

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into the Commercial Passenger Vehicle Industry Bill 2017

Melbourne — 23 May 2017

Members

Mr Bernie Finn — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Nazih Elasmr

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Mr Luke O'Sullivan

Participating members

Mr Greg Barber

Ms Samantha Dunn

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Witnesses

Mr David Samuel, General Manager, and
Mr Stuart Overell, Chief Operating Officer, 13CABS.

The CHAIR — Gentlemen, thank you very much for attending today, and we welcome you to the public hearing of the economy and infrastructure committee. All evidence taken at this hearing 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, those comments may not be protected by this privilege.

If I can ask you to begin by just giving a 5 to 10-minute version of your view of this legislation, and then we will open to questions. Can I also ask you to give your name and position for the benefit of the record.

Mr SAMUEL — I will start. David Samuel, general manager, Melbourne, 13CABS.

Mr OVERELL — Stuart Overell, chief operating officer, 13CABS.

Mr SAMUEL — I might just introduce what we do to start with and give you some background on that. I will keep it fairly brief and let you guys ask the questions. I have done these a few times now, and I do not think generally the views change that much from one to another, but I am happy to take any questions you guys might have.

13CABS operates now in New South Wales, Victoria and Adelaide. We have about 15 000 active taxidrivers at the moment within our fleet driving with us. We consider them to be 15 000 small businesses. We have about 2200 operators. They are most certainly small businesses operating in our fleet. We take great pride in the service we deliver. We were the first in Victoria to launch an iPhone app through which you could book a taxi, a commercial passenger vehicle, long before Uber or others arrived into the market. That is something we are very proud of, and we continue to develop that technology and invest in it, but we also invest in our people, both those that work with us in our call centres and places like that and right through to our taxidrivers and taxi operators, to try and help them navigate something that has become an extremely difficult operating environment for them.

We have already heard from the very articulate Rod Barton talking about the pressures that individuals feel in this industry now, and I think that flows not just in the hire car industry but also into the taxi industry. There is no doubt that people feel a great deal of uncertainty. They feel very unsure about where their future is, and we are of the view that that needs to be resolved ASAP. Enough talking; it is time for Parliament to do its job and resolve this matter. It has been going on for too long.

Anything we say here today must be understood to be premised on the notion that there are people that have contributed a great deal to this industry over many years, over the 150 or so years that we have been here. They have invested in this industry, and it is not acceptable to us that they are not properly accounted for as a part of this transition. While we might support the general direction of this bill, we would ask the Parliament for real consideration of taking care of these people. They have done nothing wrong. They have broken no laws. A company has come along that wants to wilfully break the law, and these people are victims of that behaviour. I do not think it is a good precedent to set — that a company is allowed to come along and behave like that and see other people, who have not broken the law, cast aside as a result.

I am not going to give you figures. I am not going to tell you how much you should compensate. There are licence-holders here that will do that for you. But we will be very firm in the view that they must be accounted for in this process. I think Linda, who is in the audience today, has made very good points that people are willing to transition and accept the future, but they are demanding that they be treated fairly as a part of that process. We would encourage you to consider that very carefully in your deliberations around this matter. Stuart, I do not know if there is anything you want to add.

Mr OVERELL — No, I have got nothing to add. Thank you, David.

Mr SAMUEL — Happy to open it up and take any questions.

The CHAIR — Gentlemen, thank you for that. 13CABS is a significant employer and a big player in the taxi industry. What will happen to your company if this bill goes through as it is?

Mr SAMUEL — We are not scared of the future. We are ready to embrace it. All we have asked for is, when we compete with people in this market, that we do so on equal terms when we enter the playing field. I think the term ‘level playing field’ is thrown around quite liberally. We do not want to be level with these people and a company like Uber. We want to provide the service we have been providing for 150 years, which

we think is far superior to what they do. But when we enter that field to compete, we must all do so on level terms. You cannot have one football team with 22 players and one with 11, one paying to enter the ground and the other not. It is not acceptable.

We do not want to be level with these people. We have drivers who are properly trained. We have cars that are properly insured. We put our livery and our brand on that car, and we do that with pride. We do not want to hide behind anonymity of a car with nothing written on it and driven by some bloke who bought it in 1983 and then pretends that is all good because the consumer wants it. We want to continue to deliver a universally accessible service. We do not want to just pick and choose who we provide that service to. We will look after our disability community. If you can only pay cash, you can use our service. You do not need to have a smart phone if you do not want one. There is still a large proportion of people who do not, or do not have credit cards and do not have access to that type of service. So when we talk about a level playing field, we are talking about the way in which you enter the market, not how we want to run our business. We are not going to sink down to that level, provide a substandard service to 10 per cent to the population and then claim to be some sort of unique service that no-one has ever thought of before.

The CHAIR — What impact have you seen on drivers and operators from the prospect of this bill being passed?

Mr SAMUEL — I do not think much has changed in four years, to be quite frank. This bill is just the next iteration in a lot of deliberation around this issue. The effect that it is having on the people that I see and I deal with on daily basis — being taxidriviers or taxi operators and licence-holders to some extent — is tremendous uncertainty. And in business that makes life very difficult.

What we have here is a framework that in its current form, I think, can deliver the right outcomes if some of those earlier issues that I addressed are dealt with. The most important thing is to alleviate that uncertainty and concern in those people's minds so they can make decisions about their future. I think we take for granted how lucky we are to wake up in the morning and know we have a job to go to, we know we will be able to pay our mortgage, we know we will be able to do those things. A lot of those people are not in that situation at the moment. I am talking about our drivers and I am talking about our operators, not just licence-holders. They want to know what they are going to do next week, and the Parliament needs to assist them in that space by bringing this to resolution.

Mr LEANE — I just want to pick up on something in your response to the Chair that there has been uncertainties for the last four years. Four years ago what would you say triggered that?

Mr SAMUEL — There is no doubt that Allan Fels's somewhat biased and slanted inquiry began this shift. I think the previous government started the ball rolling there, particularly for licence-holders. I do not think after that, after those recommendations were accepted, there was any real tangible way back from that. I think it began a chain of events that have since unfolded that did that. We then moved into the arrival of Uber and companies like that wanting to enter the market and so forth. That had a further effect and created greater uncertainty.

Regulators, it became apparent fairly quickly, were unable to deal with them, or unwilling to deal with them. After some comments I heard in Hobart a week or so ago I think it may not be too great a stretch to say they were unwilling to deal with them. Having said that, it is what it is. They came along, they did that. What has happened has happened. The Parliament needs to respond to that, and I think the government by tabling this legislation is at least making a determined attempt to do so.

Mr LEANE — So picking up on and noting some frustration in your submission, there has not been a level playing field.

Mr SAMUEL — No.

Mr LEANE — And I appreciate that you want to do better than your future potential competitors, and your current competitors are not following any sort of level playing field. I do not know if there is a comment or you want to respond to it — I think you probably want to respond to it — but there are five different political parties sitting in front of you that are all from the upper house. That is probably where the end point of the current bill

is going to be. So in your submission you are basically saying to us, 'Get on with it', and whatever flushes out from these parties as a result, that is what you would like to see happen sooner rather than later?

Mr SAMUEL — Yes, get on with it is the key message. Having said that, there are obviously parameters about what we would think was a good outcome and a bad outcome, but generally speaking, as I said, I think notionally I would like to see the people — a large number of them are in the audience today — looked after. But I would like our company to have the ability to continue to grow and invest in the industry and our future. At the moment it is very hard for us to grow and invest, but we want to grow and invest. We are not going anywhere, we are not a fad. We have been here for 150 years. We are not trying to [inaudible] and run off into the sunset. We are here for the long run, but we want the opportunity to compete on level terms, if we are able to do that. When we invest, we do so with the knowledge that it will return dividends. Not that every time we invest money — only 50 per cent is effective because the other side is doing whatever they want. So the message is, Shaun, yes, get on with it and get it done. Put political differences aside, come together and move this forward. Look after these people, and let our company continue to grow and invest.

Mr O'SULLIVAN — Just in terms of the uncertainty that we have already touched on, and correct me if I am wrong, but are you sort of indicating that in terms of that level playing field — do you believe that this legislation actually creates that from a rideshare perspective in comparison to taxis?

Mr SAMUEL — I think, Mr O'Sullivan, that there is no perfect answer to that question as it stands. All I know is I am yet to see a jurisdiction that even got close to right on this. There are half-baked ideas, short-term political solutions to give people false hope and then probably sell them out down the track, to put it quite bluntly. That is my view, and I think it has happened in Australian jurisdictions to date.

When I look at this legislation what I see most importantly is an enforcement and sanction regime which will have an impact in that space. If you want to operate illegally and you want drivers to drive for you in that illegal context, you are going to find yourself in a lot of trouble. I think this legislation contains the best possibility I have seen yet. I am not saying it is going to be a perfect world and it will work perfectly, but all I can look at is what is written down on that bit of paper, what is currently occurring and whether or not this is a good attempt to fix that. I believe it is a genuine one, and I think it is the best I have seen to date from any jurisdiction, and there are many dealing with this complex issue.

How certain companies want to behave should this legislation pass is yet to be seen, but all I can do is look at what is written on paper and say I think this goes further in creating the level playing field than any other thing I have seen to date.

Mr O'SULLIVAN — If there was an opportunity to make some changes, what do you think are the sort of changes that could come through that would give you more certainty and provide a better outcome?

Mr SAMUEL — I do not think there is a lot at the higher technical level, and the structure is quite good. There is obviously controversy around the levy and those issues. I think that the levy is a way to pay for the necessary compensation for these people. I understand that. I do not think anyone likes the levy, but if you ask me whether I would prefer that or see these people not paid out, I will take the levy.

In terms of the duration of the levy, I would like to see that sunset, to put it quite bluntly. I do not think it needs to go on indefinitely. I think it is somewhat cynical to continue it over a longer period of time, but I do appreciate the government's need to change it in that space. But, as I say, I am not going to argue over the broad structure because I can sit here all day and pick out little bits and pieces. It is a relatively simple piece of legislation as it currently stands, and I think it sets up the structure to ensure — obviously the government wants to secure its funding to pay people — but it also sets up a sanction regime which I think is the most effective I have seen.

Mr O'SULLIVAN — Just touching on the levy that you just referred to. From a company such as yours — obviously a fairly large player in the industry — how do you see the compliance regime working through in terms of the cost of administering that levy, and how is that going to work within your organisation?

Mr SAMUEL — Look, as I said, I do not think anyone and I am sure the government does not want to introduce a levy because it is going to give you guys the opportunity to have a genuine crack back at that issue. In terms of our company, we understand that the benefit of that administrative cost is people being looked after

in the longer term, so we are willing to cop it initially to do that. It is hard to really get an understanding of the administrative costs until it is flowing into you doing it. I think the important distinction here, which has not been made in other jurisdictions, is as a company we are only being required to be accountable for the bookings we take, which is relatively simple for us. We know, and we can see that through the data we receive. It is relatively simple.

Rank and hail is another thing altogether. If we were required to do it like that, like I think they are in other states, it would be tremendously difficult and expensive to do it. But we are more comfortable in Australia where, if we get a booking, we are responsible for paying \$2 for that booking because it is easy enough for us to track. We already supply vast amounts of data to government. At least in this case we know why we are doing it. Most of the other data we supply — we are still not entirely sure why we actually supply it to them — it just costs money, and they do not seem to use it for much. But in terms of this, we know what the outcome is. Is it possible to do it? Yes, probably.

Mr O'SULLIVAN — In terms of those fees or the levy: we heard this morning from the secretary of the department that it is not necessarily going to be the case that that will be passed on, and it might be able to be absorbed as a result of not having the licence fees paid up-front. Does that reconcile with what you are seeing in your business?

Mr SAMUEL — Look, it is hard to say at this point. Certainly initially I think it is probably a bit of a stretch to suggest it will not be passed on. It will take time for businesses to adjust to a new pricing regime. Until the fares are deregulated it is not possible to pass it on because the fares are regulated — we do not set them. So before we could actually pass that on or not pass it on, fare setting would have to be put in our hands to do that. So at this point in time it is a very hypothetical question. I cannot see initially, though, how we would not be passing it on, and I think every provider probably would have to. Two dollars every trip is a big hit.

Mr O'SULLIVAN — Will you pass on the administration costs on top of the \$2?

Mr SAMUEL — We have not made those decisions yet. We will wait and see what the Parliament does with this — what the decision is, how much the charge is — and see what the cost is to us. We would make that decision then. I think I am right in saying that, Stuart.

Mr OVERELL — The key is: if it is all round a levy on a booking that we take and provide, that is straightforward for us. If it comes down to rank and hail and trying to work out what is what there, that is where it becomes a real burden for our business. We will not know who took the booking, and it would be double-dipping because there could have been another provider taking the booking. It becomes a nightmare for us, and then we would have to re-evaluate how we are going to operate in that space.

Mr O'SULLIVAN — It sounds rather confusing. Does the legislation give you any comfort in terms of how you are going to deal with those issues?

Mr SAMUEL — It does because it says we do not have to do rank and hail. It says we can but it does not say we have to, so it gives it comfort in that space, yes.

Mr BOURMAN — You said you operate in New South Wales, South Australia and Victoria. New South Wales is a little bit further along the track, as I understand it — maybe not necessarily the right track. Have you learned any lessons from that experience that is worth sharing with other people about how to get this through as a change?

Mr SAMUEL — Shrinking your market while another market grows is not a good outcome. That is what I have learned.

Mr BOURMAN — That is what I expected, yes.

Mr SAMUEL — I think, Jeff, we should point out that when I say we operate in those states, we also operate right across Victoria. We have bureau partners now in Sale, Morwell, Warrnambool, Ballarat — right across Victoria. We provide services for them. We understand the impact it is having in country Victoria as well. It is a profound impact for them, and we understand their concerns.

In terms of other jurisdictions, in Sydney I think, we have seen a number of taxis in the last 12 months actually restricted by 452 licences while our competitor grows. They pay \$45 a year or something ridiculous to enter the market and we are still paying, you know, above \$15 000 to do it. And the premise of that is that, 'Oh, we'll protect rank and hail for you as a regulator'. Well, I have not seen many regulators able to do that in the last four years. If they had we probably would not be sitting here today.

Ms DUNN — Thank you for your presentation today. I was just interested in a few questions, particularly around rank and hail. I am just wondering: firstly, in terms of the data on how many trips you provide a year, what does that look like for 13CABS?

Mr SAMUEL — In terms of rank and hail or in terms — —

Ms DUNN — Overall — everything, booked and rank and hail.

Mr OVERELL — Between 15 and 20 million.

Ms DUNN — And in terms of your business, what would you say is your percentage of the market?

Mr SAMUEL — In Melbourne as a booking service?

Ms DUNN — Yes.

Mr SAMUEL — Probably around 55 per cent of the market.

Mr OVERELL — That is in the taxi space.

Mr SAMUEL — That is in the taxi space, yes.

Ms DUNN — So booked taxis is 55 per cent. I am just trying to get my head around, I guess, the extent and the size of the industry in relation to trips, because of course of the calculations of the levy that apply to how many trips per annum, so that is kind of where I was headed with that. In terms of what 13CABS do, I guess the balance must be rank and hail.

Mr SAMUEL — Yes, roughly. It is hard to gauge, Samantha, because it does shift a lot from day to day. But if you break it down as a 60-40 split I think it is a fairly round figure.

Ms DUNN — It is close to the money.

Mr SAMUEL — Yes.

Ms DUNN — You also made a comment that the bill allows there to be options in relation to rank and hail. It is not necessarily something you would need to participate in. Have you made any decisions yet, should this bill pass and those provisions apply, that you will actually go to a booking service and not participate in rank and hail?

Mr SAMUEL — We have not made those decisions. Obviously our core business is around bookings. Yes, our brand is on the car and we take responsibility for the trip if it is rank and hail — we are happy to do that — but fundamentally our strength and our work is around bookings.

Mr OVERELL — The goal of our business is to remain in the taxi industry, not enter across into hire cars. If this legislation goes through, we can successfully grow our business in the taxi space and not have to resort to looking at alternatives.

Mr MELHEM — Do you hold any licences in your own name — not personally but the company — or are you just a call centre?

Mr OVERELL — The company does have licences, yes.

Mr MELHEM — You do? How many?

Mr OVERELL — We have 34 licences.

Mr MELHEM — What is your view on the actual level of compensation, apart from that you would like more? You have got 34 individual licences?

Mr SAMUEL — Yes. Most of our licences are wheelchair-accessible taxis, which we have built up over the years to service that community. In terms of compensation, ideally, as David mentioned, we would like to see everyone looked after because they have done nothing wrong. The industry has changed. There are competitors coming from overseas who play by a different rulebook. They should not be the ones that pay for that change in direction.

Mr MELHEM — You mentioned something about the New South Wales model. My understanding is that I think \$20 000 compensation was paid but they have retained certain rights — for example, hail and ranks and so forth. You mentioned something about some fault with that system versus the Victorian proposition to basically offer a higher level of compensation. We will come back to whether it is the right compensation or not; put that aside for a sec. What do you see as the difference between the two models, because you did actually say there was some potential problem?

Mr SAMUEL — I do not think it is a potential problem; I think it is a real problem, Mr Melhem. I do not think there is any debate about that. The \$20 000 compensation was different to the compensation model here. It was basically saying, ‘We recognise that Uber has come along and hurt your market a bit, so we are going to give you some cash to account for that’. There was no seizing of the licence, as is proposed in Victoria. The licence remains in place in New South Wales. They are not taking that away; that is the difference. That was all premised on the notion that you create a price difference because taxis get more work — particularly in Sydney because rank and hail is even higher than here — by protecting that rank and hail market. It ignores the fact that smartphone apps have blurred that line tremendously. It is very hard to protect that rank and hail market because effectively I can almost instantaneously hail a cab or a car through a smartphone app. So the promise to protect that market is, I think, somewhat — I would not say dishonest but overly ambitious. I do not think they can do it, and I do not think they are doing it. I think we see in Sydney that it is not occurring.

They also said at the same time that they promised to freeze the release of taxi licences. All that has meant is when new people come into the commercial passenger vehicle industry in New South Wales, they pick up an Uber and they do that. We cannot grow our fleet; we cannot get bigger. Although demand for our service increases we cannot supply it because cannot increase our fleet. So someone else is, and they do not have the same start-up costs as us.

Mr MELHEM — The Victorian government could have taken the soft option, the relatively less damaging option, and adopted the New South Wales model by basically saying, ‘Look, you can still carry on or you can sell your licence et cetera, and we will pay you less’. They could have done that and taken the soft option.

Mr SAMUEL — Yes, they could have. I think it would have been a softer option. I think it would have been disingenuous, and I do not think it would have been an honest way to deal with licence-holders because I still think those people in New South Wales will confront a situation in five years where they cannot move that asset. And the government just paid them \$20 000, so they are going to say, ‘We’ve done it’. That is my personal view anyway.

Mr MELHEM — I appreciate that.

Ms DUNN — I am just wondering if you have any views in relation to services for people with a disability in terms of any impacts this might have in the future and making sure that that group of passengers actually still has access to services.

Mr SAMUEL — I think until government comes to the conclusion and realisation that there is a market failure in this space and actually addresses the issue at its core — that is, that it is very hard to make money providing this service in a commercial sense without proper subsidy — this issue will never be resolved. I think we do a fantastic job. Our drivers, more importantly, do a fantastic job. We have got a large proportion of the wheelchair fleet in our fleet. We are very proud of the job they do, and on the whole they do it very well.

Now you are going to get stories when things go wrong, and naturally that is going to make the front page of the *Herald Sun* because that is the way the world works, but overall at the moment they do a tremendous job in very difficult situations. There is government money being poured into this space, no doubt. You have got your

MPTP program, your performance-based booking system — all these wonderful policies that seem to shift consistently in terms of their goals. There would be much simpler ways to do it. I know that there are others in the room today who would have views on that and are probably better qualified, Sam, to actually present you with the solution. As far as we are concerned, until government acknowledges the market failure in this space and realises that it is very hard to make a dollar out of it — —

I think some of the recommendations out of the Fels inquiry were extremely detrimental in this space. The pricing of the licence is so high. When you can get a wheelchair licence for \$18 000 or a standard for \$22 000, why are you going to pick up a wheelchair?

Ms DUNN — Yes, the differentiation is not great.

Mr SAMUEL — These concerns were raised with government at the time. So there have been flaws in that space. We have had I do not know how many; I think there is another inquiry going on into this, a separate one altogether. It is really not that hard. You want these people looked after. I still argue, on the whole, they are very well looked after — you know, not just in Melbourne but in country areas. I know that our fleets in country Victoria do an outstanding job looking after those people in that cohort, and they take great pride in it, but in Melbourne we need to sit back and say, ‘How can this be done better, and how can the funding be directed so that it ultimately produces better outcomes for those people who rely on that service?’.

Ms DUNN — That is great. Thank you, David.

The CHAIR — Gentlemen, thank you very much indeed. You will receive a copy of the transcript in the next few weeks. If you could proofread that and take the appropriate action if needs be, that would be much appreciated, but in the meantime thank you very much for contributing to our deliberations today.

Mr SAMUEL — Thank you.

Witnesses withdrew.