

Review of Card Surcharging

Submission by the NSW Department of Transport

The NSW Department of Transport welcomes the opportunity provided by the review of card surcharging to raise concerns with regard to card surcharging in the taxi industry for consideration by the Reserve Bank of Australia.

As at 1 July 2011, there were 6,901 taxis in NSW. Taxis play an important role in the transport task, estimated to undertake more than 175 million passenger journeys each year in NSW. Various sources suggest that between 27 and 50 per cent of these trips are paid by card and this proportion is increasing.¹ There are also benefits for driver safety in encouraging non-cash payment of fares.

While the NSW Government regulates the maximum taxi fare that can be charged, it does not regulate the transaction fees charged for non-cash payments, which is considered an area of Commonwealth responsibility.

The major provider of non-cash payment services for taxi fares is Cabcharge. Cabcharge claims that its electronic payment system is available in over 90 per cent of all taxis in NSW and 95 per cent of all taxis, limousines and water taxis throughout Australia.² A 10 per cent surcharge is applied to the entire fare, including any network booking fee, the flagfall, distance fare, tolls (including Sydney airport, motorway, tunnel and bridge tolls) and GST.

It is understood that this 10 per cent surcharge is also generally applied by other electronic payment system providers for NSW taxis, although some are charging less.

The taxi industry is unique in comparison with other industries offering an electronic payment system option for payment of goods or services. With approximately 40% of taxi trips made by network bookings, the majority of taxi trips are from rank or hail hirings. The customer, in most cases, is therefore not in a position to choose a taxi providing a more competitive payment system option.

NSW Legislative Council Select Committee Inquiry into the Taxi Industry

In June 2010, the final report of the NSW Legislative Council Select Committee of Inquiry into the taxi industry was delivered. The Committee consisted of:

- The Hon John Ajaka (Chair) – Liberal Party
- The Hon Penny Sharpe (Deputy Chair) – Australian Labor Party
- The Hon Greg Donnelly – Australian Labor Party
- The Hon Trevor Khan – the Nationals
- Ms Lee Rhiannon – the Greens

¹ NSW Legislative Council Inquiry into the NSW Taxi Industry, 2010: p98

² NSW Legislative Council Inquiry into the NSW Taxi Industry, pp94-95

- o The Hon Roy Smith – the Shooters Party

The bipartisan report of the review noted concern about the 10 per cent surcharge levied on the electronic payment of fares, particularly given that an increasing proportion of taxi fares are being paid by electronic means. The Tourism and Transport Forum submission to the Inquiry indicated that 88 per cent of respondents to a survey about taxi services throughout Australia found the 10 per cent transaction charge unreasonable.³ Sections 6.44 to 6.95 of the report provide detailed discussion on the surcharge (Attachment A).

The Committee expressed concerns that the 10 per cent card surcharge throughout the taxi industry was excessive, especially when compared with surcharges levied in other industries. The Committee, therefore, recommended that:

The [NSW] Minister for Finance request that the Federal Minister for Finance and Deregulation review, in the light of the general level of service fees charged across various industries, the 10 per cent surcharge levied on electronic payment of taxi fares.

The former NSW Government's December 2010 response to the Committee's report supported the recommendation in principle, noting that:

The NSW Government does not regulate electronic transaction fees, therefore the Minister for Finance has advised that he intends to write to the Federal Minister for Finance and Deregulation, referring to the Inquiry's recommendation that the fee level be reviewed by the Commonwealth.

Options to introduce a limit on card surcharging

In the consultation document outlining possible modifications to the Standards, the Payment Systems Board suggests two possible options to limit card surcharging: determining a specific cap as a percentage of the transaction value that a scheme could oppose; or allow scheme rules to limit surcharges to an amount that is either reasonably related, or equal, to the merchant's cost of card acceptance.

The Department of Transport does not have a firm position on a preferred approach, other than generally supporting a regime that is transparent, supports competition and protects consumers while enabling providers to recoup justifiable costs of card processing. The complexities of defining reasonable costs are noted in the Payment Systems Board's discussion paper and it is noted that evidence given at the Legislative Council's inquiry suggests that such complexities apply to the taxi industry.

In this regard, the Department is, therefore, supportive of measures to promote disclosure of merchant service fees. The publication of detailed data on merchant service fees by industry could further serve to promote

³ Tourism and Transport Forum submission to the NSW Legislative Council Select Committee Inquiry into the Taxi Industry, p6

competition in the provision of non-cash payment services within the taxi industry.

Conclusion

The NSW Department of Transport welcomes the review of card surcharging. An increasing proportion of taxi customers are making payment of taxi fares by card.

The NSW Government supports competition in the taxi industry, including payment systems, particularly where cost savings may be achieved for customers and there is transparency in charges. There are also benefits for driver safety in encouraging non-cash payment of fares.

Taxi customers overwhelmingly consider a 10 per cent surcharge on card payment of taxi fares unreasonable but have little reasonable alternative. Measures to support limits on surcharging over and above transparent and justifiable costs of card acceptance and administration are, therefore, supported.

Measures to promote disclosure of merchant service fees, including publication of detailed data by industry, could also serve to promote transparency and competition in the taxi industry.