

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 Richard Bolt, Secretary, and

Paul Salter, Director, Policy and Regulation, Intergovernmental Relations, Transport for Victoria, Department of Economic Development, Jobs, Transport and Resources; and

Adam Ockwell, Director of Operations, Taxi Services Commission.

The CHAIR — We might get this show on the road, given that we have quite a schedule today. If we get behind at the beginning, we are going to be in strife for the rest of the day. I extend a welcome to members of the public who are here and also welcome our three witnesses this morning for our first session.

The committee is hearing evidence today in relation to the inquiry into the Commercial Passenger Vehicle Industry Bill 2017, and the evidence is being recorded. To the witnesses: welcome 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 from what you say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege. So here is an opportunity if you are really that way inclined.

Could I ask you to address the committee for a period of time, and we will then allow questions after that. Perhaps if I could ask the three of you to tell us your name and where you are from to begin with for the record, we will take it from there.

Mr BOLT — Thank you, Chair. Thank you, members of the committee. It is a pleasure to be here. The invitation is appreciated. I am Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources.

Mr OCKWELL — I am Adam Ockwell, director of operations for the Taxi Services Commission.

Mr SALTER — I am Paul Salter from the Department of Economic Development, Jobs, Transport and Resources, working for Transport for Victoria.

Mr BOLT — I will give a brief introduction. As the committee is well aware, the terms of reference of this inquiry cover the detail of the Commercial Passenger Vehicle Industry Bill 2017. I will also say a few words about the transition package that forms part of the rideshare reforms even though that is not strictly part of the bill or enabled by the bill directly.

The contents of the bill I will briefly summarise. The members of the committee are all familiar with it, but for the sake of setting the scene: as you know, it was introduced into the Legislative Assembly in March and passed by the Assembly unamended. You are now considering it in the Council, and it has been referred to this committee. It implements licensing reforms. It abolishes the annual taxi and hire car licence fees of up to \$23 000 and \$40 000. It establishes one type of hire car licence and one type of taxi licence. Each licence is made available through the provisions of this bill at an administrative cost only. Taxi zones and fair regulation continue to apply for the transitional period, by which we mean the transitional period which is intended to end with the coming into force of a second act, a bill for which is intended to be introduced later this year.

The bill also establishes the commercial passenger vehicle levy, which is equivalent to \$2 on all commercial passenger vehicle trips. The bill, however, does not prescribe that it must be added to each trip. It simply requires it to be funded per trip, and how that is then passed through is a matter for providers and the market. It can be reduced to an amount less than \$2 by regulation subject to CPI indexation. Liability for the levy is placed on the booking service provider, which is defined in this legislation for booked services. For unbooked services, it is either jointly the booking service provider and an affiliated trip provider — if there is such an relationship — or, in the absence of that, the provider.

Additionally the bill provides, related to the previous point, for a new definition for booking service providers and importantly creates a new offence to accept a booking request from a booking service provider that is not accredited. The reasons for those can be explored. It provides new powers to the Taxi Services Commission to seek injunctions from the Supreme Court and take administrative action in response to non-compliance.

I will briefly just recap — again familiar territory to members of this community — the industry support package. It is not in the scope of the bill. The relevance of canvassing it now is because the levy at \$2 is predicated essentially on recovering the cost of that industry support package. An obvious question arises: what is the size of the package, and is it expected to be delivered in full? I should say the answer is yes, and it comprises the \$50 million Fairness Fund, which closed very recently. We are still sorting through applications and to begin a process of assessment and working with external auditors so that every one of them is assessed

case by case. We expect applicants to be notified by mid-2017. Payments are expected to be made progressively.

The \$332 million transition assistance payments, that being the \$100 000 for a first licence and \$50 000 for up to three more to eligible perpetual taxi and hire car licence holders and scaled equivalents to those amounts for other forms of licence. These will begin to be paid following passage of the bill. So once the levy is in place and able to be collected, then those payments will flow. There has been clearly no shift in the estimated payment of \$332 million for that proportion of the industry support package.

Finally, the \$112 million in rebates and forgone licence revenue for all eligible existing annual fee paying licensing holders constitutes a third element of the industry support package. That is a five-year figure, that \$112 million. That is in a sense an arbitrary figure. If we took it over 10 years we would be talking, roughly speaking, double that amount — with a small allowance for possible expected indexation. There is of course the \$25 million of additional funding to assist in the provision of the multipurpose taxi program. So all of those elements are still in place, and it is worth perhaps saying that under any reasonable assumptions of trip numbers and of the level of compliance and administrative costs the recovery of the cost of the full cost of the package will take at least eight and almost certainly more years to effect.

There are questions that have been raised in respect of the bill that I should address, which is the size of the levy. You will have heard words of this kind before, but I will repeat them to open the discussion. The \$2 amount strikes a balance between the immediate impact on consumers, bearing in mind that with the removal of licence fees and other costs and the impact of competition the net effect on trip costs is not simply a question of adding \$2 per trip. In fact we would expect that there is a good argument or indeed reasonable expectation that trip costs in net terms should not go up and should in fact on average go down. That is not a guarantee we can provide, but there is good analysis to support that, or a good expectation that that would occur. So on the one hand it strikes a balance between the immediate impact on consumers, on customers, on travellers, and on the other hand it provides recovery of a fair and reasonable package of assistance that I have just outlined to ensure that industry participants, some of whom are clearly going to be affected adversely by the reforms in total, get some assistance — significant assistance — to go through what is a significant transition for them. So it is a balance between those two. It is a matter of policy judgement, and it has been rehearsed effectively, I think, by this committee in its previous phase of inquiry to which I gave evidence some time ago.

To repeat an earlier point: the size of the industry assistance package dictates the period the levy is in place. A smaller levy amount would require a longer period of time. How long the levy stays at this level is a matter for future political judgement. As I said before, it would take at least eight to 10 years for cost recovery to be done in full. There is a mechanism in the bill to reduce the levy below \$2, including to zero. And there are clearly a couple of parliamentary terms between now and when that period of cost recovery would come up, which allows plenty of time for the community and the Parliament to make a call as to whether and, if so, when to reduce that levy or eliminate it completely by review.

The net revenue that comes from the \$2 levy, which starts in the first full year of 2018–19 at \$44 million on our best estimate, is simply a calculation of the number of trips adjusted for a combination that leads to compliance costs, and clearly those two things interact with each other. The more enforcement there is, one would expect a higher compliance. Where that sweet spot is between the two is clearly going to be calibrated by experience, but we are making a reasonable assumption that at a starting point of 28.8 million trips we would get something like \$44 million in that first year. But when I mention those 10 years for cost recovery, that particular figure is durable or robust against some substantially higher trip assumptions, and we can explore that.

So I think those are the substantial points, Chair, that I wanted to make. The bill — to repeat — has two key purposes: to implement licensing reform and introduce the levy and set the scene for delivering this package, which is the largest assistance package provided, certainly in this country, to an industry undergoing substantial technological and service disruption, and at the same time it sets the scene for providing a higher level of choice and safety for passengers, more flexibility for the industry and a full implementation of the reform in the second phase of legislation. I will leave it there.

The CHAIR — Thank you, indeed, Mr Bolt. I might start with the questioning, if I may. You mentioned that there is the possibility of a levy increase by future administrations, I think were your terms, or future governments.

Mr BOLT — No, I did not. I said I have spoken — —

The CHAIR — No, you also mentioned ‘increase’, I distinctly heard.

Mr BOLT — Can I clarify that, Chair. The bill makes provision for indexation of the levy.

The CHAIR — That is an increase, is it not?

Mr BOLT — That is an increase. But an act to substantially increase, other than simply in accordance with inflation, the levy is not available. That mechanism does not exist in the bill. The only mechanism in the bill is to reduce the levy by \$2. Paul may be able to clarify the indexation provisions. We can go to the relevant section, just to be very clear where that is and how it operates. But it is not open to a government, as a purposeful act of increasing revenue, to raise the levy. No, there is no executive power in this bill for that to occur. It can only be reduced, including to zero.

Mr SALTER — Just to add to what Richard has just said, I refer members to clause 12 of the bill, and subsection (3) of clause 12 provides the indexation mechanism. If, for example, the rate of CPI adjustment as measured by the relevant ABS index is less than a unit of 5 cents, then it basically rounds down. So under the current inflation levels that we have experienced in the first year nothing would actually happen, just to give you a bit of a worked example. Subsection (2) of clause 12 makes it clear that the regulations may specify an amount less than \$2, so it is enabled to reduce the levy by regulation, and that is reinforced by clause 20, which specifies the specific regulation-making powers that are available to the executive through Governor in Council. Subsection 1(b) says specifically that the Governor in Council may make regulations for and in respect to specifying an amount less than \$2 as the amount of the levy.

The CHAIR — So in fact we are not talking about a \$2 levy. Taking indexation into account, we are talking about in excess of \$2.

Mr BOLT — In nominal terms it could rise above \$2; in real terms it will not. In real terms it will remain a \$2 trip levy.

The CHAIR — But in terms of actual dollars and cents it will be more than \$2, due to indexation.

Mr BOLT — Yes.

The CHAIR — Why is there no sunset clause on the levy? Does the department not have the ability to foresee how much is being spent and how long it will take to recoup those costs?

Mr BOLT — The choice of whether to sunset it outright or to leave that for future judgement, given the uncertainty around how much will be recovered and when the recovery of the cost of our system will be acquitted, ultimately clearly is a policy choice for the minister and for government. I would just repeat my point earlier that because on our best estimate it will take at least — and this is on very optimistic assessments of the number of trips — at least eight years for cost recovery to occur and more likely quite a lot more than that, there is a lot of time for the community and, if I can put it this way, the democratic process to work out whether to reduce it to zero, which is effectively the same as to repeal the requirement, or to repeal it outright and take it out of the statute book. I just make the observation that that is available. But the question about whether to put in a sunset clause or not is a policy question that I am not really at liberty to speculate on.

The CHAIR — Yes. We would love to have the minister here to ask her about that. In relation to the transition assistance or, as most people refer to it, the compensation — and I know we have more than touched on this in our previous inquiry — just for the record with regard to this bill, why have the figures that we have been decided upon?

Mr BOLT — As you say, it has been canvassed extensively. It was not my purpose to come here and recanvass that evidence particularly. Again, it was a judgement based upon what was fair and reasonable, taking into account a number of factors, including the extent to which the disruption to the current form of taxi service was in fact driven by, if you like, an external force — namely, the emergence of rideshare applications. It was not done by a direct fiat of government, and it proved impossible, impracticable, to indeed attempt to enforce equity with taxis from that. It means that to an extent what has occurred here is the product of consumers

choosing the new service rather than government itself deciding what had to be done. So there are a number of factors, including that.

On the other hand, the government recognised that in introducing a very complete — in fact uniquely complete — set of reforms such as this, some parties that were owners of perpetual licences would be affected and that a substantial package of compensation, or assistance if I could put it that way, was appropriate, and it struck a balance based upon judgements which were essentially attempting to optimise those various considerations. And then of course the cost for the travelling public that the levy itself imposes had to be the other consideration. I cannot explain it to you any more than that because it was of course a judgement. It is not a formula that can be simply applied and said this is the right thing to do. That was the judgement that was made. The figures that were struck are those that we now know of. We have a levy in front of the Parliament to pay for it, and the government's very clear view is that is a fair, reasonable and balanced consideration.

The CHAIR — Given that there is a fair section of the community who are affected by this and who believe that the compensation is inadequate, is it within the power of the government to increase that compensation?

Mr BOLT — The government can make a policy choice to strike compensation, obviously at the level that it feels strikes that appropriate balance. A different government could make a different choice. Yes, this government has made that choice, and I am not really at liberty to speculate whether they would reconsider it. I would just make the point that the government has, as some committee members are well aware, extended the initial proposal, which was to compensate one licence at \$100 000 and a second at \$50 000, allowing for two more licences to be compensated at the level of \$50 000 each. So it was able to make an adjustment to apply a more complete coverage to the licence-holding community, if I can call them that. But that is the last adjustment that has been made, and that is where the package stands. I really cannot explain it better than that.

The CHAIR — But flexibility is possible in your view?

Mr BOLT — I would say it is a question for government about just how flexible it wishes to be. It is not a question for me to speculate on, Mr Finn.

Mr LEANE — The amount of levy in New South Wales to compensate in their jurisdiction is \$1. That is not in this bill, obviously. Why has this jurisdiction decided to go with \$2?

Mr BOLT — The New South Wales reform is, if you like, a very partial reform. I am advised they already recognise the need to consider extending to a second phase. Licence fees in New South Wales remain in place, and in this case they will not, subject to the passage of this bill. We are looking to enact the most complete series of reforms with substantial benefits to consumers and larger benefits to the travelling public but therefore to an extent that we crystallise impacts on a certain category of licence-holders and we increase the cost of this because we forego all of that licensing revenue I mentioned earlier. It makes sense to substitute for a larger loss of revenue for impacts that the government has decided to make the subject of a substantial assistance package. It seems appropriate to have a larger levy to pay for that. It is simply a matter of proportionality from the cost of the package and the recovery of those costs.

Mr LEANE — The government is proposing to financially assist licence owners for up to four taxi licences. What percentage of taxi licence owners would that cover?

Mr BOLT — My understanding is that 98 per cent will obtain assistance for every licence they hold — 98 per cent.

Mr LEANE — Just continuing on the compensation — and I know it is not necessarily in the bill, but it is a discussion point. In 2010 a licence was valued at around, I think, \$500 000 — I am happy to be corrected — and then by 2014 it halved in value to approximately \$250 000. That was under a previous government, and it was reformed in the previous government. So was compensation given to licence-holders because of the halving of the value of their licences in that period of time?

Mr BOLT — Before I go to the substantial answer, Mr Leane, we do actually have a table here — a graph here — which shows that trend and the fact that at the last known trading date last year the licence values at that point were down at more like 175 000 as a result of the entry of ridesharing. If the committee members were

interested, I can circulate this. I think this was also tabled by the minister at the public accounts and estimates committee recently at the same table.

The broad point in response to your question is that it is that loss of value — it is a substantial loss of value that has occurred due to what we would call market forces — that has led to government acknowledging or moving to saying that the barriers to entry into this market have been lowered to such an extent that the relatively constructed market with high barriers to entry that has supported high licence fees like this is no longer sustainable policy, and therefore the assistance package is a reflection of the fact that for some licence owners there has been a considerable impact, for which compensation is being provided.

I should have made the point earlier, by the way, there is another offsetting factor in those impacts, and that is we are not taking taxis off the road. Taxis will continue to have the opportunity to participate fully in the commercial passenger vehicle market, including in the rank and hail market, which is reserved for a small number of operators. So the value of the businesses has not simply been taken away entirely — another reason why, while indeed the loss of value is substantial and the amounts in the assistance package are less than that, there are offsetting reasons for why full restitution was not decided on.

Mr LEANE — I suppose I am mindful of giving the context. You mentioned that ridesharing has affected the value of the licences to some degree with whatever formula everyone's got — who knows. But the bottom line is — and this is where this bill comes in — that ridesharing operations have not been regulated, and it has been an un-level playing field there for the people doing the right thing.

Mr BOLT — Correct. That is exactly right. So we are now saying to taxi licence holders who are paying an annual fee of the size I mentioned earlier that through this bill you will be relieved of that. So the price of your participation in this market will be equivalent to that which the ridesharing provider will also have to pay, whereas currently, as you say, it is completely out of whack.

The CHAIR — I should take the opportunity at this point to welcome Samantha Dunn, who has been running the gauntlet of Melbourne's traffic, so welcome. That east-west link would have been really good this morning.

Ms DUNN — It would not have helped me at all, Mr Finn.

Mr BOURMAN — Thank you for your presentation, guys. I am pretty new to politics. I am very new to policy development, so I am going to ask some basic questions. One of the bigger problems with the whole issue has been compensation, and we have fairness funds and this, that and the other, so I am trying to figure out at what stage this became advice from the department and when it became just policy decisions by the government. Who decided what was fair? Was that policy or was that a case of the advice given?

Mr BOLT — The arbiter of fairness in any policy matter, Mr Bourman, is definitely the government of the day. Necessarily it is a judgement of values. The department provides advice — and I cannot disclose that advice to you because it is confidential between dealings with ministers about what the impacts of different scenarios may be. And without, as I say, disclosing any of the detail of any advice, there has been intensive interaction, if I can put it that way, between the minister and her department and the wider government in working out what the best approach to this may be.

Mr BOURMAN — Getting specifically to the issue and fairness, what experience would someone need to have in your department to give advice to the government, because obviously they would do policy on a taxi compensation scheme? Looking at the graph you have given us, the cost of a taxi licence in 1975 compared to 2010 is massive; the change is huge.

Mr BOLT — Yes, it is, but, as I say, there are a variety of factors which go to the government's decision as to what constitutes fair and reasonable in the context of that, given the extent to which it occurred due to external factors, given the extent to which existing licence-holders can continue to operate a business under the regime and given that someone has to pay for any assistance and the question about how much it is reasonable to expect taxpayers or in this case the travelling public to pay is also relevant.

As to who in the department is able to give advice on all of that, we have policy generalists, policy specialists. For example, we have the expertise of the commission and people in the department who understand the taxi

industry due to simply having overseen it for some period of time. As to people who understand what reasonable assumptions to make about what revenue collection is expected under this levy, that also comes from other departments, other portfolios such as the State Revenue Office. We draw on a wide range of expertise in coming up with advice to government on these things. It does not mean that we can have perfect foresight as to any of these matters because no-one does, but we feel this has been very thoroughly analysed as to the advice being given to this government on the subject.

Mr BOURMAN — Okay, so it would be fair to say that there was a range or an option at least presented to the government and the government decided whether that was fair or not.

Mr BOLT — We gave advice to government to enable it to choose where it thought the right answer lay as to the balance of the levy and of assistance paid and so forth.

Mr BOURMAN — Thank you. On the levy, the eight years or so, or maybe a little bit more, is based on full compliance, I am suspecting.

Mr BOLT — No.

Mr BOURMAN — No? On what level of compliance — just roughly.

Mr BOLT — It is based upon an assumption about the net impact of non-compliance and enforcement costs. I would rather not go into too much detail and reveal our hand to a levy-paying community, but I think we have made based on experience reasonable assumptions about the level of compliance. I can give members of the committee a table which specifies under different trip scenarios what the expected total and net revenues from this would be. The net revenues are a combination. They take the ideal full compliance figure that assumes no compliance costs and they make a reasonable deduction for the combination of compliance costs and non-compliance, if that makes sense to you.

Mr BOURMAN — It is kind of like bad debt.

Mr BOLT — Would members of the committee be interested to see this table?

Mr BOURMAN — Yes, please.

Mr BOLT — It also shows naturally enough as the starting point the total size of the assistance package. You will see the figures along the bottom of each of the scenarios in there which indicate the cumulative amounts to be recovered from the levy which you can then compare with the costs. That bears out my point that it takes quite some time for the levy to fully acquit the cost of the scheme.

Mr BOURMAN — One last question — and sorry to labour the point about levies. There are probably going to be ridesharing companies that are Australian-based, but my question really does not cover that. Having a law enforcement background and having a bit of an interest in international politics, I am aware there are obviously a couple of big players in the ridesharing industry that are not based in Australia and it is safe to say that the Supreme Court of Victoria has no sway in California. How are we — being the royal ‘we’ — going to be able to attack that as an issue to ensure that if there is going to be a compliance issue we can actually deal with it?

Mr BOLT — The essence of the answer to your question, I believe — and I will take a stab at what I think the right answer is and then defer to my colleagues to see if they have anything to add — is that a booking service provider will need to be, I think the word we have used here is, ‘accredited’ under this legislation. You have to be therefore an entity here and capable therefore of enforcement action being taken against you; otherwise you are outside of the law. What would happen if somebody attempted to operate a booking service internationally with nobody on the ground here, I suspect we have given consideration to that, but I personally do not have a direct answer.

Mr SALTER — One of the features that we have included in the bill is a new offence provision which essentially makes it an offence for someone to do business with someone else who is not accredited as a booking service provider. So if you have got people who are using their own cars to provide services and are signed on with one or more booking service providers, if you are using a booking service provider who is not accredited in this state then they themselves will be committing an offence. It is a mechanism that is being used

under the bill to incentivise compliance with those accreditation requirements, because if you are not accredited it becomes an offence for people to work with you. They will choose not to work with you; they will use the other choices that you were referring to in terms of Australian-based rideshare companies and those sorts of things. We have really tried to think through the incentives at play here with a view to getting compliance across the board. There are also new sanctions that are incorporated in the bill. For example, if there is a breach of those requirements to be accredited or to only work with people that are accredited then injunctions can be put in place and any breach of those injunctions can then result in court-based sanctions.

Mr BOURMAN — You have more faith in the system than I have. One last question: Sunset clause — there is none, either time or money. Do you know how that was arrived at? Was that policy or advice or whatever because it could go on forever, for all we know.

Mr BOLT — I thank Mr Bourman. If I can just come back to that question. I was about to add to Paul's answer, but I think I have lost the thought. Let me go to your question. I replied to this earlier in response to a question from the Chair. No, there is no sunset clause but there is a mechanism to reduce the levy to any amount less than \$2, including to zero.

Mr BOURMAN — Yes, the regulations.

Mr BOLT — And given the intention is that this levy will be given the task, so to speak, of covering the cost of the scheme and that there are on our best and most optimistic estimates at least two parliamentary terms between now and when that would occur, there is in addition to the executive or the regulatory power to reduce the levy plenty of opportunity for community and Parliament to consider whether it wishes to repeal or make some other adjustment to the scheme. I am not advocating that, I am not foreshadowing it, but I think I would just point that mechanism out. But yes, there is no sunset clause. That again is a matter for government as a matter of policy. It goes to the earlier discussion we have just had — that is, that of course we gave advice on various options and scenarios; the government took that advice and made a decision not to include a sunset clause. I cannot say more than that. The only question about that or debate about the validity of that or otherwise is best directed to the minister, and I am sure there will be discussions on that.

Mr BOURMAN — I guess I will leave it with one more comment because I am starting to hog the limelight, and that is that I have not known governments to let go of an income stream. I will leave it at that.

Ms DUNN — Thank you, gentlemen, for your presentation this morning. I have not had a good chance to digest this table, and correct me if I am wrong, but this table is indicating that, assuming there is no growth in trips, there are 28.8 million trips a year; is that correct?

Mr BOLT — That is the base case that you see there. Correct, yes.

Ms DUNN — The reason I ask that question is that I am just wondering what that figure is based on because I am sure that I have seen a different figure in relation to how many trips there are per annum already and that figure is far greater than that, so I am just wondering.

Mr BOLT — The struggle here, Ms Dunn — and I perfectly understand that there is a view out there that perhaps the entry of rideshare has stimulated additional business that otherwise was not being met — and the difficulty for us is that that is completely unmeasurable until this legislation is through. So for us to advise the government that there is a known revenue stream on the basis of trips we cannot count would be not to do our job.

On the other hand, as you can see in these tables, to recognise that that is a plausible question, we have offered a 35 million and a 40 million trip starting point in 2017–18, and estimated each by 1 per cent per year and applied the indexation of 2.5 per cent that I mentioned earlier, which is an assumption about inflation — we do not know what it will be — and even that shows in the most optimistic scenario from a revenue-raising viewpoint of 40 million trips in 2017–18 that we still do not get to break even until eight years from now.

Ms DUNN — So in terms of the figures here, are they simply taken from what is known of taxi trips at the moment, because that is really the only data that is available to you at this stage.

Mr BOLT — That is correct, yes.

Ms DUNN — Okay.

Mr BOLT — I do not know if anyone can add to anything there.

Ms DUNN — I am wondering if it is possible for the committee to get a better understanding of this. It is very hard picking through this issue in relation to licence-holders, firstly, how many individuals hold how many licences over what period of time, because I think that helps in terms of understanding and measuring fairness. It might be you have had the licence for many, many years, or someone who bought the licence for \$500 000. Do you have data on, firstly, how many licences are out there, how many owners own how many of those licences, how long they have been in operation and the price they paid for them? I know that is a big question, and I am happy to receive that information on notice.

Mr BOLT — It is a large question.

Ms DUNN — I do not expect you to reel it all off now.

Mr BOLT — I suspect the answer is we know everything but not necessarily every price that was ever paid. I do not know whether that is the case.

Mr OCKWELL — That is correct. We will not be able to know what price was paid for every licence, and obviously the duration of time, when someone held one over a period of time, without going back and doing some research in that particular space.

Ms DUNN — Yes. So you know that there is a pool of licences?

Mr OCKWELL — Yes.

Ms DUNN — But you do not necessarily know how long they have been in existence for?

Mr BOLT — We should know that, should we not?

Mr OCKWELL — We will have that data.

Ms DUNN — Yes, it is just the actual price they paid.

Mr OCKWELL — The price point, yes.

Mr BOLT — Can we take that on notice, Ms Dunn, and make sure that you get a decent profile of what information is available on the licence release volume as they have occurred over the years?

Ms DUNN — That would be terrific. I think the other part of that is understanding how many of those licences are held by individuals, or in some cases I believe there are companies who hold multiple licences as well. I guess for me it is about understanding how that transition assistance plays out in terms of a few owners with many licences or many owners with few licences, because that obviously impacts on the fairness element of that.

In terms of the \$2 levy it seems that there is an understanding that potentially that \$2 levy might not be passed on to the consumer because essentially you are not paying annual fees anymore. My concern around that is I just want to understand more how that assumption has been arrived at, because I have worked in the private sector and profit is generally an enormous motivation in the private sector. I am trying to understand why —

The CHAIR — Not a bad thing either, Ms Dunn, I might say.

Ms DUNN — Yes, generally it is the number one. I am just wanting to understand the assumptions behind assuming that the private sector will in fact absorb that \$2 levy, or part of, and not necessarily pass it on in whole to the passengers.

Mr BOLT — I think it comes down to what margins will competition dictate in a market that is going to be more open than it has been. It is not a case of saying, for example, that we would expect that there would be loss-making businesses plying their trade under this new regime. It is simply that if you take a cost away and add an impost that the impost is less than the cost. Under competition you expect prices to fall even as margins

are maintained. That is the essence of it. Whether margins are marginally — if you will pardon the expression— squeezed by competition being increased is another question you might raise. There will be no industry if it is not profitable, but that does not mean that prices cannot come down, because we are taking costs out.

Ms DUNN — Moving onto accreditation: if I am right, the booking service needs to be accredited and the driver needs to be accredited, and I just want to understand what that looks like in both those cases.

Mr BOLT — The accreditation of drivers and booking service providers, I believe — certainly drivers — is open already. What does it look like? I think either of my colleagues could be explaining that one. Should we toss a coin, gentlemen? Who would like to talk about it?

Mr OCKWELL — Well, the accreditation regime remains in place as it is right now. There is no change to that particular obligation going forward, although now we are in the proposed new bill.

Mr BOLT — But can you explain perhaps in a little more detail how that actually works — what is being assessed as for accreditation?

Ms DUNN — And that will apply to ridesharing drivers as well.

Mr OCKWELL — Yes, exactly right. With networks or booking service providers we look at the construct of the individual or the partnership or the company behind the network itself. With regards to the individual, in the accreditation process we look at obviously the individual itself, and embedded in the accreditation process itself is an ongoing requirement for police checking, medical history checking, driver infringement checking and the like. Then from that, once they become an accredited entity they go into our data-matching profile as well, which is the continuous monitoring through the Victoria Police database for criminal history.

Ms DUNN — In terms of the booking service accreditation, how does that work?

Mr BOLT — Is that yet operational? That is where I am not sure, because we obviously do not have any basis for that right now.

Ms DUNN — No, that is right, because it is only contemplated.

Mr OCKWELL — In regards to accrediting a traditional network, there is an accreditation regime for network service providers as well. Again it is a similar concept — obviously getting the information from those entities that wish to become a network service provider and working through the company structures, the partnership agreements and the way in which they want to construct that. We would do the same sort of due diligence going forward with that as well.

Ms DUNN — So those arrangements that are currently in place — they would also apply to ridesharing services and other services that might enter?

Mr SALTER — Yes. Just to make that clear, the bill only really changes the nature of the term. At the moment they referred to as ‘network service providers’. The bill changes the term to ‘booking service providers’ and broadens out that concept. But apart from that the existing accreditation regime requirements will continue to apply to those entities.

Ms DUNN — That is it for me for now.

Mr O’SULLIVAN — Thank you, Mr Bolt, for your presentation. I have just got a couple of questions, and my questions essentially are around some of the country aspects to this legislation. One of the things that you have said is that the costs recovery through the levy that will be charged will essentially pay for the buyouts and the compensation and so forth over about an eight-year period. Clearly in some of the country centres the payouts will be much sooner than the eight years. In Bendigo and Frankston they are saying it is about three and a half years, and in some of the smaller locations it could be even under a year before all the compensation and payouts are actually covered by the \$2 levy. In terms of those smaller regional centres and some of the larger regional centres, they will essentially have to continue to pay that levy even though they have paid out the compensation and so forth well in advance of the eight years that you mentioned in your presentation.

Mr BOLT — There is no provision in the legislation that will allow a differentiation of levy rates in country locations compared to Melbourne that I am aware of.

Mr O'SULLIVAN — Was there any consideration or advice given or modelling done by the department in relation to considering those options?

Mr BOLT — Again, to repeat the points I made earlier, those options and the advice we gave to government are confidential, simply because that is the nature of our arrangement.

Mr O'SULLIVAN — No, that was not my question. I asked if you actually prepared some modelling or some other sort of scenarios. I did not actually ask you whether you would present it here today.

Mr BOLT — But that is going to the question of what dialogue has occurred between government and ourselves. I think the main point would be: could such a thing be done, were we to be asked to do so? Well, clearly we could provide relevant options in that regard. I am not sure whether there are practical or legal constraints on actually making differentiations of that kind, but I really do not want to go to the question of what dialogue could be had with the government and ourselves except to say that there is no provision in the legislation, as decided by the government, to differentiate country areas from Melbourne in relation to the size of that levy.

Mr O'SULLIVAN — In terms of some of the compensations that are in place, would you think that that a future government or this current government will look at having a split system where perhaps country areas are different to city areas in terms of when the regulations are applied in terms of reducing the \$2 levy as you said might happen? Do you think there could be a separation between what happens in the city and what happens in the country?

Mr BOLT — Again, it is difficult territory in the sense that that question is probably best directed to the minister. But if we were asked to provide mechanisms for that to be done, well of course we would provide the minister with those. I do not know whether there is any factual information we can provide about the practicability of that. I am not getting that kind of encouragement from my colleagues, so I would simply leave it there to say that if we are asked, of course we will give further advice or advice on that subject.

Mr O'SULLIVAN — So would it be fair to say that country communities are essentially going to subsidise Melbourne communities in this space?

Mr BOLT — Would we say that? The question of how quickly cost recovery will occur — I think in essence your point is right as I understand it. I do not know whether the numbers specifically are correct, 3½ years or less than one year. But because licence fees are lower — because I understand trip levels in the country are pretty equivalent to those in the city — the licence fees are not just lower but a lot lower, then it is reasonable to say that cost recovery will occur more quickly if you looked at it simply as a question of where the cost is being provided in the country versus Melbourne.

Is that a cross-subsidy? I guess that is a matter for your judgement as to whether you want to call it that. Clearly the cost of the scheme is going to be more significantly, as I understand it, incurred in Melbourne relative to the rate at which the levy is recovered. Is there anything we can add at all as to the level of recovery in country Victoria?

Mr SALTER — No, I think the main point — just to reiterate what Richard has said — is that the offsets we have talked about in the sense of reducing licensing costs are less in the country than what they are in the metropolitan environment. So the discussion we have had in part has been about what the effect of the reduction in licence costs and the imposition of the levy have on fares and the effects on the community and consumers. The offsets are less in the country, so there is a high probability that there will be some flow-through in terms of fare impacts in those areas.

As we discussed here today, there are a number of other factors that have got to be brought to bear in relation to that. I think there is an assumption that the impacts in the country in terms of new services and so forth will be low, but I think that is yet to be seen. I think there are a lot of opportunities for the opening up of the market to actually lead to more service providers and more services being provided in country areas, and only time will show that.

Mr BOLT — I just want to add a little to the question of whether it is a cross-subsidy or not. Take what will sound undoubtedly like public servants having a bob each way, but it is nonetheless right to say that it depends on your viewpoint. If you look at the level of licence fees in country Victoria, you could argue that is a current subsidy that is being removed, and everyone is paying \$2 for every trip no matter where. That is in fact equitable and does not have any regard to location. Equally, you could put it the way you put it — that there is a cross-subsidy being removed. I think it could be argued either way. The question about where government wants to land with regard to providing concessions to country passengers or travellers versus those in the city is a policy question. You have raised it, and no doubt you will continue to raise it.

Mr O'SULLIVAN — I could ask a whole range of more questions in that space, but I want to move on to one other area in terms of the time that we have got remaining. That is in relation to taxis that cater for people with disabilities and wheelchairs and so forth. An example has come to my attention in the Bendigo area, where my office is, where essentially the co-op that is in operation in Bendigo cross-subsidises the provision of a service for disability services within the town. There are some 24 different operators that form part of that arrangement in terms of the co-op.

Under this scenario there is probably not going to be the money in the system in terms of that co-op to be able to provide those services to disabilities the same way they currently do, particularly in relation to the vehicles that are used for the transporting of people in a wheelchair. In terms of some of the detail of this legislation and compensation, is there something in it in terms of those sorts of operations being able to provide those services in a way that is going to be very difficult in terms of the service of this bill?

Mr BOLT — I think the question of the impact of reform on people with a disability accessing a multipurpose taxi program is a matter of high priority for government, as it clearly is for you and I am sure all members of the community. That is why the assistance package provides an additional \$5 million per year for five years to the multipurpose taxi program. The first two years of that will be spent increasing the lifting subsidy or lowering the lifting fee, whichever way you want to put it, assisting cost recovery there as well as maintaining the trip subsidy of 50 per cent. But as I understand it, it applies throughout Victoria. At the same time through the course of this year my department will review the accessibility framework, if I can put it that way, to see what further or better use could be made of those funds in later years.

We also have to have regard to what might happen under the national disability insurance scheme as to whether there will be a migration of travelling services, if you like, or mobility services to that scheme. The government is making no assumption that will occur and is certainly not factoring it into forecasts. It will maintain the subsidy until another lease and an appropriate alternative is made available.

On the question that you raise specifically, what I would like to do is just to invite you to give us more information on that, because it will obviously inform our review. Having a look at particular case studies would give us a much better idea of precisely what impact different regimes will have on mobility.

Mr O'SULLIVAN — Happy to do that.

Mr BOLT — Clearly with mobility in country Victoria, given as you have said there is an argument that there could be less choice available and equally there could be other choices available of the kind that you have mentioned — a community-based service — we need to understand and go into that with our eyes open to make sure we come out ahead as far as disability services are concerned.

Mr MELHEM — A quick question. Some people are saying to us that we pay everyone 250 000 a year per licence. What would be the cost of that if government agreed to that figure?

Mr BOLT — It makes me feel stressed to think about it, Mr Melhem. Do we have an estimate of what \$250 000 per year per licence for all licences would cost?

Mr SALTER — Over \$1 billion.

Mr BOLT — It is over \$1 billion compared to the \$332 million that the transition assistance package already includes.

Mr MELHEM — The second question I have — you made the comment earlier about the value of the business not taking away from existing taxi holders or owners. Can you expand a bit more on that? What you

mean by that? Does that mean they still can sell their business, because there is no licence fee anymore and you do not have to pay for the licence per se? Can you elaborate on what you meant by that?

Mr BOLT — There is still a business to be run. If you have a taxi, you are an accredited driver or you are employing them and you have a vehicle that is fit for purpose, and in the case of rank and hail you have the relevant camera equipment and other equipment required, there is still a business to be run. And a business that has a client base clearly has some potential value. I would have put it that way. If you have got accredited drivers and if you have got potentially some loyal customers, then you have a business that can earn a margin and therefore is presumably saleable. That is, I guess, the basic point. So, in other words, the analogy has been drawn between the Port Phillip and Western Port fisheries buyout and this scheme as to the level of assistance provided. Of course in the case of the fisheries we are moving to ending fisheries, but we are not moving clearly to ending taxi services. We are actually simply lowering the barriers to their entry.

The CHAIR — Gentlemen, thank you very much indeed. We do appreciate you being with us today and remind you that you will receive a copy of the transcript. Please proofread that, and that will be happening within the next two or three weeks. Thank you very much indeed for your time.

Mr BOLT — Thank you.

Witnesses withdrew.