

# **LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE**

## **Inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms**

Melbourne—Wednesday, 19 June 2019

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Mr Bernie Finn—Deputy Chair

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**Necessary corrections to be notified to  
executive officer of committee**

**WITNESS**

Mr Mark Shehata.

**The CHAIR:** Again, I would like to welcome you, Mark. I need to read this—unfortunately we have to. The committee is hearing evidence today in relation to the inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms. All evidence taken at this hearing is recorded by Hansard and is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you go outside the room and repeat the same things those comments may not be protected by this privilege. The floor is yours. Allow us some time for questions as well.

**Mr SHEHATA:** No problem. I would just like to thank you all for allowing me the opportunity to present. I would like to also thank my colleagues for their support in attendance today.

**The CHAIR:** Your name for the record.

**Mr SHEHATA:** My name is Mark Michael Shehata I am the operations manager of Exclusive Cab Management. It is a taxi business in Reservoir. My father established this business in the early 1980s and he grew the business to a 40-car taxi fleet. Myself and my two brothers, along with my mother and father, worked in the business on a day-to-day basis. Unfortunately for us we have suffered extreme financial losses, much the same as the other two taxi licence-holders who presented here.

While my parents did not own those 35 licences, they owned quite a significant number of licences, and I just cannot begin to explain the amount of losses, both in income and also property value, that we have experienced. With the introduction of the Fels inquiry my family's taxi licence holdings dropped from \$10 million to approximately \$5 million or \$6 million. The income also dropped from over \$60 000 or \$70 000 in gross profit to—I do not know—we are talking maybe \$40 000 per month. This was obviously extremely difficult for us when we had \$5 million worth of loans at the time, and asset values falling, which was security against the loans. This caused detrimental impacts on our family. It caused mental strain on my parents. They are elderly, which was quite difficult for me to observe. I did try to support them through it, though. It was just a monumental mess I think.

After the 2016 announcement, where the government decided that they were going to revoke everyone's licence, the transitional payment for my family was an absolute disaster. From where the value was at its peak, we received 2.5 per cent of where it was. I know that is very, very difficult for anyone to imagine, but it was 2.5 per cent of what they were valued at their peak. What is even worse is had my family had the opportunity to sell on the open market one day before the announcement, my family would have been able to pay back most of their debt—not all of it but most of it. Instead we are left with a significant amount of debt. We have no underlying property. So we are paying back a loan for a property right which we will receive no commercial benefit from—ever. It is a very difficult for anyone to envisage that, and it is just detrimental for my family.

The other problem is we do not operate 35 taxis anymore; we only operate 20. Our income is deteriorating at such a level that there is no money left to pay the bills. We have all had to dip into our savings. One of my brothers and my mother and father do not work in the business anymore. It is just myself and my brother. We do not derive any income whatsoever from the taxi business. Rather we try to find other sources of income to help pay the bills of the taxi business. Yes, that is about the general gist of the situation at the moment. There are now 64 000 commercial passenger vehicles in Victoria competing for the same fares every day. The drivers are finding it extremely difficult to compete with that many cars on the road.

I have also seen an increase in the number of fines issued to drivers for parking. Driving around on the road is quite stressful for 12 hours straight, so they choose to sit on a rank, but they cannot sit on a rank because there is no rank space. Therefore the parking inspector comes along and takes a photo of their car parked illegally. They receive a fine, an infringement, which probably is two days work for a taxidriver, and you can imagine after a few of those they do not want to work anymore. So it is just a vicious circle, and it keeps going and going.

Also customers are complaining about the \$1.10 levy that the government has imposed in order to recoup the cost of the transitional assistance package. It is also quite concerning that we do not know what sort of figures

the government is raising from that. The issue has been raised with the State Revenue Office on a number of occasions to clarify the amount of revenue raised. However, they are very reluctant to give any figures. All they seem to state is that it is raising a lot more money than they had anticipated, but they will not give us any figures for some reason.

**The CHAIR:** Mark, you said you have dropped from 35 to 20 taxis.

**Mr SHEHATA:** Correct.

**The CHAIR:** How have you altered your operation since the reform?

**Mr SHEHATA:** How have I altered my operations? I have reduced the number of taxis I operate because there are not enough drivers. Also my parents do not work in the business anymore because there is not as much work when we do not have a number of cars. My other brother has moved away from the business, so it is just one of my brothers and myself. Also there is no income; there is no chance for a wage to be drawn from that business. After we repay the bank, after we pay all the expenses, after we pay the depot fees, there is no money left over, sir.

**Mr FINN:** It is pretty tough, and I accept that. It would be very difficult for you to come in and tell us what you have, so I thank you for that. I am interested to hear what else is going on in the industry. We have heard your story, and that is not a good situation at all, but you would have heard of people—friends and associates—who have also been impacted. What are the sorts of scenarios that they are facing?

**Mr SHEHATA:** Where do I start, sir? People have lost their superannuation, people have lost their marriages, people have lost their health, people have lost their financial independence—the list keeps going and going, sir. But the worst part about it is that people have lost their lives, sir, and that is the most touching thing of all—that someone would resort to suicide because they cannot handle the situation. It is very upsetting; it is very disappointing that it has come to that.

**Mr BARTON:** Mark, I have known you for many years, so I am very familiar with the thing, and I consider you a friend, so that is how I know—

**Mr SHEHATA:** Thank you, sir.

**Mr BARTON:** Don't you ever call me 'sir'.

**Mr SHEHATA:** Thank you, Rod.

**Mr BARTON:** Mate, I am familiar with the things, but the committee members will not be aware of a few things that I would just like you to help explain. Entities—how the licences were paid. So basically how the government decided was an arbitrary figure was plucked from somewhere: \$100 000 for the first one, \$50 000 for the second, third and fourth, and if, like your family, you have worked really, really hard, you get nothing for any licence thereafter—correct?

**Mr SHEHATA:** Unfortunately for my family, we own close to 20 licences and we were only paid for the first four. Unfortunately we had all our licences in one entity, therefore we only received \$250 000 for the 20. However, if someone owned three licences in three separate entities, they would receive \$100 000—

**Mr BARTON:** Sorry, Mark. Can you just please explain what the different entity is?

**Mr SHEHATA:** Let us say a husband and wife had three licences—one in their superannuation fund, one in the wife's name and one in the husband's name. They would receive \$100 000 for the superannuation fund licence, \$100 000 for the wife's licence and \$100 000 for the husband's licence, therefore they would receive \$300 000. But they own one-seventh of the number of licences my family do. Now, how can anyone think that that situation is fair?

**Mr BARTON:** Bizarre. Mark, just some other things about the operational side of the taxi industry. I will just ask you one personal thing. Do you think you are going to be able to trade out of this, mate?

**Mr SHEHATA:** If I am speaking honestly, sir, there is no chance I will be able to trade out of this mess.

**Mr BARTON:** Okay. Mate, I just want to talk to you also about the impact of going from 5600 taxis in Melbourne to 12 000 taxis in Melbourne and going from 2800 hire cars to over 54 000 hire cars. We see the congestion on the roads. We can see all the Uber vehicles and the taxis, and we can see them everywhere, but the consequence of all that is the battle of touting. Tell me about how that is happening.

**Mr SHEHATA:** I am very concerned about what happens at Melbourne Airport when a plane lands and there are 100 drivers approaching every person that walks through Melbourne Airport trying to tout them into their vehicle. I would much prefer the old touting laws to be in existence, where it was against the law. Now it just seems like a big mess. We are looking like a Third World country unfortunately, which is not a good sight for tourists coming to Melbourne. I am very concerned about it. Not only that but we do not know who these drivers are. Anyone can just walk into the airport and pretend they are an Uber driver or a taxi driver or a commercial passenger vehicle driver and just try to get a passenger in their car. It is also a safety issue. It is very concerning.

**Mr BARTON:** Mark, did you get a payment from the Fairness Fund?

**Mr SHEHATA:** Look, to be honest with you, yes, I did. It was not very significant at all.

**Mr BARTON:** No, no. That is okay. Mark, have you got a tax debt because of that fairness payment?

**Mr SHEHATA:** Yes, Sir. I do.

**Mr BARTON:** Is it significant?

**Mr SHEHATA:** It is extremely significant, yes. It might have been better if they did not pay me at all so I do not have to deal with the tax problem.

**Mr BARTON:** There is a problem with that.

**Mr FINN:** So you are telling me that the money that you get from the Fairness Fund is then liable for tax?

**Mr SHEHATA:** Correct, Sir.

**Mr BARTON:** Yes. In Mark's circumstance—we are dealing with the ATO at the moment. I hate to give Mark the bad news, but he is not going to be able to get out of that. However, there might be something down the track from the ATO for the amount of people that have now been forced out of the industry—there may be some avenue for them to get that tax sorted. But sorry, Brother, not for you because you have kept trading, or have attempted to keep trading.

**Ms TERPSTRA:** Since the reforms, can you just tell the committee if you have made any changes to the way that perhaps your business might interact with customers? Have you changed the model at all, or has it stayed the same?

**Mr SHEHATA:** My business has gone through significant changes. I have actually reduced the number of cars, but in terms of customer interaction, yes. The branding of the vehicles has changed and whatnot. The company that dispatches work to my cars—that is, 13CABS and Silver Top—they have changed the applications and whatnot and tried to enhance customer service and whatnot as well and just tried to adapt in the new environment.

**Ms TERPSTRA:** Yes, okay.

**Mrs McARTHUR:** Mark, I do not know whether you can answer this question, but I wonder if anybody in your industry has worked out what money the government is accruing from the \$1 surcharge?

**Mr SHEHATA:** It is very difficult to predict, but I have had the privilege of fronting two other parliamentary inquiries into similar commercial passenger vehicle industry inquiries. I did present some modelling in my last one—I think Mr Bernie Finn and Mr Nazih Elasmr were at the previous ones. I believe

there are 55 million commercial passenger vehicle trips in Victoria annually, so \$55 million annually I believe; I could be wrong. But no-one seems to want to say exactly how many trips are completed. In my estimates I believe there are roughly 55 to 65 million annually and it grows at the rate of around 3 or 4 per cent annually, compounded. And there is no sunset clause on the \$1.10 levy, by the way.

**Mr BARTON:** Mark, I know that you will be paying the \$1.10 levy at your business because that is the sort of bloke you are.

**Mr SHEHATA:** Correct.

**Mr BARTON:** What is your gut feeling about people paying the levy out in the industry? The compliance level?

**Mr SHEHATA:** I think it is pretty hard for someone running a hire car to be compliant 100 per cent, or it is not hard for them to be compliant but I think a lot of them would not be compliant. However, I believe taxi operators are more inclined to pay because of the systems that the networks have set up or the booking service providers where they have just incorporated them into their fees that they charge per month.

**Mr BARTON:** Mark, can you just explain to me, because I am not quite sure how this part works now. If you do a radio job for 13CABS, they collect the \$1.10 levy.

**Mr SHEHATA:** Correct.

**Mr BARTON:** That is their responsibility. However, if the driver goes out and picks up a cash job off the street, 13CABS would not have a clue.

**Mr SHEHATA:** Correct. You are 100 per cent correct, Rod. The driver is then legally obliged to pay the \$1.10 levy. I think it is a bit hard to try and chase 5000 or 6000 drivers to pay that \$1 levy.

**Mr BARTON:** So it is simply not happening?

**Mr SHEHATA:** It would be extremely difficult for a—

**Mr BARTON:** I think if we are going under the bleeding obvious law, they are not going to report four times a year, to jump on a computer and tell the SRO that they have collected this money.

**Mr SHEHATA:** I cannot talk on behalf of all the drivers, but yes. I can understand that it may be difficult for all the drivers to report four times a year.

**Mr BARTON:** Thanks, Mark.

**The CHAIR:** If there are no other questions, one more question. Do you believe taxis are safer now or before the reforms?

**Mr SHEHATA:** Do I believe taxis are safer? Look, I think it is a lot harder to police 12 000 taxis, but I think it is impossible to try to police 64 000 commercial passenger vehicles at one time. I do not know how many compliance officers there are—

**Mr BARTON:** Eight, let me help you out.

**Mr SHEHATA:** There were eight. Yes, correct. There were eight before the reforms. I do not know how many there are at the moment.

**Mr BARTON:** Eight, let me help you out.

**Mr SHEHATA:** Eight still? Yes, okay. I cannot see how eight people could look after 64 000 commercial passenger vehicles.

**The CHAIR:** Mark, on behalf of the committee, I would like to thank you for your contribution and your time. Again, you will receive a copy of the transcript for you to proofread and correct any typographical errors. Thank you very much.

**Mr SHEHATA:** Thank you very much for allowing me the opportunity.

**Witness withdrew.**