

Economy and Infrastructure Committee into the Commercial Passenger Vehicle Industry Bill 2017 (CPVI Bill)

Government response

Executive Summary

The Government thanks committee members for their report into the *Commercial Passenger Vehicle Industry Bill 2017* (CPVI Bill)

The Government notes that the report's findings and recommendations support the framework of the CPVI Bill; to regulate ridesharing and implement a per trip levy to fund financial assistance for the existing industry. The proposed \$2 levy will replace annual licence fees of up to \$23 000. The reforms will cut costs for operators and cut fares for passengers.

Numerous witnesses presented evidence to the committee in support of the levy to fund financial assistance. Witnesses also presented evidence that replacing the licence costs with a levy will reduce costs and hence make them more competitive.

While the Government's financial assistance package is the most generous in the nation, the Victorian Opposition have to date stridently opposed providing any financial assistance funded through a per trip levy.

The Inquiry's report was endorsed by the Liberal and National members on the committee and it is hoped that the Opposition will now listen to their own committee members and support a levy to fund financial assistance.

The Government notes that the recommendations considered as a whole involve increasing financial assistance to an uncapped amount while at the same reducing and capping the revenue from the levy that would fund that assistance. Given these conflicting imperatives, the Government is unable to accept in full all the report's recommendations.

The Government has responded very swiftly to the report and is committed to working cooperatively with all members of parliament to pass this legislation by June 22 to provide a safe regulatory environment for ridesharing, enable cheaper fares for passengers (by reducing licensing costs) and provide a fully funded generous financial assistance package for the existing industry.

Response to Specific Findings and Recommendations

Finding 1:

Estimates of the revenue from the \$2 levy are based on data from existing taxi trips and will likely underestimate the total revenue.

The committee was not presented with any verifiable data on the total number of current Commercial Passenger Vehicle (CPV) trips. There is significant uncertainty regarding the current number of trips across the CPV industry, including ride sharing and an even greater degree of uncertainty around the number of trips over the next decade.

Uber did not provide any data on either their existing trip numbers or any forecast on how many they may provide in coming years should the legislation pass. There was also no verifiable data provided to the committee on the current number of hire car trips.

Witnesses to the public hearings provided estimates on the number of taxi trips within wide margins. Victoria's largest taxi operator, 13Cabs, provided estimated annual trips within a 5 million range. Victorian Taxi and Hire Car Families estimated the total number of current CPV trips within a 10 million range.

This uncertainty on both existing and future trip numbers underlines the sensible approach of the Government's legislation that includes the provision to turn off the levy, or reduce the levy, at any point in time.

Suggestions to either sunset the levy at an arbitrary point in time or increase the financial assistance available because it is possible that revenue forecasts will be exceeded are fiscally irresponsible.

It should be noted that the Opposition or any member of parliament can support the legislation and commit to lowering or removing the levy at any time using this legislation. They would just need to explain how they would fund financial assistance.

The Government acknowledges that the trip numbers that underline the revenue forecasts are conservative. This is due to both the uncertainty in trip numbers and because the Government is spending the revenue before it receives it. Should the legislation pass, the financial assistance will be paid out during 2017/18 but the revenue that funds it received over many years. It is standard and best practice of Governments to be conservative with revenue forecasts, especially from new revenue sources.

If the actual revenue being received is greater than forecast then the Government has the option to reduce it under the current legislation.

Recommendation 1.1

That the Victorian Government amend the Commercial Passenger Vehicle Bill 2017 to recognise that the primary purpose of the levy is to provide support to existing taxi-cab licence holders through the Fairness Fund and transitional financial assistance payments.

The Government has always clearly stated that the primary purpose of the levy is to provide financial support to existing CPV licence holders. The Government will agree that once the amount of revenue received from the levy reaches the amount expended then a review will be undertaken.

Recommendation 1.2

That the Victorian Government amend the Commercial Passenger Vehicle Bill 2017 to qualify the status of payments to ensure recipients are not financially disadvantaged.

The Government has been clear that the financial assistance to licence holders is being provided as a result of the legislative reform, which will replace the existing licencing system with new licences at an administrative cost only. Existing licences will be revoked and the new licences would not have a tradeable value.

The Government has written to both the Commonwealth Treasurer and the Australian Taxation Office to point out that any payments made as a result of the Government's reforms should not be considered assessable income for tax purposes.

Recommendation 1.3

That the Victorian Government amend the Commercial Passenger Vehicle Bill 2017 to provide for a reduced rate of levy in rural and regional areas.

The per trip levy replaces current annual licencing costs and will reduce costs for operators and fares for passengers. There are currently 36 different types of CPV licences and the Government acknowledges that the impact of the replacement of these licences with a levy will be different for each type of licence.

The Government's intention is that the implications of replacing licencing costs with a per trip levy is consistent across Victoria. There are currently three different regional and rural CPV zones which each have different licencing costs and fare structures.

It would be both legally and administratively problematic to have a different levy amount based on where in the State a trip was booked, or took place. The Victorian Taxi Association and other major network providers have advised Government that they do not support a multi-tiered levy.

The Government is willing to have an independent agency, such as the Essential Services Commission, monitor and report on the impact on service provider costs and fares of replacing licence costs with the levy across different regions.

A rebate scheme could be considered to address any circumstances where the implications of replacing licence costs with a levy has led to geographically inequitable operating costs and fare structures.

The members of the Legislative Council can support the bill and also commit to reducing the effective rate of the levy in rural and regional areas in the future, should they chose to do so.

Recommendation 1.4

That the Victorian Government amend the Commercial Passenger Vehicle Bill 2017 to specify a sunset clause for the levy's operation.

Given the response to Finding 1 that there is a significant degree of variation over revenue forecasts it would be irresponsible to cease the levy at an arbitrary point in time regardless of whether the revenue forecast has been realised.

The Government will annually report audited data on how much financial assistance has been expended and how much revenue has been recouped from the levy.

The Government will agree that once the amount of revenue received from the levy reaches the amount expended then a review will be undertaken.

The Government has always clearly stated that the primary purpose of the levy is to provide financial support to existing CPV licence holders. The financial assistance is provided upfront while the revenue from the levy that funds it will be received over an uncertain number of years, dependent upon trip numbers.

The Government believes that the replacement of licence costs with a levy will lead to reduced fares. It should be noted that it is possible that once the levy has recouped the funding allocated to financial assistance that a reduced levy to subsidise services for people with a mobility impairment, who can't use other forms of transport and rely on taxis the most, may be appropriate. The current bill provides for this to be considered whereas a sunset clause would preclude it.

Recommendation 2

That the Victorian Government remove the \$50 million cap on the Fairness Fund to ensure that all legitimate claims for compensation can be honoured through revenue raised by the commercial passenger vehicle levy.

The Government agrees to fund the Fairness Fund beyond \$50 million if the funds required to meet the approved payments to eligible applications exceeds this amount.

Fairness Fund applications closed on April 30 and are currently being assessed. Advice from the chair of the Fairness Fund is that a large number of applications were incomplete or without the supporting documentation required. Rather than simply deem these applications ineligible, the Government and the Chair have agreed to work with each application on a case by case basis to assist the application to become compliant with the standards required for the payments to comply with Government auditing requirements. This will take some time and as such it is not possible at this time for the Government to accurately forecast the total amount of eligible payments under the Fairness Fund.

Recommendation 3

That the Victorian Government consider increasing compensation to primary and subsequent licence holders in an independent and clearly articulated, transparent, equitable and non-arbitrary model for the valuation of perpetual licences and that this model be based on market value valuation methodology.

The Government is providing financial assistance because it acknowledges the impact of the reforms on the existing industry. The Government is not legally required to provide this assistance, we are doing it because it is the right thing to do.

The Government does not agree to this recommendation because it is not consistent with the Government's desire to ensure these payments are directed to those who need it most, through a combination of the Fairness Fund (with eligibility based on a demonstration of financial hardship) and transition assistance payments paid to eligible licence holders for up to four licences. 98% of all licences holders own four licences or less.

Providing financial assistance based on a market value approach would redirect the assistance available away from those who need it most. Some licence holders purchased their licence for under \$25 000 forty years ago and have been earning income from it ever since. Others paid over half a million only six years ago and have had far less time to get a return from their investment.

The Government does not accept the statement made in the Chair's Foreword that "*Effectively licences that were purchased at a high price from government*". The highest amount that the Government has ever sold a perpetual Metropolitan Taxi licence is around \$50 000. The Government acknowledges that licences have been privately traded at values well in excess of that which is why a generous financial assistance package is being provided.

There are over 36 different perpetual CPV licence types that all have different market values and history. Some licences have been tradeable, some have not. Some licence values fluctuate some do not. Taxi licence values data provided to the committee showed rapid and dramatic market fluctuations in recent years. Melbourne Metropolitan Perpetual Taxi Licences doubled in value from approximately \$250 000 in 1999 to \$500 000 a decade later in 2009. Licence values then dropped to approximately \$150 000 and were trending downwards rapidly prior to the Government announcing any legislative change.

Recommendation 4

That the Victorian Government provide compensation as lump sum payments at the outset of revocation of taxi licences.

The funding for transitional financial assistance payments is allocated in financial year 2017-18. If the legislation passes before the end of June 2017, the transition assistance payments will be made as single lump sum to eligible licence holders when licences are revoked. The exact timing of the revocation will be set by proclamation, after the Bill receives Royal Assent.

The payments made under the Fairness Fund are based on circumstances beyond the number and type of licences held. Payments will be made once approved by the Chair of the fund. As mentioned

in response to recommendation 2, rather than deem incomplete Fairness Fund applications as ineligible the Chair is working with each application on a case by case basis and it will take some time for all the payments to be made. The payments will be made as soon as they are approved.

Recommendation 5.1

That the Victorian Government ensure that existing Multi-Purpose Taxi Program concessions for passengers are extended to all commercial passenger vehicle trips.

The Government's reforms involve moving to one type of CPV licence. Subject to meeting the current conditions of the Multi-Purpose Taxi Program (MPTP), service providers registered under the new legislation would be eligible for MPTP payments. It should be noted that the Multi-Purpose Taxi Program is currently being examined as part of a broader review of accessible point-to-point transport, and the National Disability Insurance Scheme (NDIS) is still being rolled out. The legislation establishes a new Disability Commissioner who will have oversight of the impact of the reforms on people with a mobility impairment and ensure they benefit from the reforms.

Recommendation 5.2

That the Victorian Government ensure that Multi-Purpose Taxi Program trips are exempt from the levy

Evidence provided to the committee supported the Government's view that because the levy is replacing annual licencing costs fares for trips taken under the MPTP scheme will be reduced. The MPTP pays for up to half the cost of a fare so even if any impacts of the levy were passed on in price rises, half the cost would already be covered by the program. The new Disability Commissioner provided for in the bill will monitor fares under the MPTP and the Government will consider providing a rebate if price monitoring reveals that the levy has increased prices. This would ensure that MPTP trips are exempt from any impacts of the levy. Such a scheme can be delivered through the existing program and would not require amendments to the current legislation.

Recommendation 6

That the Victorian Government provide a response to the Committee in time for the Parliament of Victoria to finalise debate and pass the Bill, with amendments as suggested through this report's recommendations, by 22 June 2017.

The Government's reforms were announced last August. There have been two parliamentary Inquiries. The bill has been before the house for 4 months. It is time for the parliament to safely regulate ridesharing, provide certainty and assist the existing industry.

Recommendation 7

That the Victorian Government consider reducing the levy applied to commercial passenger vehicle service transactions.

The legislation already provides for this recommendation to be implemented at any time. Any member of parliament or political party can vote for this legislation and commit to reducing the levy. They would just need to explain how much financial assistance they would provide and how it would be funded.