

User benefits in Cabcharge settlement

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CABCHARGE'S rivals will judge yesterday's court settlement with the competition regulator by how much it changes the dominant player's behaviour in the marketplace.

"My understanding is there will be a broader competitive framework put in place," said Tom Varga, the chief executive of Live Payments, which installs rival eftpos machines in taxis and offers an alternative corporate charge card.

"We are going to see in this new era an increased competition that down the track has to start reducing the cost to service this industry," Mr Varga said.

Taxi users, who pay a 10 per cent service fee on all non-cash transactions for fares could see lower prices within 12 to 24 months, he said.

Live Payments installs electronic terminals which process credit, debit and charge cards, and wants to strike a deal allowing Cabcharge charge accounts to be processed on its machines and vice versa.

"The compliance program will now require them to look at us on a commercial basis, based on the merits of the commercial system we have in place," Mr Varga said.

In settling the case with the Australian Competition and Consumer Commission, Cabcharge admitted it had misused its market power in 2005 when it refused to allow a Perth rival, Mpos Australia Pty Ltd, to process Cabcharge charge accounts on Mpos eftpos machines on commercial terms.

Three years later it refused again when the Perth company renewed its offer and asked for a "reciprocal arrangement" for an Mpos-branded charge card.

Cabcharge undertook to the Federal Court that it would implement a compliance program "revising the internal operations of Cabcharge's business which led to Cabcharge engaging in the conduct declared by the court in this proceeding to be in contravention of section 46 of the [Trade Practices] Act".

The second breach of the act admitted by Cabcharge was undercutting producers of taxi meters by charging well below cost to install its own meters, which are integrated with Cabcharge eftpos terminals.

It admitted its purpose was to prevent its rivals Schmidt Electronic Laboratories, Martin Meters and Novax from engaging in competitive conduct.

Cabcharge bought more than 6000 meters between 2004 and 2007 for \$250 each and charged its customers only \$110 for 5600 of them. Others were supplied at no cost.

The regulator's statement of claim, filed last year, said that during an examination under oath in October 2007, the executive chairman of Cabcharge, Reg Kermode, said Cabcharge's loss on the sale of each meter was funded from the profits made from the 10 per cent service fee it charges for electronic processing.

In November 2007, Cabcharge starting charging \$250 for each meter.

Bob Tesoriero, who owns a Sydney taxi meter company, Novax, said his sales plummeted when Cabcharge entered the meter market in 2004.

"It was virtually indescribable," Mr Tesoriero said yesterday. "We had built up sales of 600 to 800 units per annum, and that dropped to about 100."

Novax, which earned revenue from installing fare upgrades every year and from replacing meters every 10 years, needed to sell 400 meters a year to break even, he said.

It buys New Zealand machines for \$217 each (compared with the \$250 European model bought by Cabcharge), which it sells to dealers who charge end customers about \$480 for a fully installed meter.

"Because they move slowly, we have to have a reasonable mark-up," Mr Tesoriero said.

"They [Cabcharge] were selling at factory cost and we couldn't compete."

According to court documents, Cabcharge eftpos terminals were installed in 17,834 of Australia's 18,368 taxis in 2008. The proportion of taxis using a Cabcharge machine rose from 83 per cent in 2004 to 95 per cent in 2008.

That same year, its revenue from taxi payments was \$113 million, and its processing costs related to that revenue were \$2 million.

Taxis using rival terminals such as Live or Mpos typically install two machines, using the Cabcharge one for charge cards and the rival one for credit and debit cards.