

# TRANSCRIPT

## STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

### **Inquiry into ride sourcing services**

Melbourne — 18 October 2016

#### Members

Mr Joshua Morris — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Nazih Elasmar

Mr Bernie Finn

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

#### Participating member

Ms Samantha Dunn

#### Staff

Secretary: Ms Lilian Topic

#### Witness

Mr Mark Shehata, senior operations manager, Exclusive Cab Management.

**The CHAIR** — I will declare open the Standing Committee on the Economy and Infrastructure public hearing. Welcome to all those present this morning. Today the committee is hearing evidence in relation to the inquiry into ride sourcing, and the evidence today is being recorded. All evidence taken today is protected by parliamentary privilege; therefore you are protected for what you say in here today, but if you go outside and repeat those same things, those comments may not be protected by this same privilege.

Welcome, Mr Shehata. Thank you for coming along this morning. At this point I might hand over to your good self for any introductory comments that you might like to make, and then we will have some questions from the committee to follow. Just to begin, I might get you just to state your name and the organisation which you are associated with.

**Mr SHEHATA** — Mark Michael Shehata. I am from a company called Exclusive Cab Management. We operate a taxi business in the northern part of Melbourne, Reservoir. We have been in the industry for quite a long time. My father migrated here from Egypt in 1962, and unfortunately he left because of an economic situation when the government seized their assets and did not compensate these people. He was left with a significant burden. He came here to start a new life. He built a taxi business from the ground up. When I was a young child, say, eight or so, I used to help him wash the cars, service the cars and whatnot. We grew our fleet significantly over the years. We had 40 cars before the emergence of rideshare. We are down to 21 now because it was just too hard to operate. Unfortunately for us we come and find ourselves in a similar situation to when my father left, where the government is cancelling licensing for taxis and hire cars and not taking into consideration the investment made by many in good faith.

**The CHAIR** — Are there any other comments that you might like to make about the information that you have provided to us?

**Mr SHEHATA** — I would like to thank the committee for allowing me the opportunity to come here and speak. I appreciate that. I just wanted to clarify a few things. The industry is not opposed to any competition. We just expect, one, that the competition is on a level playing field for everyone; and two, that people's investments are respected.

**The CHAIR** — Indeed. I note in the information that you have provided to us that you have got some modelling that you have done in terms of what might be a different way forward compared to the government's current model of compensation. Did you want to talk us through what you would like to see in comparison to what the government has proposed to this point?

**Mr SHEHATA** — Firstly, I commend the government in moving forward with changing the industry, so to speak, and allowing competitors into the industry. However, I am a bit concerned as to how they came up with the compensation package: \$100 000 for the first, \$50 000 for the second and zero for any subsequent licence. It is quite strange how they came up with those figures.

However, in my report here I have proposed a \$250 000 buyback on each and every single metropolitan taxi licence. I have also proposed a \$70 000 buyback on the 10-year licences issued by the state Labor government 6 years ago for \$180 000 up-front; urban taxis, \$250 000; regional taxis, 125; metropolitan hire cars, \$37 500; country taxi licences, \$37 500; country hire cars, \$18 750; special purpose vehicles, \$1250; and a hardship package of \$50 million. This can be funded by the \$2 levy that the government has proposed, so to speak.

They did state that there will be indexation of the levy so, based on our calculations, over an eight-year period the revenue raised from the \$2 levy will equate to \$1.052 billion, assuming 55 million CPVs — commercial passenger vehicle trips — in Victoria each year, based on the ATIA statistics, and presuming rideshare operators and hire cars complete 10 million fares annually, a 2 per cent growth in the number of CPV trips based on the Victorian taxi industry inquiry.

The \$2 levy will be indexed at CPI, and we assume CPI at an average of 3 per cent over the course of the eight years. It is highly likely that with population growth, coupled with the growing tourism industry, the number of CPV trips in Victoria will increase significantly. Therefore we expect that the time taken to recoup the losses will be much, much shorter.

**The CHAIR** — Thank you. Obviously we can see that you have put a significant amount of effort into coming up with these figures, but I am interested in understanding how it is that you came to the \$250 000

proposed buyback amount for the metropolitan taxis. Is that based upon anything in particular, or did you just see that as a fair amount for the value of the current licences?

**Mr SHEHATA** — Well, Josh, you are on the committee. This is the way in which I came up with that figure. After the Fels inquiry — the taxi industry inquiry — taxi licences fell to about \$300 000. Before the emergence of ridesharing and whatnot, a taxi licence was there about 250 to 300 or roughly in that vicinity, so I think it is somewhat of a compromise. It will not make everyone happy. People have invested \$500 000 and upwards of that. They are going to be left in significant debt as well, but I think it is somewhat of a compromise, and it is the consensus within the industry that this is somewhat of an acceptable level of compensation.

**The CHAIR** — Indeed. You spoke earlier about your father and the fact that he left Egypt as the result of assets that he owned effectively, from what I understand, being seized by the government.

**Mr SHEHATA** — Yes. A number of businesses and organisations and people had their business assets — not personal assets, not their houses, but businesses that they operated — seized by the government. They did not compensate them, but what they did do is they assumed responsibility of the debt. It was more of a social movement rather than anything else, and they assumed responsibility for the organisation's debt and whatnot. But they did basically seize their assets without adequate forms of compensation.

**The CHAIR** — And what is your father's view on what is happening now here in Victoria?

**Mr SHEHATA** — Well, my father is 80 years old at the moment, so he is finding it pretty difficult to comprehend how this could happen twice in a lifetime. It is pretty unfortunate for him, and I somewhat feel very sad for his situation.

**The CHAIR** — Indeed. I am interested too in terms of the hardship package, the allocation of the \$50 million, that you have in there. We had the secretary of the department responsible for this deregulation before our committee just recently, and some discussion around that hardship package was raised — the one that has been proposed by the government. The committee heard that the government are still looking into exactly what that hardship package is going to look like. What is it that you would like that hardship package to look like? Who would it be that would be eligible to receive funds from that package?

**Mr SHEHATA** — If we talk in all honesty here, a \$250 buyback on each metropolitan taxi licence — and the figures that I have proposed — will significantly reduce the amount of people looking for hardship. However, if it was up to me, I would take note of anyone that has debt or who bought at \$500 000 or who is at risk of losing their house or other assets and strongly consider them for the hardship.

**The CHAIR** — Indeed. So it would be those whose financial position would be significantly adversely affected, rather than those who may own all of their licences and who would not be put in, necessarily, an adverse position in terms of being placed into bankruptcy or the like?

**Mr SHEHATA** — What I am concerned about is: who comes up with the hardship criteria, because we saw after the Fels inquiry a \$4 million package for hardship, and I think it was just too stringent? It seems more like a very, very difficult hurdle to jump for anyone to be able to access that money, and I do not think it should be prohibitive as such. I think it should be more open to anyone with debt and anyone that is suffering financial disaster or the like.

**The CHAIR** — Indeed. I think that is a very good point, well made. I might throw over to other committee members. Mr Bourman?

**Mr BOURMAN** — Thanks for your presentation, Mark. The compensation figures, the \$250 000, we will just start with that. In your perfect world, would that take into account the amount of time people have had a licence and the return they have got? Obviously if someone bought a licence — I am just making things up here — two years ago for \$500 000 and someone else bought it 10 years ago for \$500 000, one person obviously has had no chance to recoup their investment and someone else has, or were you just envisaging a flat rate?

**Mr SHEHATA** — If we want to talk about time and whatnot, we have to take into consideration when that person bought the licence. Say, 10 years ago for \$500 000, the average price of a metropolitan house was also \$500 000. When someone bought a licence for \$10 000 in the early 70s or late 70s, that was the same price as

an average metropolitan house at the time. I mean, at the time of their purchase it was quite a significant investment to make. However, I do understand where you are coming from. The people that have held the licence for a long period of time have had a chance to recoup some of their investment; however, I do feel as though these people also rely on that asset as their primary source of income and whatnot.

**Mr BOURMAN** — Thank you. That was my main question.

**Mr ELASMAR** — Thanks, Mark. The price you put of \$250 000, is that one payment or according to whose instigation should it be on a long-term payment?

**Mr SHEHATA** — I honestly believe it should be on each and every single licence; however, if the committee were to suggest over time a depreciatory figure, I would understand where they were coming from. But we cannot ignore the fact that people have invested in this industry in good faith.

**Ms DUNN** — Thank you, Mark, for your presentation this morning. I will talk about a couple of different things, but I still want to go to the point that has been raised already. I am just wondering, in terms of the example Mr Bourman gave, for example, that you have invested \$500 000 for your licence and you have had an opportunity to make income off that licence for a long time, and if you have actually recouped the full capital cost of that licence in income, I am just wondering how it is that there still can be a compensation claim in relation to that. I am just trying to understand the logic of that if you have actually recouped all of the money you invested in the capital.

**Mr SHEHATA** — When anyone buys an asset, so to speak, they do so in the understanding that they would be able to generate some sort of income from that asset. What the government has proposed here is, ‘You will never receive income for that asset ever again’, which is understandable. I understand the government has to change with the times, and that is acceptable to me. However, discounting people’s investment and disregarding it somewhat, I cannot comprehend that.

**Ms DUNN** — Even if you have recouped the full value of that investment?

**Mr SHEHATA** — I mean, if you bought a house at \$10 000 and the house is now worth \$1 million and the government takes your asset from you, even though they are generating \$20 000, let us say for argument’s sake, every year, every year they will receive twice as much as what they initially paid. But I am sure if the government seized that asset or cancelled it — whatever they want to call it — they would pay them accordingly to what the market value is at that time of acquisition.

**Ms DUNN** — Yes, at that time. Thank you. We have had evidence here that the \$2 levy would be difficult to administer, difficult to collect and burdensome in terms of how that would be collected and accounted for. Do you have any views in relation to that, because I just noticed your package is still suggesting that the levy is the mechanism?

**Mr SHEHATA** — Look, the industry has got technology right now that accurately indicates to any interested party how many fares they have done, where they have been and how long they have been at that location. It is called a smart meter. If you are in the industry, you would know it. Most people are not aware of it, but it is quite advanced, and it can basically tell the government whatever it wants to know about the taxi at that point. I mean, it would be a little harder with people that operated hire cars and special vehicles and whatnot because they are not a public transport, so to speak. They do not have as many regulations. However, the taxi industry is pretty transparent, and anyone can see how many — I can tell you now the Taxi Services Commission would know exactly how many fares a taxi does every year.

**Ms DUNN** — Thank you. The only other thing I wanted to flag at this point is, and I am not sure if you have looked at this, that the government’s intention is to introduce two different tranches of legislation. The second tranche is around the compensation arrangements for the taxi industry. I am just wondering if you have thought about that and if you have any comments or concerns about risk in relation to those bits of legislation being split out instead of being together. If you have not looked at it, that is fine too.

**Mr SHEHATA** — I have actually looked at it, and what I have proposed here is any legalisation of ridesharing or ride sourcing should be in parallel with the compensation package. It should not be done in two tranches. It should be together.

**Ms DUNN** — They should be bundled together.

**Mr SHEHATA** — Because if we have got the taxi and hire car as the incumbent industry competing against a new entrant with their high costs, and they have got low costs, it just will not work.

**Ms DUNN** — It is not equal.

**Mr SHEHATA** — It is too hard. It is too hard to compete.

**Mr LEANE** — We have had witnesses — and if you listen to talkback radio, there are some uncompassionate people. We are not too sure where the opposition party sit on the compensation, but we have had witnesses saying that the compensation should be zero, that it should be nothing. Obviously you have heard that.

**Mr SHEHATA** — Of course I have.

**Mr LEANE** — I appreciate that you may be frustrated with that point of view. What would you say to that?

**Mr SHEHATA** — What would I say?

**Mr LEANE** — Yes.

**Mr SHEHATA** — I would say everyone is entitled to have an opinion, and I take their opinion on board. However, they have no idea that people that bought a licence did so under a regulatory environment. They were required to do so by law. So how is it now that the government want to cancel licences — I do not even know what they want to call it — basically abolish the whole licensing system that they created and now do not want to pay back or buy out these people?

Let us not forget that about six years ago the state government at the time sold a 10-year licence, a licence only valid for 10 years, for \$180 000 paid up-front. How is it that they come six years later and say they want to buy a perpetual licence — a licence that will last forever — for \$100 000 for the first, \$50 000 for the second and zero for any subsequent licence? It does not sit well with the industry.

**Mr LEANE** — I understand that. Then you have got the counterargument that there should not be any compensation due to other people investing in businesses that then might not be successful and so forth. You mentioned in answer to Samantha around that the licence may generate about \$20 000 a year. Is that sort of a loose rule of thumb?

**Mr SHEHATA** — That is a rough rule.

**Mr LEANE** — A rough rule of thumb. So your father's company and your company, you mentioned at your peak you had about 40 — —

**Mr SHEHATA** — We did not own 40 licences; we owned 20 licences at the peak. We still own the majority of those.

**Mr LEANE** — And are they still generating that \$20 000, or has Uber affected that?

**Mr SHEHATA** — They have affected it. But you look at someone in my certain situation — let us say the first 10 were bought at under \$200 000. The second set of licences, so the next 10, were purchased at above \$350 000. At the peak we bought one for \$515 000, in 2011, just before the taxi industry inquiry. So, yes, for the first 10 we probably recouped our money, but what about the last 10? We have not recouped our money yet.

**Mr LEANE** — So your father started the company or started driving when he first came to — —

**Mr SHEHATA** — He did not start driving when he first came here, no. He had a public servant job, and he used to drive a taxi part time. He had five kids, so he had to look for any which way to make money. He became old, and they somewhat made him redundant. He had a little accident at home — he cut his leg while he was working on something — and then when he went back to work they said, 'Here is a redundancy package'. My father is thinking about what he was going to do; he was in trouble; he has five kids. So he started his taxi business in the 80s.

**Mr LEANE** — So originally you are saying those licences were about \$10 000?

**Mr SHEHATA** — At that period they were probably about \$80 000 or \$90 000, in the early 80s. It has been a wild rollercoaster ride for licence values.

**Mr LEANE** — Yes, I understand that, and it has been a volatile industry.

**Mr SHEHATA** — It has.

**Mr LEANE** — I have got to tell you that I am not a huge fan of Uber, the way they have come in, and I imagine you would be the same. I suppose it is like this sort of international gang that is moving in everywhere. It is like the finger in the dyke: how long can you keep that from flooding out? I do not know if you feel the same, but I just think — and you do not have to comment on this if you do not want to — that, like I said, they are this immovable force that do not care if they pay fines, that do not care if they break the law; they are just going to be here. That is something we have all had to face.

**Mr SHEHATA** — I will be honest with the committee: I am not opposed to Uber, and I like their technology. What I am opposed to is them entering the market at no cost. It just does not seem fair and just. We have had to pay excessive licensing fees to the government. We have had to pay fees every time we do a transfer, every time we do an assignment. Registration costs \$3000 for a taxi, I do not know if you are aware of that. We are being burdened with significant costs. How is it now that the government just says, ‘We just going to go back to basics’? I am happy with that, but the investment that we have made is being discounted.

**Mr LEANE** — But do you think there is a problem in, as I said, they are just going to operate? Whether you are a fan of the technology — maybe the technology should have been embraced by the taxi industry before then — they are just going to operate. So if they are going to operate, I think to level the playing field out — you might disagree it is completely levelled out — they have to have at least police checks, proper vehicles and a different onus on them to actually do a lot of things that you are doing now as a company. We could have just let them keep doing what they are doing, and they would pay the fines if someone gets nabbed — they do not care — or we could try and at least level the playing field out to some degree.

**Mr SHEHATA** — It is very difficult to understand how the CPV market works, but I do understand where Uber is coming from — that they want to enter the industry because they are trying to give the consumer what they want. I do, however, have concerns about lowering standards of vehicle safety. There are no cameras. Basically an electronic hail is what they are doing. It is putting the driver in danger as well. There are rules and regulations for a reason. They did not just happen overnight; they have happened over a period of time. I think the government needs to be careful and look into that.

**Mr ELASMAR** — Mark, in your conclusion, as a follow-up to the conversation between you and Shaun, and after what I heard from you about Uber and that the taxis have to go through all the processes, licences and all of this — and the drivers as well have to go through the processes for safety and things like that, which share drivers do not have to do — in your conclusion are you saying that if Uber was legalised, it would be the end of the taxi industry; is that what you meant? Could you elaborate more, please, on this?

**Mr SHEHATA** — The taxi industry, once the legalisation of ridesharing is put forward, is finished as we know it. I am not saying it is finished altogether, but it will not be the yellow taxi that you see out there anymore. It will change significantly. The icon that it is will disappear over time because people will just get any vehicle, put a camera and a meter in it — it does not matter if it is yellow or whatever — and they will operate it as a taxi. So long as it has got a meter and a safety camera they can operate as a taxi. So I do think over time, yes, the taxi industry is finished as we know it.

**The CHAIR** — Mr Bourman has an additional question — —

**Mr BOURMAN** — And a quick sort of comment. I actually was in Nevada earlier this year. Uber was legalised in September, I think, and I was there in January. The taxi industry was actually at that point in time — we are only talking a few months — was really still going quite strongly. So it will be interesting, because I intend on going back later, to see exactly how it has fared — pardon the pun — in the last year. But we do have, I guess, a case study in front of us.

**Mr SHEHATA** — I am not going to say that the taxi industry will be over; I am saying it is over as we know it. It will not operate in the same way we see it now.

**Mr BOURMAN** — Yes, and that is what I am saying. It will be interesting to see exactly how they have changed.

**Mr SHEHATA** — Yes, it would be.

**Mr BOURMAN** — When I went there earlier in the year I was not expecting this Uber thing to come up, so whilst I did catch Uber over there — because of deficiencies in their taxis I got left stranded somewhere — it was still, I think, finding its feet as to where the balance is going to be.

Just one last question: the airport levy at the moment, how is that collected? Thinking about the \$2 levy, do the taxidriviers pay a toll when they go into the car park, or how does it work?

**Mr SHEHATA** — Basically each and every single taxidriver has their own airport card. What they do is they top up that airport card — it is like a parking card — and they put a credit on it. Whenever they pick up a customer they charge the customer on top of the fare. Now the airport in their wisdom have decided to increase that \$2 levy to \$3.58, I believe. Now unfortunately customers are going to be slugged more, which I do not agree with.

**Mr BOURMAN** — No. How does the government collect that? Sometimes, I have seen myself, someone gets dropped off by a taxi and you happen to be standing there looking for a taxi before you get to a rank — I do not think they are meant to pick up people, but you see the swap over right then and there. Is there an electronic thing for the taxis going up to the drop-off point?

**Mr SHEHATA** — There is. There is an electronic boom gate.

**Mr BOURMAN** — So there is no escaping it?

**Mr SHEHATA** — No, there is no escaping it whatsoever.

**Ms DUNN** — I just want to go back to the smart meters for a moment, because I do not think we have actually heard about that technology as yet in this hearing. Is that something that all vehicles have or is it just metropolitan?

**Mr SHEHATA** — They do not have it yet —

**Ms DUNN** — So it exists?

**Mr SHEHATA** — but the technology is out there. After the Fels inquiry, he suggested that all taxis have this smart meter. However, for some reason that I am not aware of, it has not been implemented yet. But these meters — or smart meters, so to speak — are already out there and they are capable of doing whatever the government wants them to do. It is more of a computer rather than a meter.

**Mr BOURMAN** — Are these the ones with the sat nav in them and all of that sort of thing?

**Mr SHEHATA** — Correct.

**Mr BOURMAN** — I have seen them around.

**Ms DUNN** — So would your view be that it is something that all services should have as part of delivering commuter services — have this technology?

**Mr SHEHATA** — In my opinion, if the government was to impose that \$2 levy in order to fund the compensation package, yes. Everyone should have that smart meter.

**Ms DUNN** — And ridesharing services as well as taxi services?

**Mr SHEHATA** — Yes, also them, so they cannot just say, ‘We didn’t do that fare’ or ‘We haven’t travelled this many kilometres’. But I do want to raise something which concerns me. Special-purpose vehicles, they are

licensed to do weddings, tours and whatnot. I do not think it is fair that they would have to pay \$2 on every single fare that they do, because at the moment, when they go and pay the TSC any sort of licensing fee for the year, it is only \$147. I mean, do we really want to add more costs on to people? I think it is a bit of a concern that needs to be addressed. But then we do not want people that operate a hire-car business to try to get a special-purpose vehicle licence and then just — we are starting all over again.

**Ms DUNN** — Yes, and try and wrangle the system.

**Mr SHEHATA** — That is exactly right.

**Ms DUNN** — Did you have any comments to make in relation to, I guess, what essentially works out to be a rate of pay for drivers, whether that be taxis or ridesharing, or whether you have looked at it?

**Mr SHEHATA** — I am always concerned about driver remuneration. I mean, if we go back 40 or 50 years ago, a driver used to receive 50 per cent of the meter fare box, and they were able to send four kids to school, buy their own taxi licence, buy their own house, pay off their debts — no problem. Now we come 50 years later and a taxidriver that works five or six shifts a week can survive but not comfortably. I mean it is a concern as to how the industry has been subject to so much change and driver remuneration has not been taken into consideration. I am concerned about that, yes.

**The CHAIR** — I do want to ask also — following up on Ms Dunn's questions about the two tranches of legislation and the possible impact that could have — at the moment what we see is that if you hold a licence, someone could lease it from you. I am assuming that is in the vicinity of \$1600 to \$1700 a month.

**Mr SHEHATA** — Yes.

**The CHAIR** — And as a result of that, the person gets the use of that licence. However, my reading of what we are seeing here is that if this legislation goes through in two tranches, basically we will see the legalisation of ridesharing first and then afterwards the compensation. So one might ask: why is it that anybody who holds a licence would continue to pay \$1700 a month when they could simply get an iPhone and start driving for Uber? I mean it just does not make financial sense as far as I am concerned, if you were driving a cab, to continue to pay that \$20 000 a year when you could just invest in an iPhone and start ridesharing. Have you got a view on that?

**Mr SHEHATA** — Josh, you are 100 per cent correct in your analysis of the issue. If the legislation is passed in two tranches, people who assign the right of their licence out will be wiped out. No-one will pay them any licensing fee. Or they might pay them \$538 a year, which is basically zero as opposed to \$1600 a month. They will not get paid; they will lose their income automatically. That is why I strongly believe that the legislation should be passed in parallel with the compensation package.

**The CHAIR** — I am assuming that that impact on the industry would in effect wipe it out. I mean, you spoke earlier about the fact that the taxi industry will continue but just not in the form that it is, but I am struggling to see how it would if we are seeing a significant lag between the time of the deregulation of the industry and the compensation package of the industry. I cannot see why it is that anybody would continue to drive a taxi.

**Mr SHEHATA** — It would be very, very difficult for someone in my position to retain their business. I do not believe I would be able to, in all honesty. However, people that are owner-drivers, so to speak, that only operate their own vehicle, might survive, but not with these higher costs. They are going to just go to the government and get a \$538 licence and operate a ridesharing/taxi type of service. That is why I think that the industry will change as we know it.

**The CHAIR** — We have also heard the government in its media releases saying that they are going to create a level playing field with regard to ridesharing and the taxi industry. However, my reading of what is going to happen is that there are going to be significant imposts continued on the taxi industry with regard to video surveillance, the metering and the like, and then ridesharing businesses are going to be able to operate, in effect, in whatever manner they see fit. So there are going to be, again, additional costs for traditional taxes if they continue to operate, yet your ridesharing drivers are not going to be sharing that same cost burden. Is that a concern?



**Mr SHEHATA** — It is quite a significant concern. If we want to level the playing field, it should be equal for everyone operating in the CPV market, regardless of whether they are ridesharing, taxis or hybrids of that; whatever they choose to do it should be just a streamlined approach, in my opinion. Also, another thing I think is important is that large operators that own multiple licences, if they are adequately compensated or bought out, maybe that gives them the opportunity to invest in new technologies and compete against Uber. I mean, people that say taxi licence holders should not be compensated are not thinking that possibly there is a consumer benefit to actually compensating the people who want to stay in the industry.

**The CHAIR** — Indeed, and a lot of skills in the industry would be lost if people were to go. I want to take a slightly different tack now and talk about the funding of any possible compensation package. We have heard from at least one witness that I can recall that the funds that came in as a result of the taxi licences went into consolidated revenue. So in effect you have a government who have received funds for licences that have gone into consolidated revenue and now we see that the government is going to levy a new tax on Victorians to try to compensate drivers and taxi licence holders for something they have already got income from. Do you have a view on whether or not, indeed, the compensation should be funded from consolidated revenue rather than a new tax on Victorians?

**Mr SHEHATA** — I would much prefer that the government fund the compensation or buyback package from consolidated revenue. However, I do not know how much readily available cash they have. It is concerning that the government has generated significant revenue from the taxi and hire-car industry over time and is not wanting to compensate or buy back from the industry. It seems quite strange to me. I mean, if we look at commercial fishing licences — I wrote about this in the proposal — when the government decides to cancel or acquire their licence, they buy them out adequately. Why is one licence-holder treated differently to another, even though they are both licence-holders and they hold a licence created by the state of Victoria?

**The CHAIR** — Just one final question from me, and it is in regard to what has happened in New South Wales. I am wondering whether or not you have followed the regulatory changes that have happened in New South Wales and whether or not you have got a view on what has occurred there.

**Mr SHEHATA** — I have followed this issue everywhere around the world, and in New South Wales it is quite different to what the government is proposing here. The main reason why it is different is because the government offered \$20 000 in compensation, a transitional payment, for the first licence, \$20 000 for the second and zero for any subsequent licence. However, they allowed the person who held that licence to continually assign that licence out; they had not cancelled the licence, so to speak. So it is a completely different environment over there. Also, they announced that they were not going to issue any more taxi licences, so they blocked the supply of taxi licences, and they also legalised Uber at the same time. So they are trying to find some sort of middle ground where they can compete concurrently or in parallel with each other but not step on each other's toes.

**The CHAIR** — Do you have a view on whether or not that would be a better outcome than what is being proposed in Victoria?

**Mr SHEHATA** — To be honest, in my opinion we cannot do that here for a number of reasons. One, they are going to issue taxi licences at will — anyone can go over the counter and buy it. We do not have a blockage of supply, so to speak, so the roads are going to be flooded with taxis. Then another issue is that unfortunately for licence-holders the damage has been done. If the government were to reverse its decision, who would have any faith in buying a licence as an asset? I do not think many people would. That is my opinion on the issue.

**The CHAIR** — Any further questions from the committee?

**Ms DUNN** — I have just got the one, Chair. You said that you have followed this closely, which is great for us as a committee, to hear your evidence. Is there anywhere that has actually done this well in terms of integrating ridesharing with an existing taxi service?

**Mr SHEHATA** — Everywhere around Australia have allowed Uber to operate, and they have done well, so to speak, but here we have just gone too far now. We have to push forward with what the government has proposed. I commend the government for allowing Uber to operate, but if the industry is not bought back or compensated, the level playing field will not be level.

**Ms DUNN** — So is it that it is hard to point to examples where it has been done well in other places because the regulatory environment is so different to Victoria?

**Mr SHEHATA** — Correct. We all have different rules and regulations. We had open entry after the Fels inquiry. To go down the path of, say, New South Wales, it just would not work here. We have to adapt to the situation under the regulatory environment that we operate in currently.

**The CHAIR** — Thank you, Mr Shehata, for coming and providing evidence today. I can see it is obviously something that is very close to your heart and your family's heart, so we certainly very much appreciate the time and effort that you have gone to in providing evidence to the committee today. I will just let you know that in the coming days you will be provided with a transcript of today's evidence for proofreading, and that transcript will ultimately make its way onto the committee's website. Once again, thank you for your attendance here today.

**Mr SHEHATA** — I would like to thank everyone on the committee for their time and for listening to my viewpoint. Thank you very much.

**Witness withdrew.**