

MEDIA RELEASE
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Taxi fares on the way down

Australians could soon enjoy cheaper cab fares with the 10 per cent card surcharge they pay for taxi journeys slashed to 5 per cent, under wide ranging reforms to the cab industry.

The fee cut depends upon a decision by the Reserve Bank of Australia (RBA) to open up the Cabcharge system to competition for the first time in 36 years.

The RBA is currently considering whether to regulate the Cabcharge system as it does the Visa, MasterCard and eftpos payment schemes¹.

According to Jost Stollmann CEO of Tyro Payments, Australians spent an estimated \$4.6 billion on cabs in 2011 from 209 million separate journeys².

"It is a scandal how Cabcharge is allowed to continue to stifle competition and gouge the Australian consumer," he said.

"Customers pay 10 per cent in a cab every time they use a credit, debit or Cabcharge card, yet only pay between zero and three per cent in a shop.

"The payment system in cabs is more expensive than in a retail store, but there is no justification for the 10 per cent.

"Every man, woman and child in Australia takes more than 15 taxi journeys a year on average, so the stakes are high."

The 10% taxi surcharge contributed \$90 million of revenue to Cabcharge in the 2012 financial year charged on \$1.05 billion in taxi payment turnover.³

Mr Stollmann said the momentum to provide customers with a better deal was growing.

A Victorian Taxi Commission Inquiry found there was no evidence the surcharge in taxis should exceed 5 per cent of transaction value⁴.

Inquiry Chairman Professor Allan Fels found "the best way to provide choice is through an open, competitive market".

Cabcharge operates its payment terminals in 97 per cent of Australian cabs.

"Cabcharge has a monopoly. You have no choice if you pay electronically; you have to pay 10 per cent extra. That's really high. There is no competition. You either pay 10 per cent or you pay cash," Professor Fels said.⁵

In September 2010, the Federal Court fined Cabcharge \$14 million for misuse of market power, one of the highest ever penalties handed down for such a breach.

Mr Stollmann said that by opening up the payment processing and metering systems to third parties, Australia's 65,000 taxi drivers and their 371 million passengers each year would benefit from dramatically better service at lower costs.²

¹ http://www.tyro.com/files/news/document/425/Summary_of_NBGs_Application_RBA_Designation_of_Cabcharge_Payment_System.pdf

² <http://www.atia.com.au/taxi-statistics>

³ <http://www.cabcharge.com.au/pdfsubframe.htm?pdf/2012CabchargeAnnualReport.pdf?sel=conditions>

⁴ <http://www.rba.gov.au/payments-system/reforms/cards/201211-var-surcharging-stnds-guidance/guidance-note.html>

⁵ <http://www.heraldsun.com.au/news/victoria/watchdog-puts-bite-on-taxi-charge/story-fn7x8me2-1226107707211>

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“Single integrated EFTPOS terminals with real-time processing of all cards including Cabcharge will eliminate the industry’s rampant fraud problem perpetrated with paper vouchers and unauthorised transactions,” he said.

As the newest independent entrant into Australia’s EFTPOS market Tyro Payments has developed with its Merchant partner CabFare an efficient real-time alternative to Cabcharge terminals that would provide a competitive alternative.

Cabcharge is not registered with APRA, holds no Financial Services License or Credit License with ASIC and is not governed by the RBA, but the proprietary Cabcharge payment system processed \$438 million in fares 2012 financial year³.

“I fear that given Cabcharge’s behaviour even after the Federal Court fine of \$14 million, they will continue to refuse access. They need a strong response by regulatory authorities,” says Mr Stollmann.

The Allan Fels’ Victorian Taxi Industry Inquiry reads: “The regulator may need as a matter of urgency to bring forward consideration of the need for interoperability standards and open access provisions between taximeters, EFTPOS terminals and dispatch terminals.”

“We acknowledge the RBA’s recent guidance note regarding card surcharging restrictions and encourage the RBA to intervene and designate the Cabcharge payment system, for the benefit of the taxi industry and the Australian public,” said Mr Stollmann.

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About Tyro Payments Limited

Tyro is Australia’s EFTPOS innovation institution and is the first new entrant into the EFTPOS business in more than 14 years. Tyro holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution (SCCI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA).