

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into ride sourcing services

Melbourne — 12 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

Witnesses

Mr Richard Bolt, secretary, and

Ms Catherine Rooney, executive director, system reform, Department of Economic Development, Jobs, Transport and Resources; and

Mr Aaron de Rozario, chief executive officer, Taxi Services Commission.

The CHAIR — I will begin by declaring open the Standing Committee on the Economy and Infrastructure public hearing, and I welcome all those who are present here this evening. I will just explain that we are hearing evidence today 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 the same things, those comments may not be protected by this same privilege. Welcome to our witnesses who are present here this evening. What I might get you each to do is to state your name and your title, for the record, and then move into any introductory comments, and we will follow with some questions from the committee. Mr Bolt, if you might like to begin.

Mr BOLT — Thank you, Chair. Richard Bolt, secretary, Department of Economic Development, Jobs, Transport and Resources.

Mr de ROZARIO — Thank you, Chair. Mr Aaron de Rozario, chief executive officer of the Taxi Services Commission.

Ms ROONEY — Ms Catherine Rooney, executive director in the transport group at the Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — Whoever would like to begin the introduction, do so. Then we will move into questions.

Visual presentation.

Mr BOLT — At the indulgence of the committee I will start. We will not overlabour the introduction, but there are some slides that I hope will be useful to you. I will step through them in an abbreviated way, and we can come back to any of them which you wish to pick up.

If we go to slide 2, the context for the reforms that are the subject of this inquiry is a well-understood shift in the technology which allows on-demand transport services, including via smart phone applications, and this is having an impact on travel movements and patterns and preferences worldwide, and it is one which is frequently discussed these days when transport agencies from around the world — different countries — get together. It has resulted in new services. It has improved choice. There has been impact on price, and it has demanded of government a shift in the way they regulate what has previously in most jurisdictions been a heavily regulated taxi and hire car industry. The approach the Victorian government has taken towards more open regulatory arrangements is intending to deliver value to the travelling public while at the same time recognising that there are transitional impacts on existing players in the industry, and also protecting consumers and ensuring safety for other drivers, of the reforms that we have seen.

I could spend time in slide 3 talking about the role of my department and its transport group in particular. I will briefly say that we are responsible for policy development and implementation of reform and advice and development of legislation, and the Taxi Services Commission is clearly a regulator for the taxi and hire car industry, and its role extends to ridesharing, the subject of this inquiry. As is well known, I think, the pressure to alter the regulation of this sector has been with us for quite some time and has been through more than one iteration, and this is the latest of them. One would hope that it is a durable new regulatory framework.

The next slide does outline the role of the Taxi Services Commission. I could ask Aaron to elaborate on that. Maybe, Aaron, in the interests of time, I will go through all of these. If you wish to come back to that role as a regulator, then you can ask whatever is relevant.

These are the terms and references of the inquiry. You are more than familiar with those. I just put those up there to say I now have a slide on each of those that I will only briefly speak to. The first of those — and we are now down to slide 6 — is on barriers to entry and competition. This is a comprehensive reform that the government has announced to remove all vehicle licensing requirements and replace them with a simpler vehicle registration process and, in doing so, provide a level playing field for taxi, hire car and rideshare providers. Until that time the commercial passenger vehicles will still be required to operate under a valid taxi or hire car licence, so this new regime is yet to be implemented of course.

There is information in this slide concerning the requirement for hire car licences to be available for a small administrative fee once this arrangement is in place, and the vehicles of the ridesharing industry will need to obtain a licence of that kind to allow them to undertake booked work through an accredited network service

provider, which is an important concept we can explain in more detail. This will allow more entry into the market, and because of the increased level of competition and choice this reform will allow, fares will also be regulated. That will allow the industry to charge in ways that reflect the service they provide, and one would imagine we should see good competitive pressure on those fares.

There will be some form of protection in place for those passengers who do not use a booked service. Taxis will still have rank and hail as a particular service only they can provide, and the question of what kind of protections will apply to customers using rank and hail is to be determined, but there will be some regime in place to ensure that they are charged a fair price and they understand as best as possible what that price will be.

The next slide concerns consumer protections. It goes to vehicle requirements. There will be a requirement for all booked services to meet the same basic safety requirements as we expect of all passenger vehicles on our roads, hardly surprisingly. Rank and hail vehicles — taxis — will be required to install cameras, as now is the case in taxis, and have an approved fare device, reflecting the fact that people get into a taxi and only then know what it is that they are likely to be paying.

Driver accreditation will be required, as again you would expect, and that includes police, medical and driving history checks and ongoing criminal data matching. There are expected to be additional requirements for taxidivers, such as having a valid ID card, again because of the rank and hail aspect of their work. The providers of commercial passenger vehicle services that are booked on phones or apps, including taxi networks, hire car businesses and rideshare booking companies, are those entities that will be made responsible for safety and service delivery, so there is, if you like, a point of accountability that is a convenient and in fact appropriate place to which to direct these responsibilities. The Taxi Services Commission requires network service providers to be accredited so that they can be accountable for those obligations. I think I have perhaps said enough about flexible fares, and I do not need to repeat that now.

An important consideration in these reforms was the level of access for people with disabilities, and wheelchair-accessible taxis are of course a critical mobility service for people with a disability. Use of taxis for this purpose is supported currently, which I think would be well known, through incentives and subsidies provided under the multipurpose taxi program. The government did announce a \$75 million fairness fund, and \$25 million of that will provide accessible transport to improve services to people with disabilities, including lifting the wheelchair lifting fee to \$20 per trip, obviously with the purpose of improving the incentive to provide a timely and sufficiently remunerated service to wheelchair passengers.

There will be a further comprehensive review, importantly, of accessible point-to-point transport. That will be directed to looking at improving the supply, the commercial viability and, one would hope, the timeliness and quality of wheelchair-accessible services. That would include seeing what scope there would be to extend the availability of the subsidy with appropriate regulation and training of drivers, as I said, to improve wheelchair-accessible services for the customers that rely very heavily upon them. There will be a dedicated commissioner for accessibility services sitting in the Taxi Services Commission. That review is yet to be conducted.

You have a term of reference concerning remuneration and workplace rights. This is slide 9. They are, as you would well understand, primarily commonwealth responsibilities under the referral of industrial relations, as has previously occurred. Nonetheless there is the possibility of some reinforcement of information, for example, to drivers that could be part of the regime that is legislated, as we move to implement this policy announcement.

To slide 10. We have given considerable thought, or the government has given considerable thought, and we have provided considerable advice on how to mitigate the impacts of this changing regulation on the taxi industry in particular and on the hire car industry in Melbourne and in regional Victoria, but there is clearly a reduction in regulatory burden coming from the removal of licensing, from the sensible removal of the driver knowledge test that comes about from having an increased and more competitive service and of course from regulating all taxi fares. And I think we have talked about the rest of that.

The important point is the last one there — that the government has recognised that removing licensing will have financial impacts on taxi and hire car licence holders, and the industry support package that I will talk about in a second provides fair and reasonable assistance to those affected, balancing a number of factors that we can discuss. What does that particular package entail or encompass? It allows taxi and hire car licence holders — on slide 11 here — that own perpetual and fixed-term licences, where the licence fee was paid

up-front, to receive assistance payments. Those assistance payments, in the case of metropolitan taxi licences, start at \$100 000 for the first and go to \$50 000 for a second licence. The annual fee-paying taxi licence holders will receive a rebate of those fees that they renewed over the transition period. I mention those figures, but I should have also said of course that those payments of \$100 000 and then \$50 000 are scaled down for regional and country taxi licences with fixed-term taxi licences and hire car licences. We can go through all of those numbers, but I suspect you may know them well.

As part of the \$75 million fairness fund, \$50 million in hardship fund money has been already set aside to provide additional targeted assistance for taxi and hire car licence holders who face significant financial hardship. That is an additional, what you would call, financial relief safety valve over and above the standard rates that have been set and that I just talked about. To pay for this and to ensure that there is a revenue stream, from 2018 all network service providers and taxi operators will be charged a \$2 levy on all commercial passenger vehicle trips to fund the support package. Our model indicates that this will generate in net terms approximately \$44 million per year.

That is essentially addressing every term of reference. We can now take questions. I hope that has been a valuable introduction.

The CHAIR — Mr de Rozario, is there anything you would like to add at this point?

Mr de ROZARIO — Not at this point. I think we can go to questions.

The CHAIR — Ms Rooney, anything else?

Ms ROONEY — No.

The CHAIR — No? Okay. Very good. All right, I might begin with the first question, which is: can you explain why it is that it is taking so long to get to this point? At this point, in terms of the regulation of ride sourcing, all of the detail that I and just about everybody else really have is this media release from the government. Why has it taken so long to get to the point where we have promised legislation but not introduced legislation?

Mr BOLT — This reform package, of all of those that we have had the benefit of scrutinising and government has had the benefit of scrutinising to come to a decision, is the most complex and complete reform that has been decided, certainly in Australia. That was a factor in coming to a landing and therefore in how long it took to do so. In other jurisdictions taxi licensing has generally been retained, and in most cases they will continue to regulate taxi fares. That means that a number of factors that needed to be worked through to set the scene for the policy announcement government made were not present elsewhere. So while it is clearly on the record that it took us longer than in other cases, it will also be a more complete reform. Then translating that into legislation again raises a number of complexities that are not faced by more partial reform programs in other jurisdictions, and we have got to work through those complexities so that we do not end up giving government advice on legislation that then has to be revisited because it was not complete enough and was not fit for purpose.

The CHAIR — There has been a lot of discussion around the \$2 levy that is going to be introduced. In the media release it is described as a levy equivalent to \$2 per trip. I am just wondering if you might be able to explain that. There has been a lot of confusion around that ‘equivalent to \$2 per trip’. Does that mean it is \$2 per trip? Does it mean that a longer trip is going to have a greater net number — a higher number — or a shorter trip a lower number? What is that levy going to look like?

Mr BOLT — Why it means ‘equivalent’ is something that I suspect either of my colleagues could shed more light on, but the fundamental point is most of the revenue, unless I am entirely mistaken, will actually be collected from the network service providers. How they then pass that on is actually the decision they take. They will not be obliged to make it a \$2 addition to any trip exactly. How they scale it according to distance of trip or any other factor is really a commercial matter. That is one of the reasons why the term ‘equivalent’ has been used, so that the notion that ‘I will definitely pay \$2 no matter what trip I take, short, long or middle’, is not actually what people should expect.

Mr FINN — So it could be more than \$2?

Mr BOLT — And it could be less than \$2. Two dollars a trip is what will be collected. If any one customer ends up potentially paying more than \$2, then another passenger will end up paying less than \$2, because we will only be collecting to the level of \$2 per trip.

The CHAIR — Mr de Rozario, would you like to add any further comment to that?

Mr de ROZARIO — I do not think there is any further comment. Mr Bolt has outlined that correctly. The intent is that the levy would be imposed upon the network service provider. How they choose to collect that revenue is entirely up to them.

The CHAIR — So, for example, Uber is going to receive a bill for the amount of trips that they provide.

Mr BOLT — Yes.

The CHAIR — And they are going to pass that new tax on to consumers in the way they see fit.

Mr BOLT — That is correct. In a deregulated fare regime we are not in a position to regulate only one component of the deregulated fare.

Mr FINN — Could I just ask: the service provider can in fact charge whatever that service provide wants under this system; is that right?

Mr BOLT — Well, that is not a product of the levy, Mr Finn.

The CHAIR — We will just pause for a moment until we get this back up.

Mr BOLT — That is what happens when difficult questions are asked.

The CHAIR — I think we are all set to get underway, but there has been a request from the gallery for us to speak a little louder so they might be able to hear what we are talking about. I think we were discussing the \$2 fee.

Mr BOLT — Yes, and the question about: can they charge anything?

The CHAIR — Yes.

Mr BOLT — So the question is: can the network service providers and the commercial passenger vehicle operators charge anything? Under the regime that is to be implemented, there will be, as I said earlier, low barriers to entry into the commercial passenger vehicle market to the extent that government has decided and concluded that fare regulation is not required — that there will be enough competition to keep fares under control and to prevent excess charging, so to speak, or rents, as economists would have it. As a consequence, that allows the possibility of fares to be, as I said earlier, structured to provide competitive advantage in the marketplace and meet the reasonable expectations of passengers. Part of that decision that every network service provider will take is how to allocate their fixed imposts, such as the \$2 levy, but also their back-office costs and just about anything. So for us to particularly regulate the way that is passed through is not seen to be necessary or possible without regulating the entire fare, which would defeat the point of these reforms.

Mr FINN — So it is conceivable that the service provider could get the bill from the government, pay the bill to the government and then charge \$3 or \$4 and keep the profit?

Mr BOLT — I think that is not conceivable because I think they would find themselves — —

Mr FINN — But they could do it. There is nothing to stop them doing it?

Mr BOLT — In a technical and legal sense they could; in an economic and real-world sense they could not. The reason they could not is that they would simply lose market share.

Mr FINN — What if they are all doing it?

Mr BOLT — Given the number of players in this market, that is simply inconceivable. There are just going to be too many players to organise that kind of market power, in our estimation.

Mr FINN — You could say the same thing about the oil industry.

Mr BOLT — The oil industry, Mr Finn, is structured in a very different way, with much higher barriers to entry than the commercial passenger vehicle industry.

The CHAIR — I just want to jump in on that point. Mr Finn, I will come back to you once we have been around the committee. You spoke earlier about some modelling that has been done in terms of the net amount of money that will be raised by this \$2, or whatever it might be, levy, and you spoke about \$44 million a year net. What is that gross number? How much is it going to cost to collect these funds to redistribute?

Mr BOLT — The current estimate of that is not in my mind. Can we help with that?

Ms ROONEY — We would have to take that one on notice.

Mr BOLT — Yes, we would have to take that on notice. Can I say the large proportion of the amount we expect to collect would be net. That is in our modelling as I recall it, but I just do not have the number at the tip of my fingers.

The CHAIR — Is there a ballpark figure? Is it going to get to \$10 million, \$20 million? Just some indication.

Mr BOLT — I think if we were to guess, then we would mislead you, potentially, so if we can take that on notice, we will provide the information that is available.

The CHAIR — I note that you spoke earlier about a deregulated industry where there is a level playing field, and I am just wondering how is there going to be a level playing field when there are going to be additional requirements on rank and hail-type operations. They are going to need to install cameras, have approved fare devices and the like. How is it creating a level playing field if you are placing an additional impost on taxis over the other ride-sourcing-type services?

Mr BOLT — First of all, just a clarification on deregulation: it is deregulating in important areas, fares and vehicle requirements. It is not deregulating in the very important question of the fitness of drivers. It is deregulating in the knowledge test because competition ought to account for that and because there are applications now which navigate effectively. On your specific question of the level playing field, the rank and hail service is a privilege that taxis will retain, and the quid pro quo in regulatory terms for that additional privilege is an additional, existing obligation, so the requirement for cameras and fare devices is now the lot of taxidivers. So they get an additional requirement for an additional privilege.

Mr de ROZARIO — And if I can add to that, those two requirements are based around very sound safety principles. So cameras are to provide an element of safety for both driver and passenger, and likewise an approved fare device is providing an important consumer protection where the initiation of that transaction is initially anonymous.

The CHAIR — The taxi and hire car licences, are they still presently for sale?

Mr BOLT — Can they be bought at the moment?

The CHAIR — Yes.

Mr de ROZARIO — At law they are both presently for sale.

The CHAIR — They can be. Is the government selling any of them?

Mr de ROZARIO — I do not have that off the top of my head.

The CHAIR — You will take that on notice?

Mr de ROZARIO — I will take that on notice, but that is highly unlikely.

The CHAIR — You can see the obvious concern. If the government were to be selling licences that in effect are going to become redundant and be worth a significantly smaller proportion of the relative value of purchase, that would be a significant concern.

Mr de ROZARIO — It is certainly the case that nobody would be sold a licence without being very well informed of what is happening with the government's proposed agenda.

Mr BOLT — It would seem an unusual step for anyone to take.

Interjections from gallery.

The CHAIR — Excuse me. I ask the gallery not to interrupt the proceedings of the committee.

Now, I did want to move on to an important matter, that being the multipurpose taxi program. This is something that the committee has heard a lot of evidence about and something that I am certainly very interested to hear as to whether or not that program is going to be able to be rolled out across ride-sourcing operations such as Uber, Lift and the like or whether that is going to remain the purview of the taxi-type car.

Mr BOLT — So the option of making it available through all commercial passenger vehicle categories, that is what this further inquiry or further investigation that I mentioned earlier will be looking at. So there would be clearly some great benefits if there could be the widest possible availability of that service. We just need to work through what that would entail. So your question is one we will answer, but we have not answered it yet.

The CHAIR — Any idea when we will have an answer to that question?

Ms ROONEY — The review will take place over the next 6 to 12 months.

The CHAIR — So that will come in with the second tranche of legislation?

Ms ROONEY — Yes.

The CHAIR — I am also interested in the methodology by which it has been decided there are going to be two tranches of legislation, the first to look at — effectively — deregulation and the second to look at the compensation. Why is it that that approach has been taken, rather than having a complete package that would provide what the government is intending to do?

Mr BOLT — The thinking has been to act quickly to bring rideshare into the fold, if you like, in a regulatory sense, and then to deal later with the more complex questions that I talked about earlier, simply because we want to get the right answer and that will take a little more time.

Mr ELASMAR — Thank you and welcome. Talking about the safety issue, in here it says the rideshare vehicles will need to obtain a hire car licence. Can you explain to me if the ridesharing drivers have to go through a process for criminal checks and safety checks like the taxidrivers do.

Mr BOLT — They will have to. They will have to go through the same check as a taxi or hire car driver, and as I referred to earlier, that will include ongoing checks of criminal activity.

The CHAIR — Ms Dunn, welcome.

Ms DUNN — Thank you, Chair. I usually say thank you for your submission, but I was not here to hear it, so my apologies if I am covering things that have already been covered. I wanted to go to the matter of compensation first. I am just wondering was the department at any stage able to access the Taxi Services Commission's dataset on taxi licence ownership, how long each licence had been held and how much was paid for each of those licences?

Mr BOLT — The answer is yes. We worked with the Taxi Services Commission in providing the advice that we gave. They are within the portfolio, and we share information.

Ms DUNN — So in terms of looking at those datasets how did you arrive at the level of compensation that has been indicated for the different taxi licence types? I am just wondering: did you consider assessing the need

for compensation on each individual licence on the basis of how long it was held for, how much was paid for it and how much revenue has been gained from that licence over the time span of ownership as well?

Mr BOLT — The \$100 000, \$50 000 and other scaled versions of that figure were done to provide a reasonable balance of expected impacts on taxi licence holders and hire car licence holders. On the other hand the impost that that would provide to passengers through the levy was a constraint on how much government felt it should provide. There was also a consideration of the fact that the reduction in licence value is as a result of new services and increased competition that government itself did not bring into play, and the decision that was made by government was balancing all of those factors to come up with a reasonable and balanced compromise between them all.

On top of that, the hardship fund was the particular mechanism that was put in place to deal with individual circumstances where providing a generic amount might still result in there being considerable hardship in the case of particular licence-holders. So it is the interaction between the flat compensation amounts and the hardship fund in which government sought to address individual circumstances without the complexity of attempting a licence-holder by licence-holder assessment.

Ms DUNN — In terms of that hardship fund are there any guidelines as yet in terms of how that fund would be applied?

Mr BOLT — Not yet, no. That is still in the making. We have the previous hardship fund that came from the Fels reforms to draw upon the experience of. This is clearly a more significant reform in its impact on the taxi industry and the hire car industry, and learning the lessons of the experience of the previous hardship fund and adapting it to this one is what we are in the process of doing, but we have not finished that yet.

Ms DUNN — Fair enough. Will there be a cap on the compensation that can be received by a person or individual if they own many licences, or it is uncapped?

Mr BOLT — When it comes to the flat amount, then the compensation is limited to two licences. Any further licences, with the exception of any entitlement for hardship payments, would not attract any more money.

Ms DUNN — So if you are a corporation or even a person who owns 20 licences, you are saying you would get paid for licence 1 and 2 at those different scales and that is it?

Mr BOLT — Yes.

Ms DUNN — Assuming there is no hardship.

Mr BOLT — Assuming there is no hardship and on the recognition that a large proportion of licence-holders own only one or at most two. So we had regard to the Taxi Services Commission's advice on what levels of ownership there are out in the industry.

Ms DUNN — One last one, because I know, Chair, you might want to move to other committee members: I am wondering in terms of when you looked at sources to fund the compensation arrangements, did the department consider any other alternative sources rather than the \$2 levy — for example, consolidated revenue — did you consider other options in terms of where that revenue would come from?

Mr BOLT — We gave advice on a range of options to government. Those options I have to plead, with respect, are confidential to cabinet's deliberations. I can just leave it at that — that there were a number of options put forward for how this could be paid for.

Mr FINN — I am also a bit concerned about the compensation or lack of it. I have been approached by a constituent who has paid \$8 million for his taxi licences and is in a state of panic, to say the very least, because he is going to get \$150 000 back. How much of the hardship fund would he be entitled to under those circumstances? Is that what the hardship fund is for — people who have been hit hard financially by these changes?

Mr BOLT — The hardship fund is to deal with cases of hardship arising from the removal of the licensing requirement. That case, like all cases, would be considered against the criteria that, as I explained earlier, have

yet to be developed. But clearly if somebody is in substantial financial distress arising from that decision, we would expect that they will be applying to the fund. What outcome they would receive from the fund it is premature to speculate on because as yet we do not have the rules in place.

Mr FINN — When do you anticipate the rules will be in place?

Ms ROONEY — The fund will be open for applications in November.

Mr FINN — How will people apply to that fund?

Ms ROONEY — There will be information on the department's website and on the Taxi Services Commission website about how to apply at that point in time.

Mr FINN — Will that be open to anybody who owns a licence, or will it apply to owner-operators or to drivers, even?

Ms ROONEY — As Richard said, the rules around applications are still being deliberated on, so I cannot answer that question at this time.

Mr FINN — Do you not think it is a bit rough to put the rules out for licences and so forth without actually telling people what the compensation provisions are?

Mr BOLT — Sorry, I — —

Mr FINN — I was just asking do you think it is a bit rough to put this whole shebang out there, telling people what is happening, without having the rules in place for the hardship fund to tell people exactly where they stand? At the moment there are a number of people in the taxi industry who believe, rightly or wrongly, they are facing financial ruin. They will lose their homes. They will lose everything. This is what they have told me. This is what they are concerned about.

Interjections from gallery.

The CHAIR — Sorry, Mr Finn. I must ask people in the gallery to remain quiet. If you continue to interject, I am going to need to clear the gallery. None of you will be present, and the hearing will continue without you. There is the choice: you can remain silent and we can continue, or I will clear the gallery. That is the choice that you have.

Mr FINN — I am just asking, given that you have put in play, or the government has put in play, the rules that are coming, would it not have been a fair thing to have put in play at the same time the hardship provisions that you speak of and the rules that apply to those hardship provisions?

Mr BOLT — I think I can only answer it by saying that government will want to address hardship as quickly as it reasonably can. In the end that can only be done by a case-by-case examination of the individual circumstances of the applicants. We are where we are, Mr Finn. The government is keen to move as quickly as the time line that Ms Rooney has announced to alleviate the concerns of the individual licence-holders in the industry who, as you say, face hardship as a result of this reform. I cannot answer it better than that.

Mr FINN — I certainly hope that the government gets a wriggle on, because there are a lot of people who are very, very worried and very, very concerned for their future. I just have one other question. One of the issues around the taxi industry for a very long time has been getting into a cab and having to direct the driver. How is the removal of the driver knowledge test going to improve service to the customer?

Mr BOLT — I might ask either Aaron or Catherine to answer that. I believe it relates very much to the fact that navigation assistance is now a very different thing to what it was even a few years ago. With a broad, competitive industry and plenty of navigation aids that are now in common usage, it becomes less necessary to dictate that a certain level of knowledge is held by a driver. I understood that that was the reasoning behind the knowledge test, and Aaron may either contradict or confirm.

Mr de ROZARIO — No, that is broadly correct. It is certainly the case that since the knowledge was first introduced, it has been one of the areas that the taxi industry has been very critical of because of its barrier to

entry for recruiting and retaining drivers. It was felt that the knowledge in itself was not achieving the policy aims it was intending to achieve, in that a person may well pass the test; however, the measure of a taxidriver or any service provider is not how well they do at the test but how well they perform their function on a day-to-day basis. We are seeing across-the-board improvements in technology that allow passengers to provide more immediate feedback on the quality of drivers. If you look at the reform process where we start shifting responsibility for service delivery through to the NSP, they are going to be in a better position to monitor their drivers than a knowledge test up-front is going to be able to contribute to driver quality. In essence the knowledge has been removed. It removes a barrier to entry for the taxi industry to recruit drivers. The overall framework will shift responsibility for service delivery far more directly to the NSP. The knowledge was not achieving the original intent of the policy.

Mr FINN — I am just thinking of the impact on the tourism industry in particular. In my circumstance, when I am in a foreign or overseas city, I will jump into a cab and I will say, ‘Where do you suggest I go?’. If somebody does that in Melbourne, without the knowledge test, they will be looked at and the driver will say, ‘Where would you like me to go?’. It seems to me that that is not going to help Melbourne’s reputation, it is not going to help the taxi industry’s reputation and it is certainly not going to help the foreign visitor who wants to see what Melbourne has to offer.

Mr de ROZARIO — There are a range of opportunities for industry to provide services, to provide training to their drivers and to engage with tourism providers and to engage with the airports so that their services are the ones that tourists go to.

Mr FINN — If they are in a queue, as is the case at the moment at the airport, how will the tourists know which ones to go to? If you have got some drivers that are up to speed on what is good for tourists and others that have not got a clue, is it going to be a hit-and-miss situation? What are we talking about here?

Mr de ROZARIO — I think there is a great deal of opportunity for the way transport is provided at all sorts of venues to adjust and adapt as more players come into the market and as more services become available. Just because we observe a particular way of operating today, it does not necessarily mean we would see that same way of operation in the future. I think that there is a number of people out there in the industry who are looking to leverage these opportunities to provide better services at places like airports or ports et cetera, to target their services, to have more knowledgeable drivers and to have better quality services for tourists.

Mr FINN — I understand. The future is the future. I left my crystal ball at home, so I cannot tell you what it is going to be like. But as things stand today, it really will be a hit-and-miss situation with regard to knowledge that drivers have when dealing with tourists. Would that be a fair thing?

Mr de ROZARIO — I would say that that is not significantly different now to what it was 6 months ago, 12 months ago or 24 months ago.

Mr FINN — But it is certainly not going to improve. It is not going to improve the taxi service for those foreign visitors.

Mr de ROZARIO — Your original question was, ‘Is removing the knowledge going to have an impact on that?’. My answer to that question is that the removal of the knowledge will not impact on the experience of the tourists.

Mr FINN — Fascinating.

Mr LEANE — We have had a few submissions to this committee from economic think tanks, Uber and others that have suggested there should be zero compensation for taxi licences. Obviously the government disagrees. I do not think it is a new thing that people get compensated because there has been a change of government policy which has caused them adverse effect. I am pretty sure there have been instances before. I am going to get you to comment on that. I think even the shadow Minister for Public Transport, Mr Hodgett, in his comments around setting up the compensation fund, was quoted in one of the papers as saying that Daniel Andrews is basically setting up a slush fund to buy votes off companies that hold taxi plates. In your experience, is what I am saying right, that it is not something new to compensate people because a government has enacted a change of policy?

Mr BOLT — There are precedents for doing so. The buyout of fishery licences in Port Phillip Bay and in Western Port recently is one case in point. There were even payments made to the coal-fired generators under the carbon pricing regime the federal government enacted to compensate, at least to an extent, for the loss of expected earnings. So the answer to your question is, yes, there are precedents. I would say that would be a typical response that economists would make to situations where a change in the business environment causes losses. Legally there is no obligation to compensate. The question the government has come to is that there is clearly going to be a loss that has been accentuated by a decision of government, and so the combination of these flat payment amounts and the hardship fund is an appropriate way for government to recognise that and to share some of the burden with those affected. That is not unusual in government decision-making, despite the advice that comes to us from economists.

Mr LEANE — I have got to say — and you do not have to comment on this, but I will get to another question — that I was astounded that Uber would want to come in front of this committee and say there should not be compensation for taxi licence holders. When I asked them why, their answer was that they were concerned about taxpayers money. I wonder how much tax they paid — and I asked them that, but they said they do pay their tax. With the hardship fund, I understand that there is \$25 million set aside to support trips for people with disability. How do you see that money being spent to actually make that available, to encourage that? I do not want to pick completely on Uber, but they could not nominate one vehicle that they had that is disability compliant, so how do you see that that \$25 million will go towards making sure there is a service for people with disability?

Mr BOLT — Currently Uber drivers would not have access to the subsidy that is available for wheelchair-accessible taxis, so the fact that there is none I do not find surprising, because they do not have access to the same subsidy. Therefore it would be hard to imagine that a person with a disability who needs a wheelchair is going to opt for an Uber service that would necessarily be a lot more expensive, all else being equal, than a taxi service that has that subsidy. How exactly that money is to be spent — I mentioned the increase in the lifting fee. Is there more we can add?

Ms ROONEY — The increase in the lifting fee is locked in for a minimum of two years. But as Richard mentioned earlier, there will be a review by the department of accessible point-to-point transport and what the options are for subsidising that in an effective way. If that review gives rise to more effective ways of spending that money, that will be considered at that time.

Mr LEANE — Just one last question: it has been suggested to this committee that collecting the \$2 levy that goes towards the compensation and the hardship fund will be problematic; it will be difficult and complex to do. Have you got anything to say on that evidence that we have been given?

Mr BOLT — Well, again, Ms Rooney has more that she could potentially observe about that. Like the collection of any government impost, some sources of that revenue that we would be looking to tap will be harder to obtain than others. I would have thought that the amount to be collected from network service providers will generally be the easiest to collect. We do have to work through those complexities — for example, for rank and hail rides — and that is the challenge in front of us. I do not think we have intrinsic problems in collecting revenue, but there are certainly some administrative challenges to face.

Mr LEANE — If I could just follow up on your answer, given your answer, will the amounts of compensation in the hardship fund change due to any difficulties in collecting that levy?

Mr BOLT — No. Government has stated its commitment to spend those moneys, and those moneys are not contingent in the decision on how much is gained from the levy.

The CHAIR — If there are more questions from the committee, we might move into those. There was one particular question I wanted to ask, and that revolves around disability access. Through this process I am wondering: how can the government ensure that disability access to taxis, or whatever it is, is not reduced? My concern is: if you are going to deregulate an industry, how do you ensure that a specific group of people are going to be looked after at a given point in time through the transition? The transition is going to happen, but we do not want to see people with disability left behind. How is the government going to ensure that does not occur?

Mr BOLT — Government's objective is certainly not only that they are not left behind but also that they come out to an extent with more options, more choices, and the increase in the lifting fee is an initial measure to achieve that. The rest of that objective still comes down to the answer I gave earlier. We are doing work on what will be required to make that service at least as good as what it has been. I cannot give you more specifics than that, but that is the inquiry route we are heading down now. I do not know if you can add to that.

Ms ROONEY — The one thing I would add is to say that in removing licensing for all vehicles, including wheelchair-accessible taxis, we are actually removing a significant barrier to entry for those vehicles into the market, so that change should have a significant improvement around supply of services for that section of the community.

Mr BOLT — Aaron, did you have anything to add to that?

Mr de ROZARIO — No. As my colleagues have said, the first step there is ensuring that there are appropriate incentives and increasing the wheelchair lifting fee, and that took effect on 1 October as the first step in doing that.

The CHAIR — Just back to the \$2 fee, obviously the operators are going to be collecting this fee and then passing it on to government. Is this not just putting a further impost on business that does not need to be there, by a government which are refusing to do the work themselves?

Mr BOLT — I would say it is asking the travelling public, which will gain, we would imagine, a great deal of benefit from these reforms by having more choices, by having a more competitive industry where there are opportunities, as Aaron was talking about earlier, to get more specialised services meeting particular parts of the market — at the same time as getting all of those benefits — to pay a modest amount towards the members of the taxi industry and the hire car industry who will be disadvantaged or at least who will find that the value of their licences is reduced to zero by these changes. So it is really asking the beneficiaries to pay those who will lose from the removal of licences.

The CHAIR — I just wanted to go back to the deregulation of the industry and the pricing of the industry. It might be safe to assume that — just for round numbers — a particular company may choose to charge \$1 per kilometre travelled, another might charge \$2 and another might charge \$3 per kilometre travelled. Now, how is it that the consumer is going to be able to know at 2.30 in the morning, when they are hailing down a cab, whether or not they are going to be charged \$1 a kilometre, or \$2 or \$3 a kilometre, based upon the particular cab that happens to be going down the street that they happen to be on?

Mr BOLT — I guess the first point to make is that the person who is out late at night — and I have young people in my family who have direct experience of this — may well turn to their smart phone and book a service where they get a known price or a capped price. It is that particular service that anyone who is looking to provide rank and hail will be competing with, and if they consistently price higher than that, then that service will be much harder for them to win or that custom will be much harder for them to win in future.

As for what else can be done to give anyone who enters a taxi providing rank and hail in the middle of the night, or any other time — as for what can provide those passengers with some indication — some reasonable certainty as to what they will be paying is the question we will be looking to answer in the near future. I do not think we can really add to that at this stage.

The CHAIR — I suppose the challenge that is posed by that question is the obvious disadvantage that taxis are going to be at insofar as you are saying people are going to be on their smart phone to look at a service, whereas up until this point people knew there was going to be a standard fare across the board. Now there may well be taxis that are charging \$1 a kilometre, but they are going to be placed at a competitive disadvantage by those who are charging \$3, and therefore people are less likely to be using that service as a result.

Mr BOLT — Well, if the night-time rate, so the 2.30 in the morning rate, for a trip from a particular location that you can get on a rideshare booking is \$3 a kilometre — I do not know how realistic that is, but we will use that number — then a taxi is also able to provide a booked service, a smart phone booked service, and if that is the going market rate, I do not see why a taxi could not take part and take advantage, if you like, of customers' willingness to pay that amount at that time. In other words, I do not think they are at a disadvantage. They have

another option. They can either respond to a booking and charge what the going rate for bookings is, or they can provide a rank and hail; they have another degree of service available to them that a rideshare car does not.

Ms DUNN — I want to go to the two tranches of legislation proposed around this issue. It is my understanding that the second tranche of legislation covers off on things like compensation, accessibility and other matters, while the first tranche is more about, I guess, removing barriers to entry and those sorts of things. What I am wondering is: has the department done any assessment of the risk of having that legislation introduced in two tranches rather than in one package?

Mr BOLT — Again, that is the kind of advice and discussion we have with ministers that I will not share here. It is a matter of ministerial decision as to how to legislate. The question of dealing with the Victorian Parliament is something that ministers are necessarily more expert in than the departments, and so, really, I can only say that whatever advice we give is confidential to our dealings with the minister.

Ms DUNN — So is it your view that there is a risk in relation to the compensation arrangements should that second tranche of legislation not be introduced?

Mr BOLT — I would say only that the minister's mind is very clearly to introduce and gain passage of the entire reform package and that she will adopt whatever parliamentary approach is necessary to achieve that. That is my understanding of her intentions, and how she achieves that, as I say, is really a matter for her judgement.

Ms DUNN — So the department does not see a risk to those compensation arrangements being introduced at a later stage.

Mr BOLT — As I say, what risks we see in that regard are matters that we would advise the minister on, but I am certainly not in any position to speculate on how the Parliament will view any particular combination of legislative measures. I cannot predict how you will vote, and so I will not.

Ms DUNN — My concern is more: will we have the opportunity to vote? Will it actually be introduced? That is more where I am headed. Not even I would predict the outcome of what will happen in the chamber.

Mr BOLT — And I would give you a lot more credit for that judgement than myself.

Ms DUNN — Just moving back to the \$2 levy, has the department thought about how that might apply in relation to carpooling arrangements, where you might see multiple riders picked up by one driver and then dropped off at multiple destinations on that journey?

Mr BOLT — We have given thought to the fact that that circumstance has to be dealt with, and we are still designing and therefore do not have any answer I can disclose here as to how to do that.

Ms DUNN — A bit of a work in progress?

Mr BOLT — It is a work in progress.

Ms DUNN — The last thing I wanted to touch on — I know Mr Leane touched on this briefly — was around the issue of tax and GST. If I catch a taxi, I get a receipt that clearly indicates the GST component. I have not caught an Uber; I have said that out in the burbs they do not exist, so it is not an option. However, I am led to believe that if you do get a receipt from Uber, there is no component of GST indicated on that, and Uber leaves it to their drivers to determine that liability. What I am wondering is that, in terms of that issue, has the department got any plans for working with federal authorities, such as the Australian Tax Office, to address this discrepancy in tax treatment of what is essentially an equivalent service?

Mr BOLT — I would expect that if the tax office were looking for cooperation or at least advice on revenue collection, they would probably approach in the first instance, to be technical, the Department of Treasury and Finance. But the basic point is that if they seek cooperation and advice on how to ensure that the rideshare industry meets its tax obligations, then we would cooperate.

Mr FINN — Maybe just one last one, and I assume that Mr Bolt is very pleased with that.

Mr BOLT — Mr Finn, I was just being friendly.

Mr FINN — To go back to the issues surrounding people with disability and their ability to access a vehicle, with the illegal admission of Uber, there will undoubtedly be some taxis that will go off the road — there will be some that will go out of business, if you like. Given that the number of taxis on the road will not be there in the same number as before, what advice would you give people with disability who cannot access a taxi and, as I understand it, have difficulty with Uber because Uber does not actually cater — as I understand it, but I could be wrong — for people with disability, people in wheelchairs?

Mr BOLT — So I would go back to saying that the government's intention is to ensure that at the very least those people who need wheelchair-accessible mobility services, if I can put it that way, end up at least as well off and preferably better off than they are now with the reliability and the quality of their services. So the premise of your question — that there would be less available for people with a disability — is not an outcome that government is, if you like, managing to. So it will be more a question of making any adjustments through the investigation that I mentioned earlier that we will be going through to improve the circumstances and the services available to people with disability who need wheelchairs, rather than explaining to them why things have gotten worse. So we are looking very carefully at this. It is very important to government.

Mr FINN — It is. Absolutely. It is very important for everybody.

Mr BOLT — It is very important to all of us individually. I have been in the circumstance, as have many others, of having a relative with a disability waiting — in another jurisdiction, might I say, not here in Victoria — a long time for a service to and from a function to know precisely why it matters to get this right.

Mr FINN — How far away are you from getting it right?

Mr BOLT — I do not have any sense that there is a significant risk in this. I think that the sorts of ingredients that will make a difference are to ensure that any training requirements are over and above the standard that we mentioned earlier of accreditation of drivers and to ensure any accessibility or any additional requirements in the vehicles themselves, and how that might need to be verified, and any additional access to the multipurpose taxi program that needs to be implemented. All of those ingredients ought to be such as to allow wheelchair-accessible services to become something that the industry competes to provide, and that would be the best outcome — that in fact we end up having customers who are attractive enough to serve well.

Mr FINN — Are you suggesting that Uber may well have to get into serving people with disability as well?

Mr BOLT — It is more the case of drivers of a variety of services, bearing in mind that Uber is in the end only one rideshare service; there are others waiting in the wings. Rideshare taxi services, or at least providers of those services, not necessarily all of them, will find it increasingly desirable to serve this particular segment, if I can put it that way, of the market — I know they are people and they are people with needs, but at that level they are a segment of the market — to serve them well and to ensure, as I said, that they have more choice and better options under an expanded and more competitive commercial passenger vehicle industry.

Mr FINN — Just one last one, Chair: I was not going to ask, but Mr Bolt has put this thought into my mind. How many providers are there on the sidelines waiting to enter? A rough estimate.

Mr BOLT — I am not well equipped to tell you. I know the relevant names and I know some of them are here, but my colleagues may be better able to speculate.

Mr de ROZARIO — There are a number who will talk about entering markets and not entering markets across Australia, but we cannot make any prediction as to who will or will not.

Mr BOLT — Yes. If we attempt to nail our colours to the mast, Mr Finn, we will get it wrong.

Mr FINN — So when you say that this will be fixed because there are a number of people who are waiting in the wings, it is very difficult to actually accept that answer if you do not tell us how many are waiting in the wings.

Mr BOLT — But the fundamental premise is to ensure that we go into this with our eyes open and the right settings to provide the outcomes I have mentioned earlier of no-one going backwards and the

wheelchair-accessible taxi services being at least as good and preferably significantly better than what are now available. Now, that is what we are now looking to do.

Mr FINN — So that is a work in progress as well?

Mr BOLT — That is right.

Mr FINN — As is the hardship provision?

Mr BOLT — As is the hardship provision.

The CHAIR — I just have one final question, if I could. I am assuming we will have looked at other jurisdictions in Australia and the way they have gone about their approach to ride-sourcing services. For example, in New South Wales, how is their work going there compared to what we have done here?

Mr BOLT — Well, I am not in a good position to comment on that. We do monitor how they are proceeding, and I would be reluctant to speak for them, because I am sure that we are not well enough informed to do anything more than create a vague and possibly misleading impression. So if I can decline to answer that, I would prefer to.

The CHAIR — Indeed. At this point, I will thank you very much for your contribution this evening. You will receive a copy for proofreading of the transcript of the evidence that you have provided, and it will ultimately be made available on the committee's website.

Committee adjourned.