

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the Commercial Passenger Vehicle Industry Act 2017 reforms

Melbourne—Wednesday, 31 July 2019

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WITNESS

Mr André Baruch, President, Commercial Passenger Vehicle Association of Australia.

The CHAIR: Good afternoon and welcome. 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. Today's hearings are also being broadcast live on the parliamentary website. Before you start, please state your name for Hansard and allow us some time to ask you questions.

Mr BARUCH: My name is André Baruch and I am the president of the Commercial Passenger Vehicle Association of Australia. Chair, committee members, thank you for asking me to present to you and to the inquiry into the commercial passenger vehicle industry reforms 2017. I appreciate the kindness of the invitation to appear here to support the submission made by the Commercial Passenger Vehicle Association of Australia. The CPVAA is the largest member association registered with Consumer Affairs Victoria that represents owners, drivers and stakeholders in the point-to-point passenger transport industry. As such, we are very aware of the 2017 legislation—its good points, its bad points and the consequences, both intended and unintended, that have come from this.

I would like to address my limited remarks here to four salient points that I and the CPVAA believe are key to this inquiry. These are: firstly, the \$1 CPV levy that has been introduced by the legislation; secondly, compensation for all participants that has to recognise that property has been destroyed and confiscated as a result of this legislation; thirdly, safety and compliance issues in the industry currently and in the future; and fourthly, the unsustainability of the industry as it currently is.

The \$1 levy has been introduced by the government's legislation to enable it to recoup the cost of compensation. The problem here, as we see it, is twofold. Firstly, this is a pure consumption tax, and it is an inefficient tax that requires a lot of resources to monitor and collect. Furthermore there is no data available to the SRO, the State Revenue Office, to indicate the levels of funding that they should be receiving through the levy. Prior to the legislation being introduced, there was a requirement for all network operators to report statistics, like the number of trips they did per quarter, to the regulator. Today the deregulator does not ask for this information. There is no way that the SRO can know if a self-reported figure is accurate. We are led to understand there is widespread non-compliance.

Secondly, we believe there is a much more efficient way to raise money. As we have suggested in our report, on page 21, a \$2500 registration fee, payable quarterly to VicRoads, is not only a much simpler form of revenue raising; it is not a tax and it is not passed on to the paying consumer. The registration fee is a much fairer system. It is pay-to-play. If you do not want to pay the fee, do not be in the industry. We note it is simply a cost of business and not a barrier of entry, as some have suggested. As our submission shows, on very conservative figures, this levy would enable the fair buyback of every taxi and hire car licence owned prior to this legislation coming into effect in just over 10 years. From then on, the revenue goes straight to the bottom line of the Victorian government. It is a registration fee with no associated additional collection costs.

Compensation for all participants in the industry: we illustrate in our submission, on pages 23 and 24, what we believe is a fair and reasonable buyback price point for each and every licence. The current system that valued a second licence at half the price of the first is just ridiculous. Chair, if you owned two identical townhouses in a street and the government told you they were taking them away from you, 'Oh, and by the way, the second is only worth 50 per cent of the first', would you be happy? Let me extend that metaphor. If you owned a third and a fourth and a fifth and the government told you, for the fifth and any subsequent one, 'Well, you don't need any payments'. Would you be happy? As an industry, we were not.

Just last week a Supreme Court judge noted that it has already been established that taxi licences are property. The same judge wondered why this is still being hashed around in court in July 2019. Australia is the country of the fair go. Let us ensure that this government is remembered through the work of this committee as the one that ensured that all participants in the CPV industry get a fair go and fair compensation.

Safety and compliance: no-one denies that safety is the most important issue to CPVs. The industry has to operate both with regard to preventative measures and to ensure compliance with laws and regulations. As such, the CPVAA firmly believes every CPV should have a proper roadworthy carried out by a VicRoads-licensed vehicle tester every year, that there should be safety cameras in each and every CPV on the road and that strong legislative measures are taken to ensure the correct and active management of driver fatigue.

Prior to the legislation being passed there were approximately 5600 taxis and 2700 hire cars on Victoria's roads—I believe Mr Barton has the exact figures. According to the CPVV website, as of 30 June 2019, last month, there were 57 558 hire cars, including rideshare vehicles, 10 143 taxis and 943 WAVs—wheelchair-accessible vehicles—operating, a total of 68 644 CPV vehicles on the road. I am led to believe that currently the CPVV, the regulator, has approximately eight compliance officers working. It would take them a year to inspect each vehicle once, and this assumes they are inspecting one vehicle an hour—hour in, hour out, day in, day out, week in, week out, month in, month out—non-stop around the clock for an entire year. It is obvious to us that the CPVV is under-resourced in this area and we believe that alternate forms of resourcing should be looked at.

Finally for now, unsustainability: the industry, as shown by the figures just mentioned, has grown disproportionately to demand. In 2015 there were approximately 8500 taxis and hire cars operating in Victoria. At that time our population was 5.97 million people. This gave us a ratio of one vehicle per 702 people. Today—last month, end of June—there are 68 644 vehicles registered and 98 209 CPV drivers registered. Population Australia states that Victoria has 6.27 million people, and we find we have one vehicle per 91 people. This is almost an eightfold increase in supply. All of us in the CPV industry wish that demand had grown to match that. I look forward to your questions, and again I thank you all for the opportunity to address you all here today.

The CHAIR: Thank you very much.

Mr BARTON: Thanks, André. Can you just give us a little bit of a run-down over the compensation and the properties?

Mr BARUCH: Sure. The compensation was announced on an entity basis. And I will just focus on taxis, although it is the same with the taxis and the hire cars, just different figures. The first licence that an entity owned, compensation was given at \$100 000. For the second, third and fourth licence that an entity owned, it was given for \$50 000. If that entity was fortunate enough through hard work or over the generations to own more than four licences—so sorry, too bad, there is nothing there. It was the same with the hire cars. I am stressing 'per entity'. If I had set up my business arrangements such that I owned a taxi licence in my name, in my wife's name, in a company and in a super fund—that is four separate entities—I would have gotten \$400 000 for it. If through good fortune—bad fortune—I owned those four licences in the same entity, I only would have got \$250 000 for it.

Sorry, what was the second part of the question, Rod?

Mr BARTON: No, we will just keep moving because we are tight for time and the Chair is looking at me to keep me in check. That was one of the issues, really, about the unfairness of how the compensation was applied through the entity, where two people can own 10 licences each and one could end up with \$250 000 and the other could end up with \$1 million.

Mr BARUCH: Correct. It was absolutely unfair how it was structured and how it was designed. I believe there was not a lot of thought put into looking at who the ultimate owners of the licences were, who the ultimate beneficiaries were.

Mr BARTON: What is the association's view on the levy?

Mr BARUCH: I am under privilege; I can say it is a waste of time, it is a waste of space and it is expensive. We do not believe it is the best way forward. From what we have heard anecdotally, it is leaky. As Mr Samuel said previously, they tell the drivers what to do; they cannot guarantee that they do it. We do not know that everyone is reporting. We do not know the quantities they are reporting. I would suggest to the committee that

they look at some of the larger rideshare operators and what they are reporting and try to find out how close it is to the actual truth in terms of the numbers of jobs they are actually doing. I am not a betting man, but if I was I would bet a bob each way that they are not telling the truth to the number of jobs they are actually doing versus what they are reporting they are doing.

The levy attacks the travelling public. For those grannies taking a taxi to go to the doctor's, a \$1 levy—or \$1.10, levy because there is GST on it as well—on a \$10 fare is 10 per cent. I took a taxi to come in here today. It cost me \$50, including the \$1 levy. That is about 2 per cent. It is a very inequitable levy in how it has been structured because it is on a per trip basis rather than a percentage basis. As we said in our submission, much better is to put a registration fee on every vehicle that is a CPV operator. You do not have to worry about levies, you do not have to worry about staff, you do not have to worry about stretching the resources of the SRO; it just works—the same way as road vehicle registration just works.

Mr BARTON: In your submission, the annual licence fee or permit—you would like to see as part of the conditions of that that a vehicle roadworthy certificate should be supplied.

Mr BARUCH: Yes.

Mr BARTON: And also commercial passenger vehicle insurance. Could you explain to us how you see that working?

Mr BARUCH: It should be a law; very simple. If you want to operate a commercial passenger vehicle, you have a primary responsibility for safety and for insurance. If you do not have commercial passenger vehicle insurance, and that includes personal and public liability insurance, if somebody trips getting out of your car they can sue you, and if you are not covered by insurance it can be a very, very expensive trip. It is for the protection of the drivers. The insurance is a necessity. The roadworthy on a yearly basis ensures that the vehicles that are on the road, on average much more often than any other vehicle, are kept in a safe and roadworthy condition. As a member of the travelling public, when I get into a CPV I want to know that the car is safe, that I am safe travelling in it and that the driver is safe.

Mr DAVIS: My question is about the levy too, and I understand that the model you are proposing is a different one to an up-front fee, an annual fee, but given that we have got the levy now and that the levy is used in part to fund bureaucrats as opposed to compensation—

Mr BARUCH: That is just wrong, isn't it, David.

Mr DAVIS: Well, that is my point. That is your view.

Mr BARUCH: The levy was designed and put in place to help with the funding of the taxi licences that were confiscated by the government, that were devalued to zero. It slipped through the murky fine print in the legislation that this would actually go into general revenue.

Mr DAVIS: No, no; we opposed it, but that is another point. It is in my view—and clearly I have that view—that it is the wrong destination for that fund, however it is collected.

Mr BARUCH: David, it is not often that I will agree with you, particularly publicly, but in this case, 100 per cent it is the wrong thing.

Mr DAVIS: Well, I think it is quite often actually you do agree with me. So that is the first point. The second point is you are advising us, in a sense, to investigate the collections by a number of the larger firms.

Mr BARUCH: Yes.

Mr DAVIS: And you are saying that in your view there are a large number of rides in cases where the ride occurs and a levy is collected or is not collected—

Mr BARUCH: David, I am not saying that. What I am saying is that currently the deregulator has no way of knowing that because there is no requirement under the existing legislation for the number of rides that a

rideshare network operator, a BSB, does to be reported. Therefore if that number is not being reported, they can report what they want to the SRO. It is self-reporting, and there is nothing to verify the accuracy of that.

Mr DAVIS: The SRO under its more general powers has powers to look at documents and to investigate those from whom it is collecting taxes.

Mr BARUCH: Yes, it does; it has the power too. Whether it chooses to is a different question that you are not asking, thankfully, because I could not answer that, but they do not have a guidance of what levels they should be looking for.

Mr DAVIS: So is it your view that the SRO should assure itself that it is collecting the correct amount?

Mr BARUCH: I would have thought that was its fundamental responsibility.

Mr DAVIS: And when they come here we will ask them those questions. If we do not get satisfactory answers, then you are suggesting that we should look further?

Mr BARUCH: I think it would be much simpler to scrap the levy and go with the registration model, as we suggested.

Mr DAVIS: That is not possible.

Mr BARUCH: I do not understand why it would not be possible. This is Parliament. You guys make the laws.

Mr QUILTY: On the levy or the registration model you are proposing, that is basically going to be squeezing out part-time drivers, isn't it? If they are all paying a flat fee and a lot of the rideshare drivers are not driving full-time, they are going to be paying far more costs?

Mr BARUCH: It is a cost of business, Tim.

Mr QUILTY: So you think that is a good idea, to push out the part-timers?

Mr BARUCH: I do not think it necessarily has to push out the part-timers. That levy works out to be approximately \$48 a week. If a part-timer is making only \$48 a week, in my opinion they should ask themselves why they are doing it in the first place. If they are making more than that, which surely they must be doing, then it is a cost of business. I think it is a lot easier to implement that and regulate that than it is with the current levy.

Mr QUILTY: All right. I think an in-between way would be a savvy system of fees raised. I do think there could be data matching going on between the State Revenue Office and the ATO with the monthly BASs that drivers are putting in. I do have another point here somewhere. So you are arguing that we should have barriers to entry to prevent oversupply of drivers.

Mr BARUCH: They were not my words.

Mr QUILTY: But one thing that a free market does very well is regulate supply. When the returns go down people exit the industry. So why do you think we need to artificially limit the supply?

Mr BARUCH: Tim, can I ask you: why does the Victorian government legislate that there are liquor licences that cost money to acquire?

Mr QUILTY: That is a very good question.

Mr BARUCH: If I want to operate a bar, why can't I just open the doors and sell booze to people?

Mr QUILTY: I am on the same page as you on that one. I would go for it.

Mr BARUCH: There is a liquor licence which is a cost of doing business. We are saying that vehicle registration is simply a cost of doing business. Factor it into your calculations, the same way you factor in anything else in any other industry.

The CHAIR: As there are no other questions, on behalf the committee I would like to thank you for your time and contribution. You will receive in a few weeks time a copy of the transcript for you to approve it and correct any typographical errors.

Mr BARUCH: Thank you all for your time and patience.

Witness withdrew.