

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into the Commercial Passenger Vehicle Industry Bill 2017

Melbourne — 23 May 2017

Members

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Mr Craig Ondarchie

Mr Luke O'Sullivan

Participating members

Mr Greg Barber

Ms Samantha Dunn

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Witnesses

Mr Elgan Potter, Director, and

Mr Mark Wilson, Managing Director, Victoria, London Taxis.

The CHAIR — Good afternoon, gentlemen. Welcome to the public hearings of the economy and infrastructure committee. All evidence taken at this hearing is protected by a 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.

I would ask you to make an opening statement of about 5 to 10 minutes and then we will open for questions, but could I ask you first of all to state your name, organisation and suburb for the benefit of the record. Thank you.

Mr POTTER — Good afternoon. My name is Elgan Potter. I am a director and shareholder in the London Taxi Company Australia, and I live in Hunters Hill in Sydney.

Mr WILSON — I am Mark Wilson, managing director of London Taxis Victoria, and I live in Hampton, Victoria.

Mr POTTER — Thanks for your time today. We are very different from most people attending today and tomorrow in that we do not currently operate in the market in Victoria. We are bringing a fresh set of eyes and commercial evaluation to the point-to-point industry and wish to enter the taxi industry in Melbourne and broader Victoria. I would like to just take a few minutes to explain who we are and why we think our business will be successful if we enter the Victorian market. I will then specifically address the issues relating to plate costs, the proposed levy and timing in some detail.

Who are we? London Taxis is a privately owned Australian business of which I am a shareholder and director. I got into this 12 months ago, primarily because I could see that the taxi market and the point-to-point transport business could be done better in my view. My background is completely different to this industry; I am from the big data software analytics business. I used to work with the big supermarket chains and their loyalty programs, dealing with data a lot, understanding customers and customer loyalty. So taxis and point-to-point transport is very different for me, and I have learned a lot about it in the last 12 months.

What is so great about the London taxi vehicle? We import the London taxi vehicle from the UK. Those of you who have been to London will, I am sure, be familiar with it. Those who have not I am sure have seen it on lots of British TV shows. It is an iconic vehicle that is built purely for taxi purposes. There are 26 000 of them on the road in London today. The vehicles that we are getting here in Australia are brand-new, exactly the model that is on the road in London today. The company has a full volume approval for Australia, so we can legally bring in as many vehicles as we wish. The vehicle operates as a taxi not only in London but also the rest of the UK, Ireland, India, Azerbaijan and the United Arab Emirates, so quite an unusual list of countries. It is the only purpose-built taxi in the world.

What is different about the taxi? It is 1.9 metres tall. It has very wide and high doors to make for easy access to the rear. The driver is the only person who sits in the front. Next to the driver there is a space for luggage, where the front passenger would normally be. We carry five passengers in the rear. There is a perspex safety screen between the driver and the front and all passengers in the rear. Of those five passengers in the rear, three face forward and two face back in a very spacious environment. They have all been designed for the Australian climate and have upgraded air conditioning. The passengers have their own aircon controls in the back of the car. They have the ability to mute the conversation with the driver. Lots of little things have been designed over the years to really customise it as a purpose-built taxi. It is not a regular sedan that has been converted to a taxi like virtually every other vehicle in the current taxi fleet.

Enough about the vehicle, what is different about our proposed service for the Victorian public? Our drivers are high quality, with tailored training and with a very good service ethic. We recruit great drivers by letting them earn the best money in the industry. They earn great money because passengers love the vehicles and our utilisation rates are high, so the number of trips per hour is higher than the industry average. We do that because passengers love the vehicles and have high loyalty rates. Once passengers have tried the vehicle, or they think it is quirky or they think it is great, we get a lot of repeat business. We have been operating as a taxi fleet in Sydney for some six weeks now and already have a large number of passengers who use us three to five times per week because they have identified the product, they like it and they come back and use it again and again.

We have teamed up with a booking app called Rydo, which is a taxi booking app which makes it very easy to book the vehicle. We encourage forward bookings as well as instant bookings. We cater to able-bodied and disabled passengers. Our vehicle has a hearing loop for the hearing impaired that connects directly to a hearing

aid. We have bright yellow grab handles and seat edges for visually impaired passengers. The vehicle is classified as a wheelchair-accessible taxi in the UK and Ireland, and we are very keen to be able to carry wheelchair and disabled passengers in Australia. We want to bring down wait times for all disabled passengers.

We would like to think we offer a better deal for disabled passengers in that all our vehicles are the same. Once you are used to the vehicle, the specifications for our entire fleet are exactly the same — same width, same dimensions, grab handles in the same place et cetera. But I would like to address the issue of disabled passenger wait times and drivers historically not responding to disabled bookings. I think the best way to address that is the way that we plan to address it, and that is that when you book one of our vehicles, the driver will not know if he is attending an able-bodied or a disabled passenger booking, and why should he? We will treat everybody the same. I said, ‘Why should he?’ — or she? We provide a safe workplace for drivers, with a secure perspex screen between the driver compartment and the passenger compartment, and expect a significant proportion of female drivers in our fleet. Ten per cent of our Sydney drivers are female, including a 60-year-old lady who was not driving taxis previously.

Enough about the background for what we are attempting to do and onto the bill. We support the bill to deregulate the taxi industry. Why? We believe the competition will improve taxi services in Victoria. It will bring in new, innovative providers such as ourselves. It will bring new, purpose-built vehicles to market. It will attract better drivers who may not have driven taxis previously, attracted by higher income in a safe working environment. We provide a fair deal for drivers. The costs that we give drivers access to vehicles for is on par with the costs for existing taxi vehicles. It is the same price to drive one of our vehicles as driving a Camry despite a London taxi vehicle costing about three times the price of a Camry to put on the road. We charge the same fare as a regular taxi. We carry five passengers for the price of four. So we are trying to provide a high-quality service for the same basic price, or business class for the price of economy.

On the specific issues of the bill, with regard to plates, we believe that doing away with prohibitive taxi plate costs will make us commercially viable in Victoria. That is the simple reason why we have not launched in Victoria already. We do not want a handout from governments. We are privately funded and well-funded to conduct our operations.

In terms of the levy, I can understand the rationale behind a levy. However, I do not agree with it being positioned as an extra tax. A taxi plate currently costs \$23 400 per annum to rent from the Victorian government. The levy will cost less than half that based on the number of trips taken. So we are viewing that as a reduction in operating costs of a great enough degree that allows us to commercially enter the market.

If I take that one step further, the cost of a plate per annum is \$23 400. If you divide that by 365 days, you get \$68 per day. If you look at a taxi being on road 12 to 15 hours a day, a taxi doing a trip an hour as a starting point, then that equates to \$25 to \$30 per day in levy costs. That is based on one trip per hour. Now we are experiencing higher utilisation rates than that in Sydney, but even if the number of trips is 1.5 trips per hour, you are still showing a massive reduction in the cost. I do not really care if you call it a plate cost or a levy; it is just a cost to operate on the road for us, and we see a significant reduction in that cost through the change from a plate cost to a levy.

In terms of whether an operator passes on the levy or absorbs some or all of it, then I think competition will decide that. Let me give you an example in Sydney. Our Sydney fleet qualifies as a maxi taxi, which allows us to charge 50 per cent higher taxi rates at any time of the day or night. We choose not to do that to be more competitive in the marketplace. I think that is what competition will bring to the market in Victoria.

One last point on the levy I would make is that for it to be equitable it has to apply equally to all operators in the taxi, hire car and rideshare sectors. London Taxis utilises the latest update Schmidt G5 Taximeter that logs all of our fares. This will allow us to comply with the levy legislation without too much trouble.

Lastly, on the issue of timing — and I will spend a bit of time on this — we have been trying to enter the Victorian market for over a year now and having various discussions with government. The timing of the passage of this bill is critical to us, as I will explain. We have 120 London Taxis vehicles in Australia right now, with 80 more to arrive later this year, so we will have a fleet of 200 in Australia by the end of this year. There are 100 vehicles that operate in Perth as taxis. We do not own those vehicles; they are owned by a separate organisation. We supply parts to them, but that is all.

Now, I should explain that for us to get these vehicles here has taken quite a while. The engines are built in Italy by VM Motori, which is part of Fiat Chrysler. Brakes and transmissions come from Bosch in Germany. The bodies come from China. A lot of the rest of the parts are made in the UK. All of these components have to be ordered in sequence. I ordered the engines for these 200 cars in February last year. It took eight months for the vehicles to arrive complete because of the lead times in sourcing engine parts. All the parts go to the factory in Coventry in England and then get shipped to us with a lead time on shipping of about seven weeks. So 200 vehicles is all I have got this year. If I wanted to put another 100 on the road, I could not. It would take eight months to 10 months for us to get more vehicles to put on the road. So we will have 100 vehicles.

Right now we have 120 vehicles here, 80 more coming. We will have 100 vehicles on the road as taxis in Sydney by the end of June. I would then like to put the remaining 100 vehicles that we have here on the road in Melbourne this year, but to do that we need to know by the end of June. We cannot leave expensive vehicles sitting idle. As I mentioned, these vehicles cost approximately three times the price of a Camry to buy. So just to be clear: if the bill does not pass by the end of June, for whatever reason, than the only commercially viable option for us is to deploy all of those vehicles in Sydney.

We need to have a critical mass, a large enough fleet, to support the service and operations that back it up. We service all these vehicles to make sure they stay up to standard and meet the warranties on the vehicles, so we need premises here to support that but we need 100 vehicles here to support an operation, to cover overhead costs.

If we had to deploy the vehicles in Sydney, that would be a very tough decision. I think it would be a shame, as London Taxis, I think, are very well suited to a cosmopolitan city like Melbourne. Late last year I had one of our vehicles here for some meetings with various individuals in government and the TSC and I drove one of them down Collins Street at lunchtime on a Thursday. A busy day and the whole length of Collins Street, from here to the other end, every other person either gave me the thumbs up, pointed, waved or nudged the person next to them. The response we have had from passengers in Victoria has been fantastic, from what they have seen, and the response from passengers as travellers in our vehicles in Sydney has also been fantastic.

So our investment would employ not only drivers but mechanics, overhead staff, people who are helping with the network, and it would help with tourism. London Taxis is ready right now to invest tens of millions of dollars of private money to employ drivers and support staff and invest in the economy to introduce a high-quality, competitive service in the Victorian taxi industry. We want to improve point-to-point transport services for able-bodied and disabled passengers alike, but we need regulatory certainty in order to make this investment.

I urge you to pass the bill without delay. Whatever needs to be done to get that done by the end of June — if it is talking to government or making recommendations, any sort of suggested changes, I would just ask you to do it in time, because for us if the bill does not pass by the end of June, I am afraid we will not be operating in Victoria and the 100 vehicles will be reallocated to Sydney where we have certainty and they are already performing well. Thank you.

Mr MELHEM — The people who will be operating your vehicles will be employees of your company?

Mr POTTER — They will operate under the same structure as currently, the same structure with a valid agreement for drivers.

Mr MELHEM — So there is an employee-employer relationship?

Mr POTTER — Yes.

Mr MELHEM — So that is how the model will actually work in Melbourne?

Mr POTTER — Yes, the same model as it currently operates here.

Mr MELHEM — I suppose it will just be the award rate? I am just trying to understand how the model works as far as the level of fares, investments, the return on investments and meeting all employee requirements. So this model of taxis in Sydney is profitable, otherwise you would not bring them here to Melbourne?

Mr POTTER — The structure is a bailment agreement where the gross fare revenue is split 55-45 between the driver and the operator.

Mr MELHEM — Who gets the 55?

Mr POTTER — The driver.

Mr MELHEM — The driver gets it?

Mr POTTER — Yes. Because the vehicles cost more, the key to making it a success is to, A, buy cheaper and buy in bulk, so when we are negotiating rates on collision insurance and various other supplies we have to do that cheaper. But the key thing is we have to be very popular with passengers. That means we need a higher utilisation rate, so that is the percentage of the total shift time that the driver is on the meter. We need high utilisation rates for the driver to make more money. That means we make more money than the current scenario as well to cover our higher costs, but we are confident that we can achieve that.

Mr MELHEM — So an existing taxi licence holder, for example, can replicate what you are saying by hiring the car, licence, the whole package?

Mr POTTER — Yes. So if a driver wants to come to us and drive under our network, they are very welcome to do so. We go through a selection process and a training process, and we are fairly rigorous on that because we want good drivers to provide good service. The service element of it, I think, is where we can really make a difference, and it is not that hard. I have not lived in Melbourne for 20 years now, but in the last 20 years that I have lived in Sydney I have ordered lots of taxis to home over the years and I have not had one taxidriver open the door for me at my home when they come and pick me up. It is little things about service and getting passengers on side, making sure the car is clean and that you are there on time for pre-bookings. They are the kinds of things we approach on, as well as the way that you interact with passengers, to help the drivers provide the best service they possibly can to get repeat business, because repeat business is how you get the cars busy.

The CHAIR — I hear the message that you have given us — that you want the legislation passed as quickly as possible. Clearly this committee will make recommendations — hopefully in the not-too-distant future — and that will give the government time to make the appropriate changes and get the legislation back into the upper house. Can I suggest to you that you make representations to the government that they might like to accept the recommendations of this committee so in fact we can pass this bill before the end of June.

Mr POTTER — I am very prepared to do that, absolutely.

The CHAIR — That would be very helpful, I am sure.

Mr MELHEM — We do not want to be interventionist.

The CHAIR — I do not even know what they are yet.

Mr POTTER — I have obviously been talking to the government for over a year about our desire to launch here and why it is not economically viable under the current structure, so I have made suggestions. But, yes, I guess we will have a look at what comes out of it. We are keen to be in the market.

The CHAIR — Thank you.

Ms DUNN — Thank you for your presentation today. I just wanted to touch on the issue of people with a disability using your service, because I know in previous meetings I have had with you that your vehicles do not necessarily meet the disability standards for accessible public transport. However, what I am wondering is: do you know if your vehicles can actually fit a power wheelchair or a power scooter in them?

Mr POTTER — Our vehicles meet the wheelchair standards in other markets.

Ms DUNN — You do not mean in Australia though, do you?

Mr POTTER — In Australia they do not. In the UK and Ireland they meet the wheelchair standards, where the vehicles are side-loading wheelchairs. There are no rear-loading wheelchair taxis in the UK; they are all side-loading. In Australia the federal standard that we have is for rear-loading wheelchairs. We are very keen to

carry both disabled passengers in general and wheelchair passengers in particular, and we are keen to work with both the federal government in terms of that legislation and state governments to find a way for our vehicles to comply, run a trial, prove that they are up to the job and get them working.

But all I would say is that there are 26 000 of them on the road in London capable of doing this work and doing this work today, so I am confident that we can pass the test required in the trials to put these on the road. I think they are very unlikely to be able to carry every single kind of wheelchair, but we want to be able to help bring down wait times and play a part in doing that. I am not going to pretend that we can do all of it, but we want to play a part in bringing down those wait times.

Ms DUNN — Understanding that there are different sizes of power wheelchairs and scooters, do you know whether they generally fit in your vehicles?

Mr POTTER — A larger power wheelchair would not, but smaller power wheelchairs do. We have been lucky. In the standards in the UK there is a definition by the government of a standard wheelchair, and that is what is used in the test. There is no standard definition in Australia, unfortunately, so it is a little harder to actually say yes as to whether we will meet those requirements or not. All I can say is: under this proposed legislation, there really is not a massive incentive to do predominantly wheelchair work.

We want to do it; we genuinely want to do it. One of the reasons that I got into this year ago was about trying to provide more comfortable vehicles that were more practical. My mum was in a wheelchair for the last couple of years of her life. I would to really make a difference to wheelchair wait times. I think a big part of that is what I said before — that drivers need not know who they are picking up. I think that is a big part of it. The only way that works is if your fleet is homogenous and all the same and they can all do it.

Mr O'SULLIVAN — Just a couple of questions from me. Mr Potter, you said that the taxi licence plates here in Victoria were worth \$23 000. I am uncertain of that, and I saw some people shake their heads in the gallery as well.

Mr MELHEM — That is the annual fee.

Mr POTTER — That is an annual fee to rent the plates. It has got nothing to do with the cost of the plates or the value of the plates, I am sorry. That is what I have been quoted by the Taxi Services Commission to lease a plate from the government — an annual fee to lease the plate, per annum.

Mr O'SULLIVAN — We might just seek some clarification on exactly what that figure is. But in terms of the setting up in Sydney, what were the costs that you had to incur in terms of the regulatory costs in setting up and operating in Sydney?

Mr POTTER — In Sydney we started this business in March last year. We approached the state government for taxi plates. Andrew Constance, the transport minister, had just given an assurance to the taxi industry that there would be no more plates issued in New South Wales for four years. We therefore had a look at operating this vehicle as a hire car booked-only service. We did a trial on that basis with just a few vehicles. It did not really work because passengers kept trying to hail it because it looks like a taxi. It sort of screams out, 'I'm a taxi'. So we took the decision at the beginning of this year to launch on taxi plates. We commercially rent taxi plates from owners at a commercial rate in the market, which is typically a little cheaper than that Melbourne rate. It comes out at around \$19 000 a year, so we are leasing from the plate owners, individual plates from those owners, on a monthly fee that we pay to them. That is one of our costs.

Why can we afford to do that in Sydney and not here? We can afford to do that in Sydney because, A, it is a little bit less than here. It is \$4000 or \$5000 less per annum than the cost of a plate from the government here. The other big difference is the taxi rates that we can charge to passengers in Sydney are substantially higher than in Melbourne, so the per kilometre rate in Sydney is 35 per cent higher than it is in Melbourne for a daytime rate. The night-time rate is 45 per cent higher. The utilisation rate — that is, the percentage of the time that we are on the meter — is substantially higher than we believe it to be in Melbourne. If you look at it, some of the costs are a bit lower but the revenue is also higher and that has made it commercially viable for us to launch on that basis.

We have only been on plates for the last two months, but that is working. Passengers are loving it, our drivers are staying in the cars and it is working well.

Mr O'SULLIVAN — So you are now on the rank and hail system completely the same as the taxis are?

Mr POTTER — Yes, we have been doing that for the last two months. We are normal taxis. We have had to put signs on the taxis saying, 'We are a normal taxi. We charge the normal price', because some people are a little bit confused that maybe it was a bit different. So it looks like a premium vehicle, but we have put some signage on that says, 'No, we charge the same price as a regular taxi and we carry five for the price of four'.

Mr O'SULLIVAN — There are probably two aspects to my final question, which is: how are you received by the customers, but how you are also received by the rest of the industry?

Mr POTTER — Actually the taxi industry is interesting. When we are in the airport holding yard, we always get lots of drivers come and sit in the vehicle and test it out and try it and press all the buttons and take selfies and pictures. We have 30 cars operating on the road in Sydney now — this week — and we are ramping it up. We are putting 10 or 15 cars a week on the road. In Sydney we have not had difficulty sourcing plates from the market. Given that there has been a fair bit of impact of rideshare on the industry and there are more plates available now than there were a year ago, we are able to get plates.

In terms of drivers, we have some excellent drivers who get it; they really get that the product is different. What we are trying to achieve is we need to get higher volumes, a higher utilisation rate, for it to work. There will be some drivers who are a little bit, maybe, afraid to dip their toes in the water and give it a go, but we have had some great success with particularly younger drivers, female drivers and drivers who have come to us from ridesharing, who are maybe a bit disillusioned in that regard, and are giving it a go. We have been able to get drivers and plates, and therefore it works.

The CHAIR — No further questions?

Mr POTTER — If I could just go back to that point on incomes, I guess I have explained the structure under how we operate the income, but the point is that the driver makes more money than currently and we make more money than currently to pay for a more expensive car. That is basically what we are trying to achieve.

The CHAIR — Thank you so much indeed. You will receive a transcript of today's hearing in about three weeks. If you could have a bit of a proofread of that and get back to us if need be, that would be marvellous. Thank you very much for your contribution today, and good luck.

Mr POTTER — Thank you for your time.

Witnesses withdrew.