australia: Results from the 2022 Consumer Payments Survey \(rba.gov.au\)](https://www.rba.gov.au/publications/2023/04/evolution-of-consumer-payments-in-australia), Abstract

¹⁹ Essential Services Commission (2024), Review of the maximum unbooked taxi fares and non-cash payment surcharges: Draft decision, 5 June, <https://engage.vic.gov.au/download/document/35759>

an unfair barrier for these Australians.

Such disincentives are particularly misplaced when governments increasingly recognise the benefits of electronic payments to reduce the impact of the shadow economy and thereby increase tax revenues which fund public goods and services for the community.²⁰ As outlined above, the RBA has raised the option of discontinuing surcharging of debit transactions, given that debit cards are now the most prevalent payment method²¹ for retail goods and services, and are increasingly replacing cash for low-value transactions.

Surcharging also does not take account of the costs associated with cash (which people often mistakenly see as a cost-free means of payment).²² These costs include the financial and time costs associated with processing, securing, managing and transporting cash as well as the possible theft of cash by staff or others and inaccurate cash handling. In an assessment of 100 cities at different stages of digital maturity (including two Australian cities), a study found that on average businesses spend 2 per cent of revenue per month for incoming non-digital payments.²³ By comparison, applying no surcharge results in ensuring that there is a level playing field among all forms of payment.

Furthermore, digital payments are critical in helping the taxi industry continue to onboard to – and participate in – a highly digital ‘new normal’. Surcharging, on the other hand, skews taxi industry incentives to the industry’s longer-term detriment. For instance, in the short run, a taxi driver might resort to surcharging because it appears to be no more than a cost-cutting mechanism but, in the long run, the driver risks real growth.

The growth of digital payments has important impacts on the economy that surcharging could inhibit. Greater economic activity spurred by digital payments supports higher employment and improvements in wages and workers’ productivity. A study conducted by Visa, in collaboration with Roubini ThoughtLab, finds that increased usage of digital payments can add to a city’s Gross Domestic Product (GDP) and support additional jobs, and worker productivity and wages would be expected to increase as well.²⁴

In the commission’s previous consultation paper, it expressed interest in whether there

²⁰ Australian Government (2018), Response to the Black Economy Taskforce Final Report, <https://treasury.gov.au/publication/p2018-287474/>, p19

²¹ Reserve Bank of Australia (2024), Fireside Chat by Ellis Connolly, Head of Payments Policy, at the AFR Banking Summit, [Transcript of Question & Answer Session on 26 March 2024 | Speeches | RBA](#)

²² In this regard, Visa notes that the commission appears to share this perspective in the 2022 consultation paper, given the following statement: “When customers purchase a good or service using payment methods other than cash the merchant ... incurs a cost of accepting this payment (p7).

²³ For further details on the benefits of electronic payments to economies, see the Visa-commissioned report (2017), “Cashless Cities: Realising the benefits of digital payments”.

²⁴ Ibid.

have been substantive changes in the industry that have impacted it in a way that can inform the review²⁵. Visa continues to observe that the trend towards digital commerce is increasing, and we are working with our partners to help more Australian businesses, including taxi operators, to accept digital payments securely and conveniently. For example, Visa's Tap to Phone technology can transform a merchant's smartphone²⁶ into a PoS device, without the need for a separate payment terminal. A number of acquirers have launched this technology to their business customer base²⁷, with a taxi-specific solution also available to support the needs of the taxi industry²⁸. A 2021 YouGov study of over 1,000 Australian consumers²⁹ found that 45 per cent would be likely to use Tap to Phone if available, citing ease of use (50 per cent), time savings (44 per cent), security (43 per cent) and eliminating the need to carry cash (42 per cent).

By enabling taxi drivers to transform their smartphones³⁰ into PoS devices, Tap to Phone removes the need for multiple payment terminals and creates the potential for payment terminals to be superseded. A requirement for multiple payment terminals has historically been part of the taxi industry's justification for the need for higher surcharging³¹. The growing use of websites and apps to make payments, as well as Tap to Phone, will bring permanent changes to the taxi industry. As a result, Visa anticipates a further downward trend regarding terminal usage in taxis in the immediate years ahead, which should be factored into the commission's approach on surcharging.

C. Introduction of differentiated surcharging

As detailed in our previous submission, Visa strongly recommends that the surcharging regime should be differentiated to account for the 'reasonable costs' associated with different payment instruments. While the commission's draft decision outlines that having different surcharges for different payment methods would create confusion³², introducing a differentiated surcharge approach - under which surcharging for the use of debit and credit cards in taxis in Victoria would be split (as occurs with surcharging in other parts of the Australian economy) - ensures surcharges more accurately reflect the underlying economics for a specific transaction.

²⁵ Essential Services Commission (2023), Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge: Consultation paper, 31 October <https://engage.vic.gov.au/download/document/33258>

²⁶ Tap to Phone technology is available on Android NFC-enabled devices and as of May 2023 Apple iPhone devices

²⁷ NAB Easy Tap <https://www.nab.com.au/business/payments-and-merchants/accepting-in-person-payments/nab-easy-tap>; Worldline Tap on Mobile <https://anzworldline.com.au/en/home/payment-solutions/eftpos-terminals/tap-on-mobile.html>; Westpac EFTPOS Air <https://www.westpac.com.au/business-banking/merchants-and-payments/eftpos-air-mobile-payments-app/>; Tyro Tap to Pay on iPhone <https://www.tyro.com/products/eftpos/tyro-byo-app/>; and Adyen Tyro Tap to Pay on iPhone <https://www.adyen.com/devices/tap-to-pay-on-iphone>

²⁸ LiveTap from Live Payments <https://livepayments.com/product/livetap>

²⁹ Visa commissioned an online study, conducted by YouGov, to better understand consumers' perception of 'Tap to Phone' services in Australia. YouGov surveyed 1050 Australians nationwide between 8 July to 12 July 2021.

³⁰ Tap to Phone technology is available on Android NFC-enabled devices and, as of May 2023, Apple iPhone devices

³¹ Essential Services Commission (2023), Taxi reviews 2024: unbooked taxi fares and non-cash payment surcharge: Consultation paper, 31 October, <https://engage.vic.gov.au/download/document/33258>, p12

³² Essential Services Commission (2024), Review of the maximum unbooked taxi fares and non-cash payment surcharges: Draft decision, 5 June, <https://engage.vic.gov.au/download/document/35759>, p33

Visa encourages any business adopting surcharging practices, including the taxi industry, to ensure digital payments remain cost efficient and reflective of the instrument with which a consumer elects to pay. Due to the very different nature of the products and the benefits and risks associated with each, debit products and credit products are supported by varied underlying economics and pricing structures. These differences must be considered in order to adhere to ACCC guidance that surcharging should not be excessive, or greater than the reasonable cost of acceptance. To do otherwise will result in consumers using certain payment instruments in taxis, like debit cards, continuing to pay more than “the costs incurred in accepting and processing non-cash payment transactions”.³³

At the same time, Visa’s proposed approach of splitting surcharging in this way will enable taxi drivers “who facilitate non-cash payment transactions ... to recover the reasonable cost of accepting and processing these transactions”³⁴. As a result, this approach will enable the commission to meet both of its objectives regarding “promoting the long-term interests of Victorian consumers” and ensuring “that people and entities who facilitate non-cash payment transactions are able to recover the reasonable cost of accepting and processing these transactions”.³⁵

Unlike in the 2019 review, we note that the commission has not expressed as part of the current review an intention to use the RBA standard on merchant surcharging to help assess the reasonable cost of accepting and processing non-cash payments.³⁶ Visa encourages the commission to do so.

In addition, the commission’s 2022 list of reasonable costs does not appear to have been included/updated for the current review. We recommend such a list be applied, and align as much as possible with the RBA’s list of such costs. By way of background, the RBA’s list allows for the inclusion of “fees for the rental and maintenance of payment card terminals”³⁷. The RBA excludes from reasonable costs staff training, adding “... staff time employed in operating payment terminals or training to operate payment terminals would not be eligible.” It also excludes general business costs.

³³ Ibid, p.v

³⁴ Ibid.

³⁵ Ibid.

³⁶ Essential Services Commission (2018), “Taxi non-cash payment surcharge review 2019”, p10

³⁷ For Reserve Bank of Australia references in this paragraph, see [Guidance Note: Interpretation of the Surcharging Standards - November 2012 | RBA](#)

Visa has welcomed the opportunity to provide our views to assist the commission in its consideration of taxi non-cash payment surcharging. We are available to help the commission further if needed as it finalises its decision.

Yours sincerely,



Julian Potter
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About Visa

Visa is one of the world's leaders in digital payments. Our mission is to connect the world through the most secure, reliable, and innovative payment network – enabling individuals, businesses, and economies to thrive. We facilitate global commerce and money movement across more than 200 countries and territories and among consumers, financial institutions, businesses, strategic partners, and government entities through innovative technologies.

In Australia, Visa has offices in Sydney and Melbourne. Together with our Australian financial institutions, fintech and business clients, and our technology partners, we are committed to building a future of commerce that fosters Australian economic growth, security, and innovation. Since 2020, Visa has worked with Global Sisters to provide business mentoring and coaching to aspiring businesswomen who recently graduated from Global Sisters' small business education program. In the same year, we launched #WhereYouShopMatters, an initiative focused on supporting Australian small businesses through education and promotion. Prior to this, Visa partnered with Quest Payment Systems and The Big Issue, the independent magazine sold by homeless, marginalised and disadvantaged people, to enable Big Issue vendors to accept digital payments.

In August 2023, Visa announced the first ever Australian recipients of its global Visa She's Next Grant Program, which supports women entrepreneurs to run, fund and grow their business. Together with Global Sisters and the Accelerator for Enterprising Women, Visa invited shortlisted exceptional women-owned small businesses to pitch their business growth plans for funding from the She's Next Grant Program.

Visa continues to enable new payment flows and expand acceptance across the payments ecosystem, ensuring that every Australian can both pay and be paid in a secure and convenient way. We are realising this through Visa Fintech Partner Connect and the Visa Accelerator Program. The program provides Australian fintechs with access to Visa's technologies, networks, and solutions, enabling businesses to scale for the benefit of consumers, businesses and the economy.

Regarding security, over a five-year period, Visa invested nearly AU\$14.5 billion in systems resilience, fraud management and cybersecurity, including tokenisation, Artificial Intelligence (AI) and blockchain-based solutions, to bring even more security to every transaction.³⁸ In the 12 months ending March 2023, Visa's AI-based real-time payment fraud monitoring solution helped Australian financial institutions prevent \$714 million in fraud from disrupting Australian businesses in a year³⁹. As commerce moves rapidly online, the threat landscape is also changing and, in response, Visa released its updated [Australian Security Roadmap 2021-23](#), given the increasing risk of cybercrime and scams facing Australian businesses and consumers. The roadmap highlights the steps that Visa is taking, together with industry, to continue securing digital payments in Australia.

³⁸ Visa internal data on global technology and operations investments, FY15-FY19. For further detail, see <https://usa.visa.com/visa-everywhere/blog/bdp/2019/12/24/investing-in-the-1577207091483.html>

³⁹ Visa (2024), 12 months ending March 2023, VisaNet (April 2022 – March 2023). For further detail, see [Visa prevents more than \\$700 million in fraud from disrupting Australian businesses | Visa](#)