

# **LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE**

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

Melbourne—Wednesday, 28 August 2019

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## WITNESSES

Mr Paul Broderick, Commissioner of State Revenue and CEO, and

Mr Vasko Nastevski, Acting Manager, Policy and Legislation, State Revenue Office.

**The CHAIR:** I declare open the public hearings for the Economy and Infrastructure Committee's Inquiry into the Commercial Passenger Vehicle Industry Act 2017 Reforms. I welcome everyone in the gallery. Please, your mobile phones should be turned to silent.

I welcome Mr Paul Broderick and Mr Vasko Nastevski. All evidence taken by this Committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, including on social media, those comments may not be protected by this privilege.

Please can you state your name for the Hansard record and allow us time to ask you questions. Who is going to lead, Paul?

**Mr BRODERICK:** Thank you for inviting us to attend the hearing. My name is Paul Broderick, I am the Commissioner and CEO of the State Revenue Office Victoria. With me I have Mr Vasko Nastevski. He is the Acting Manager at the Policy and Legislation branch of the SRO.

The commercial passenger vehicle services levy was introduced on 1 July 2018. The SRO is responsible for its administration under the *Taxation and Administration Act*. This includes levy payer education, collection, debt recovery, compliance and any other administrative actions necessary to collect the full levy. The SRO is quite experienced in the collection of taxes and levies and has applied this experience to the development of a system to collect the CPVSL. The following initiatives have been implemented to assist levy payers to meet their obligations: a specific CPVSL website portal, which allows for an easy registration and payment process; there is a decision-making tool, 'Do I have to register?'; there are instructional videos on the website; there are brochures, online newsletters and fact sheets in a variety of languages; and seminars and webinars have been conducted. We have also made a number of visits to Tullamarine airport to speak directly with drivers on numerous occasions. There has been a series of regional seminars conducted across Victoria, partnered with the Victorian Taxi Association. We have also partnered in industry sessions with the Department of Transport-represented bodies, and we have also met with organisations like the wedding hire car association and other industry groups.

The system we use was developed through an interdepartmental steering committee, which included representatives from DTF, DPC, CPVV and others. A significant amount of consultation occurred at the time of the implementation, and the system was tested with potential users before its release. The system requires potential levy payers to register online and to lodge quarterly returns along with a payment which can be made via direct deduction or credit card. The compliance activities associated with the levy have been implemented using a staged approach. This considered approach to compliance activities was taken because the levy is a new initiative and we wanted to allow people time to get acquainted with its operation before implementing any strong enforcement programs.

The stages we have undertaken are as follows: stage 1 was about education information and was aimed at ensuring those who should be registered to pay the levy were paying the levy. This involved some of the initiatives I mentioned earlier. This phase lasted about nine months, covering a period prior to the commencement of the levy and continuing before and after the introduction of the levy. Stage 2 was about data matching, to see if people and organisations had registered for the levy. We use data from the CPVV to determine if drivers and organisations are registered. We have a memorandum of understanding with the CPVV so that we can exchange information and data with them. There are penalties for not registering, and then we can refer any non-registrants to the CPVV for action. An initial, light-touch compliance approach was taken, via mail-outs to unregistered drivers and owners in late November and early December, and again in April 2019. The results of these mail-outs were an increase in registrations and subsequent payments. Stage 3 of the compliance program, which is being implemented, is more about compliance staff taking actual trips in commercial passenger vehicles to see if the levy is being collected and then to determine if it has been passed

back to the SRO via the quarterly return. This stage is being implanted now. Although we think we have got a fair way to go with regard to the implementation and the effective management of the levy, we think we are off to a pretty good start considering it has only been implemented for just over a year. We are satisfied with the overall progress and implementation to date, and Vasko and I are happy to take any questions from the Committee on its implementation and management.

**The CHAIR:** Thank you very much.

**Mr FINN:** Thank you, Mr Broderick, for that. You mentioned that the levy has been in progress now for a bit over a year but there is still a long way to go. Exactly how long does it take to implement a levy of this nature?

**Mr BRODERICK:** We were meeting for a period of about nine months beforehand. We had a steering committee of which the CPVV, DTF and the DPC were involved. It was implemented on time, on 1 July 2018. Prior to that there were a variety of meetings with various stakeholders to make sure that the system is working okay. We also did testing with potential users.

**Mr FINN:** When you say there is a way to go, what exactly do you mean by that?

**Mr BRODERICK:** Well, any new tax line takes a while to bed down. You have got to understand what things we have open to us in terms of compliance. Like for instance, we have access to ATO records. How can we best use ATO records to make sure people are actually complying and paying what they should be paying? We have access to the CPVV data. We have access to a lot of other databases, but because it has only been going for 12 months we have started off, as I said in my opening remarks, with a reasonably light-touch compliance. We are trying to make sure people are educated and understand their obligations, because it is much better for us if people register up front and we do not have to follow them up later on.

**Mr BARTON:** Paul, could you tell us how much you have collected in the first 12 months?

**Mr BRODERICK:** As has been notified publicly, I think in the first three quarters we collected \$48 million—I think that was in the *Herald Sun*—and that it is pretty much in line with what we expected. So we would expect that there would be another—if you broke that up into quarters, you would probably get another \$15 million, so around about \$60 million. Now if you look at that in comparison with New South Wales, and they only charge \$1 as well, they had collected \$34 million in the first six months, so you would expect that they would collect about \$68 million over the course of the year, or may be a little bit more than that. So we think that is reasonably in line with what the expectations would be.

**Mr QUILTY:** I was going to ask something about—I think you have half answered it—data matching. You can go to the ATO for income details, so you have the capacity to match individual drivers with their reported incomes.

**Mr BRODERICK:** Yes.

**Mr QUILTY:** Are you talking to taxi companies, tour providers and so on to get their ride data—the actual number?

**Mr BRODERICK:** Yes, we do. The taxi companies are required to provide the data, and I have got to say most companies have been really cooperative. We have had good relations with all the major companies, including the rideshare companies as well as the taxi industry and people like wedding hire car people as well. We have been quite pleased with the way people have approached this. I know that originally there was not—when you are implementing a new tax it is not always easy and people do not like paying a new levy, but we feel like the industry has cooperated quite well with the provision of the information and the provision of the payments.

**Mr NASTEVSKI:** If I can just add to that, Paul. By legislation there is an obligation for anybody who is liable for the levy to keep relevant records. That helps to reconcile the levy payments, and we can compel any party to provide that at any time if we need to reconcile their returns.

**Mr BARTON:** Just a couple of little questions just so the Committee is aware, and I will just use 13CABS as an example. Roughly 55 per cent of all their bookings are prebooked and they will absolutely be passing on the levy that is due because they have done the prebooking, so that means the other 45 per cent is done by their drivers. There has got to be leakage here, and I just have some other numbers here just for my own—I have not got the actual numbers from the Essential Services Commission. When we used to collect all the data of how many trips were worked, it was about 51 million trips back in about 2016, I think it was. We have now gone from 5500 taxis to over 11 000 taxis and we have gone from 2800 hire cars to over 50 000. The way I am working it out, you are probably not even collecting half.

**Mr BRODERICK:** Do you want me to answer it? Is that a question?

**Mr BARTON:** Sure. Yes. So you are confident—and there has got to be a cost to the way it has been collected too, because we are asking people—

**Mr NASTEVSKI:** We do not think that is probably accurate. We get information from the CPV about everybody who is accredited to drive vehicles in Victoria, so we have that information. We know who is likely to be liable for the levy so we know who they are up-front so we can chase them up for their registration purposes. But as I said, anybody who is liable for the levy needs, by law, to keep all of their relevant data in relation to their trips. So, for example, if we do not have that data for the first quarter, the second quarter, we can go back as far as five years and get it. Whilst there may be some accusation that there is some leakage that people have not paid, it does not mean they have got away with it just yet.

**Mr BARTON:** Have we been auditing 13CABS, Silver Top, Uber? Have they been audited—

**Mr BRODERICK:** Not yet.

**Mr BARTON:** because it is about the confidence of the industry.

**Mr NASTEVSKI:** Yes, that is right.

**Mr BRODERICK:** We will be auditing them.

**Mr BARTON:** So there has been no audit of those companies at this stage? No.

**Mr BRODERICK:** Not yet. No.

**Mr BARTON:** Was the SRO asked to do any other modelling on a flat fee? Prior to this, we think—‘we think’; see, I am still a cabbie—it is very onerous and for the vast majority of people who drive in the rideshare space and the taxi industry English is not their first language. We are asking them to report four times a year onto a computer and report that information to you. We also know that before the reforms roughly one-third of the industry disappeared every year, so by the time we get into those people, they have done their studies, they have gone back overseas or whatever the case may be, so the case that the industry argued was a flat fee. Were you asked to measure that against this particular regime?

**Mr BRODERICK:** Thanks for your question. We were not asked to do that. We would not be asked to do that anyway because at the State Revenue Office we are—

**Mr BARTON:** That would be done by the department.

**Mr BRODERICK:** administering the policy of the government at the time so we do not get involved in trying to do economic analysis of what might work and what does not work. At the State Revenue Office we administer whatever the decision is.

**Mr BARTON:** I know that electronically we can do so much these days, but there must be a cost and a fairly laborious cost with over 100 000 drivers—we are about there now—trying to track them down to make sure they have paid their \$1. Do you know what the cost is to chase the money?

**Mr BRODERICK:** Well, at the moment we are not chasing up 100 000 drivers because not every driver is required to register because if the booking service is registered or 13CABS is registered or Uber is registered,

they are required to lodge returns on behalf of those drivers. Each of those industry groups would have thousands of drivers themselves so we only have I think about 6500 registered payers, and that includes some cab drivers, registered booking agents and affiliated agencies. So there is a variety of people who are registered or companies that are registered and we will be auditing those companies. But we do not have specific information on 100 000 drivers because we are not required to do that.

**Mrs McARTHUR:** This might be an ignorant question, but how long is the levy going for, how much of the \$48 million have you distributed and what are the costs that have been taken out of that?

**Mr BRODERICK:** Okay. The levy does not have a sunset clause on it in the act at the moment, so as far as we are concerned we are just administering the levy as it stands. In answer to the cost, the cost to build the IT system was around \$1.15 million. The cost to administer it at the moment is probably in about the \$600 000 range, but we expect that will rise as we undertake further compliance activities. I am sorry, would you mind repeating—there were three parts to that question.

**Mrs McARTHUR:** Yes. How much have you distributed?

**Mr BRODERICK:** Okay. We do not distribute the—

**Mrs McARTHUR:** Who does that?

**Mr BRODERICK:** Well, it goes into consolidated revenue.

**Mrs McARTHUR:** Oh, okay.

**Mr FINN:** Never seen again.

**The CHAIR:** Are there any further questions?

**Mr BARTON:** If I may, Chair, I have one more question. Has there been any disciplinary action taken against anybody for not paying the levy at this stage?

**Mr BRODERICK:** Not yet. We have the capacity to do that and, as I said in my opening remarks, we are trying to do an encouraging process at the moment. We are trying not to be heavy-handed with cab drivers or companies because we have found that so far we have had quite good cooperation, so we are not at that enforcement stage 3 yet. But we will be doing that at some stage.

**Mr BARTON:** Thank you, Paul.

**Mr NASTEVSKI:** Just to complete the picture, we have issued some default assessments to a number of whether they be trip providers or booking service providers for, for example, late lodgement of returns or payments, but that is like the lighter side of compliance.

**The CHAIR:** If there are no further questions, on behalf of the Committee, I would like to thank you for your time and your contribution. You will receive in a few weeks time a copy of the transcript for proofreading. Thank you very much.

**Mr BRODERICK:** Thank you.

**Witnesses withdrew.**