

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

Ms Georgia Nicholls, Chief Executive Officer; and

Mr Stephen Armstrong, President, Victorian Taxi Association.

The CHAIR — Welcome to the public hearings 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. So I thank you for joining us.

Could you perhaps say 5 or 10 minutes worth of words to begin with, starting by giving us your name, your company — if that is appropriate — and your suburb for the record. We will ask some questions a little later as well.

Ms NICHOLLS — Thank you, Chair. My name is Georgia Nicholls. I am the CEO of the Victorian Taxi Association. We are based in Port Melbourne. I am going to hand over to our president, Stephen, just to kick things off for us.

Mr ARMSTRONG — I am Stephen Armstrong, president of the Victorian Taxi Association, only for a short time — the last six months. Prior to that I was vice-president for a number of years — 20 years — mainly in the position of looking after urban, country and regional areas. In my other roles, I am the chairman of Ballarat Taxis and also the chairman of a taxi company in Shepparton.

Just to give you a bit of my history and background, because I think it might be relevant, I first got involved in the industry in 1977. Prior to that my grandfather, my father and my uncle have been involved in the taxi industry since the 1940s — I think, as Mr Kennett said before, at the time of the Second World War. So it has been a family business.

I have held every position in the taxi industry that is imaginable, from a part-time and full-time driver to a call centre operator, call centre manager, manager of our cooperative, to a Director and to our Chairman. So I think I come here today with quite a bit of experience. I will give a bit of background about the taxi industry in Ballarat, if I may. We are a cooperative, we are a not-for-profit organisation, which is pretty similar to every other country or regional taxi operation, whether it be a cooperative or a taxi company — not-for-profit organisations with directors who are taxi operators and taxi owners. We have in our time in the last 30 to 40 years in Ballarat never had an outside investor in our company or our cooperative whatsoever.

I guess we are here today at a point in time where, if this was two years ago, I would be making a lot of other suggestions about what we should and should not be doing. However, as was conveyed before by Mr Kennett, I know firsthand the angst, the anxiety and the stress that our operators and our owners are going through. I have sat at home at night taking calls from other country operators in tears, and I know that we are at a point in time when something must happen and it must be a fair and equitable outcome that we try and achieve.

That is where I sit today. I am happy to answer any questions. I would probably rather answer the questions so that we can achieve that fair and equitable outcome — and answer your questions and your concerns about what you may want to know about the industry.

Ms NICHOLLS — I might just note that it is perhaps somewhat disappointing on behalf of the people that are in this room that we are here again before a committee that has only wound up what was effectively a 12-month inquiry into the very policy problems that this first piece of legislation brought forward by the current government attempts to deal with. It has been put much more articulately to all of you by Eleanor, by Mark and by others who live and breathe the impacts of this indecision on a day-to-day basis, but I cannot overstate to you the human and commercial toll that this continues to take on the participants in the commercial passenger vehicle industry in Victoria every hour that it goes on.

I hope that you are more than aware of the Victorian Taxi Association's position on the way we think the reforms should be progressed in Victoria, given the amount of information that we gave to the previous inquiry on the matter. Whilst, as Stephen said, we do not believe that the package that has been brought forward for the Parliament's consideration is by any means perfect, it is definitely the most ambitious attempt on behalf of any state government in Australia to deal with the fundamental shifts that have occurred in the industry in which we operate.

We want to see the committee use this opportunity, in what is quite a brief period for you all to consider the legislation before the Legislative Council at the moment, as an opportunity to discuss and agree and to try and find the common ground — which we do believe exists — which can be landed on in order to give both to the

industry participants the certainty they deserve about their futures and to commercial providers of services the best opportunity to offer high-quality services to the passengers of Victoria and to give them the benefits of fair and equitable competition in the market.

We do believe that there is scope for a number of amendments to be made to this legislation to see a fairer and more equitable outcome both for industry participants and for consumers of commercial passenger vehicle services in Victoria, and we urge this committee to use this opportunity to discover those areas of commonality.

The CHAIR — Thank you very much indeed. Could I ask either of you, or both: what would this legislation in its current form do to the taxi industry in regional areas if it were passed?

Mr ARMSTRONG — I guess, speaking purely from a Ballarat perspective, because that is obviously what I know most about, and as I said before, being a not-for-profit organisation, the licence value that we will be losing, that the cooperative holds, is in the vicinity of \$900 000. There is a difficulty that emanates from that when we go to a bank. We run a fleet of eight wheelchair-accessible taxis, which are not cheap to operate in any sense of the word. In fact, I have submitted our costings to previous inquiries about the break-even nature of that business — and if you are in business to make money you would just not bother doing it. The stress that that would put on us as a cooperative to try and obtain finance and continue the service as it is now, it would probably be almost impossible for us to continue along the lines we are now.

Speaking for Ballarat — but this is going to run along all the other urban and regional centres that I am aware of — our shareholders cross-subsidise the running of our wheelchair-accessible taxis. What would have to happen is we would have to go to our members to ask for more money to subsidise that. I do not think that is going to happen under the current structure and the reforms as they are set out now. That would put enormous pressure on our ability to service the disabled community.

We have already seen in Bendigo they have reduced the number of service hours in order to keep their vehicles on the road and to keep it for the wheelchair and disabled community there. After 10 o'clock at night you cannot get a service from a wheelchair taxi in Bendigo. I can quite conceivably see that going right across the state in other regional services as well.

The CHAIR — So that would severely impact on the independence of people in wheelchairs and with severe disabilities.

Mr ARMSTRONG — It would certainly impact on the social inclusion of people. There is no doubt about that.

Ms NICHOLLS — I think I might take the opportunity to echo the comments that I know David Samuel made to the committee earlier with regard to the whole wheelchair accessible taxi space, which I know was of significant concern to this committee in its previous inquiry around ride sourcing, as well it should be. I think that fundamentally the changes that have happened within the commercial passenger vehicle industry threaten the viability of wheelchair-accessible services, no matter what this current piece of legislation says, and that is for a range of reasons.

The concern with this first stage, if you like, of reform not being progressed — or were it not to be progressed in the coming weeks and months as quickly as possible — is there are a number of things that the government have committed to do and that have been announced publicly, including a review of accessible transport services more broadly, some very considerable integration issues with the NDIS rollout, which continues to happen across Victoria, as well as the future of MPTP subsidy programs and the like, and we cannot move forward with those conversations without an understanding of where we sit on these kinds of fundamental questions around licensing. There are very, very considerable commercial concerns particularly around the NDIS which cannot really be productively explored without some certainty on these fundamentals.

I think again it underscores the need for these sorts of initial decisions to be made, and it is only when those have been made that the implications can be fully explored and worked through. The so-called second tranche of legislation that we expect will effect much more fine-grained changes to the way that taxis and other commercial passenger vehicle services are regulated at a grassroots level, if you like, simply cannot even begin to be considered until we move through this initial hurdle.

The CHAIR — Apart from the taxi services, are there many ridesharing services in regional Victoria?

Mr ARMSTRONG — Unofficial rideshare services, yes, which you are probably aware of. In Ballarat and Bendigo, we have had Ballarat Rideshare, Cash for Lifts, a number that we have reported to the Taxi Services Commission for investigation. That is a danger for us — not only the effect on services, but the safety aspect of that. On some of the Facebook sites I have seen, ‘Don’t forget, don’t drink before you drive these people because there are .05 rules’, et cetera. It is amazing what you look at when you go through these things. So the proliferation of unofficial ride-sourcing services is a real worry as well as a threat.

Mr LEANE — I do not want to paraphrase you, but a previous witness today talked about four years of uncertainty in the taxi sector and looking to get some sort of certainty. Just taking on board that there is little bit of frustration in your verbal submission, so your advice to the committee is — to the MLCs today and the MLCs that are not here today — to thrash this bill out; people will put their points of view and their amendments or whatever they want. There was a statement about no bill, but your preference would be that there is a bill but then the outcome of this committee and the legislation.

Ms NICHOLLS — Yes, I think from the evidence that has been given today, if we go back to the previous witnesses that you have heard on similar issues, I am sure the level of angst that is being experienced by people that are here in this room and the others that they represent is pretty apparent to you. The idea that discussions or further inquiries are likely to uncover some sort of solution which does not fundamentally have at its heart a number of trade-offs which are very, very difficult political decisions that need to be made, you could do another six months of inquiries and take witnesses and fly around the world looking at the way other governments have dealt with this, but, yes, we would have much preferred to see an outcome where —

Mr LEANE — We do our job.

Mr NICHOLLS — you do the job of making a decision, because that is what we are here for.

Mr BOURMAN — I will be pretty brief. You said that your preference would be to see the legislation go through with a number of amendments. Just for the avoidance of any doubt, what sort of amendments would the association like to see?

Ms NICHOLLS — I think a number of the amendments proposed previously by Mr Kennett were very sensible in their scope and fundamentally strike at three real issues. The transition assistance package obviously is not explicitly stated in the bill itself. I appreciate the recommendations that Mr Kennett made around the potential resolution of the taxation issue if it was to be stated explicitly in the bill, and whilst I cannot claim to have advice which would confirm or deny whether that indeed would resolve the a problem for the ATO, if that would be the case, then we would certainly support it.

The other clearly contentious issue is around the scope and amount of compensation that is being offered as a result of the structural adjustment that is proposed to licensing. We have provided pretty significant submissions on this in the past, but again it comes back to the trade-offs being discussed by the representatives of the Legislative Council and a decision being reached as to what a fair and reasonable amount of compensation would be. We certainly do not accept particularly that not covering every licence, for example, and that the level is acceptable in its current form.

The other controversial issue obviously is the levy — the shape and nature of that. I think certainly the fact that there is not a sunset clause is of particular concern to us, so again Mr Kennett referred to the fact that a sunset clause could sensibly be constructed which reflects the levy ending only at the point at which the government of the day had recovered the full value of funds paid out. I think that is probably a sensible way of approaching it.

Ms DUNN — Thank you for your presentation today, and thanks for the clarification on those amendments, because I think in terms of the committee we are interested in working a way forward in relation to this matter. But I just wanted to ask you, and it has been a theme of mine today, there are many different numbers thrown around as to how many trips there actually are per annum. What are your views in relation to how many trips per annum there are?

Ms NICHOLLS — I think the contest around the number of trips that happen is probably reflective of the fact that the data that there is is not particularly decisive. It is rubbery, and so I would prefer to reserve the right not to give you a figure.

Ms DUNN — That is fair enough.

Ms NICHOLLS — But I think that there is a range within which the modelling needs to be conducted to give the government and the Parliament potentially assurances around what kind of time period we would be looking at in terms of a repayment period. There are also some assumptions that need to be made about the ability to enforce the levy and the coverage of the trips that would be achieved. And there is always a certain level of contestability around the number of trips that happen outside of booked services — that happen either amongst secondary networks and informal groups of taxidrivers and hire car drivers, of rank-and-hail trips and the like. That is where the uncertainty comes from, I think. It does make it difficult, I think, to be decisive around what the number of trips are going to be that the levy would successfully apply to. But if we worked in a range between probably the data that is reported from networks to the Taxi Services Commission and some sort of loading for the fact that is supposed to cover a broader number of service providers in the industry, it would be a sensible way to approach it.

Ms DUNN — From information provided to us today it would seem a fairly conservative figure, and of course it matters in relation to recovery of funding, so there is a nexus between that. So thank you for your comments in relation to that. The other thing I think is probably of concern to all of us is the impact on wheelchair-accessible taxis. Mr Armstrong, you have touched on that in a regional sense already today. I take your point; you have actually outlined also a number of issues that are impacting on that, whether that is the NDIS, the review of accessible transport and the like. I am just wondering, do you have any views in terms of what is required to ensure the ongoing security and future of that service, because it is so integral to accessibility for our community members.

Ms NICHOLLS — I think the comment I was harking back to previously that was made by David Samuel was around the idea that essentially this is an area of market failure. It always has been. There has been a number of attempts by successive governments to put in various different types of incentive and subsidy programs both for users of the services and for providers of the services to encourage the reliable provision of wheelchair-accessible taxi services. I think outside of Melbourne there is a general understanding as to the quality and reliability of services that are offered. In the metropolitan market, as David acknowledged, there is a high level of variability because of the unique service challenges of such a large geographic region. Fundamentally there needs to be a going back to those principles around what the environment for the provision of wheelchair-accessible services should look like and to what extent you can expect commercial providers to be successful in the provision of those services without very significant subsidies for their provision.

We have seen the extension of a subsidy program currently offered by the Taxi Services Commission around the purchase of wheelchair-accessible taxis in the urban area, and we are very grateful to the minister for her willingness to listen to the challenges of urban taxi operators in renewing their wheelchair-accessible taxi fleets. That has been a good interim measure. Obviously we think there is still significant work that needs to be done. We eagerly anticipate the establishment of the accessible transport review to really dig into these issues and try to go back to those first principles and look at what the potential approaches are to resolving this once and for all. But I do not think those kinds of things can really begin in earnest without some certainty around the fundamentals on licensing.

Mr MELHEM — I think you have answered in relation to the \$2 levy, and I take it that the association is still supportive of the levy as a means to recover the cost of compensation.

Ms NICHOLLS — Look, it is a difficult one. I would be loath to sit here and say that I support the concept of a levy, but we are living in times where we have to be realistic around what we can expect. Our original submission to this inquiry and to the committee, to a previous inquiry by this committee and to the government, was around an approach to recovering the value of compensation that was structured around entry costs and annual fees for the operation of commercial passenger vehicles. We still think that is a fair and more equitable way of collecting the value of compensation funds over a period of time from the industry; however, given what I have just said to you about the urgency of an outcome, we have come a long way, and I think there are probably some changes that can be made to the way that this has been conceptualised in the current legislation,

which have been noted by a number of witnesses already today, which would see the impact on passengers lessen significantly as well as the costs on the industry softened.

Mr MELHEM — I take you back to the issue of compensation, and I have got to be careful here about what sort of question I ask, because it sort of trying to get a figure. I do not think you will ever get an agreed figure. Have you got any views on how we can break that impasse — for example, what could be a likely acceptable solution? Mr Kennett threw a few ideas on the table earlier. Has the association got a view, because my understanding is you have not got any major issues with the legislation as such; it is the issue of compensation that is one of the areas that you have highlighted. Do you care to share some practical examples where we might find a solution, if there is one?

Ms NICHOLLS — It is a very difficult question, as I am sure you know. There is probably not a solution which is going to suit every licence holder within the Victorian taxi industry. I have to be honest about that and say that I think that there probably is not a silver bullet to this. If there was, I would be here telling you to embrace it and run with it with both hands. I think that, as you all know, the vast majority of licence-holders hold one taxi licence, so a significant improvement on the value that was being afforded to people that hold one licence would be a very large step forward for those holders.

Having said that, there is also a significant number of people that own more than that. There is a very small number of people in the taxi industry that own more than four licences. For them, whilst the impact is probably less on their day-to-day finances, there certainly is a number of them that have significant debts that will be left exposed as a result of the fact that the compensation funds end after the first four licences. I think probably there are some improvements that could be made to the coverage of licences, which also, whilst not contributing hugely to the overall value of the package, would really assist those holders in terms of the impacts that they were feeling in that transition.

I guess there is not a right number, but I do believe that there are significant improvements that could be made to the package which do not blow out the compensation offer to such an extent that we are going to see payback periods in the decades and which, assuming that there is a genuine intent by members of the Legislative Council to engage in that debate, can be found.

Mr MELHEM — Just one last question. Mr Kennett also talked about another option is to legalise ridesharing and leave the taxi industry alone as it is. Is that an option the industry might look at, from your point of view? Have you got any view on that?

Ms NICHOLLS — We have quite a strong view on it, and I think it is a conversation that I have had with most of the members of this committee or at least other representatives of their parties. No, I do not believe that legalising one area of the industry and maintaining the requirements that exist on the current taxi industry is a sustainable way forward. I think that essentially the question about the future value of taxi licences relies on the profitability of a business which operates a taxi as compared to the profitability of a business that does not operate a taxi licence but provides some other form of commercial passenger vehicle service. You can only justify the purchase of a very high value piece of capital to operate that business if there is a significantly higher return from doing so in the long term.

I think that attempts by other state governments to suggest that from a regulatory perspective they are going to be able to protect the so-called ‘rank and hail’ market from the penetration of other competitors and therefore protect licence value are disingenuous at best. In Sydney we already see a rank provided for ridesharing services at the airport. If that is not a very clear indication that these service providers exist to provide exactly the same service as one another and therefore are fundamentally in competition with one another, then I do not think there is a clearer example of it. The impact over time on licence value will be to see a continued deterioration in the marketability of those licences. If we do not accept that and try to deal with the transition that confronts the industry right now, the pain will only continue to persist, I believe, for the participants in the taxi industry.

Mr ARMSTRONG — The other part of that is — as Georgia alluded to — at Avalon Airport obviously we have a ride sourcing or ridesharing rank that has been established there. We have seen them at the Spring Racing Carnival, we have seen them at the Australian Open. So even though Mr Kennett had good intentions, through my experience, the ability of the Taxi Services Commission to regulate in that space would be problematic.

Ms DUNN — Just coming back to the \$2 levy, earlier today we heard some views that operators or drivers might absorb that \$2 levy into their operating costs and not pass that on to passengers. I just wondered if the association had any views in relation to that.

Ms NICHOLLS — It is very difficult for me to comment on the likely behaviour of commercial providers within the industry, but I think the likelihood of the ability of particularly small taxi operations outside of Melbourne to absorb the costs of the levy — it is a ludicrous proposition. Having said that, we are also expecting significant changes to the way that taxi services are regulated as a result of forthcoming reforms, so it is a little bit difficult for us to project exactly how that would play out for the passenger, but I think it is fairly clear that in the short term the customer will certainly see an increase as a result of the imposition of a levy.

Mr ARMSTRONG — From our position in Ballarat and our owner-operators, and I am one of those, it would be virtually impossible not to pass that cost on to the customers. Even as a network and the ability of us to collect the levy on behalf of our own operators, that is an impost and that is a cost that we are going to have to deal with. We only have three office staff in our building. It is going to mean that we are going to have to either employ more people or have our current staff work overtime to facilitate the collection and the reporting of the levy as well. And as I said before, we are not-for-profit organisations, most of it, so that is again going to come out of the shareholders' and the members' pockets. So there is a double-edged sword there for our taxi operators.

Ms DUNN — And I am assuming that is just because your margins are so tight. Even with changes you do not have the ability to just say, 'Sure, I'll absorb it'.

Mr ARMSTRONG — You are right; we do not have that ability. I have been chairman since 1992. We have never once paid a dividend out to any of our shareholders or members, who, I might add, are all active taxi operators.

The CHAIR — Thank you very much indeed for coming in today and making yourselves available to be witnesses in this inquiry. You will be receiving a transcript in about three weeks time. If you could have a bit of a proofread of that and get back to us with anything that might not be up to what you would expect, that would be a marvellous thing. Thank you very much indeed.

Witnesses withdrew.