

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Subcommittee

Inquiry into ride sourcing services

Melbourne — 7 September 2016

Members

Mr Joshua Morris — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Nazih Elasmr

Mr Bernie Finn

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Participating member

Ms Samantha Dunn

Staff

Secretary: Ms Lilian Topic

Witnesses

Mr David Samuel, CEO, and

Ms Georgia Nicholls, senior adviser, government relations and communications, Victorian Taxi Association.

The CHAIR — I declare reopen the Standing Committee on the Economy and Infrastructure public hearing and welcome your good selves and everybody else who is present here this morning. I will explain that today we are 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, and therefore you are protected for what you say here today, but if you go outside and repeat those same things, those comments may not be protected by this privilege. Welcome to your good selves. I might ask you to introduce yourselves, state your roles within the organisation and then move into any introductory comments. We will then have some questions from the committee to follow, so over to you.

Mr SAMUEL — I will start. I am David Samuel, the CEO of the Victorian Taxi Association, which you have just been discussing. My role is to run the organisation. I have been in the organisation in that role for about two and a bit years now. Previous to that I did a similar role to what Georgia does now, which is government relations and communications work.

Ms NICHOLLS — My name is Georgia Nicholls. As David said, I am in government relations and communications with the Victorian Taxi Association. I have been there three and half years now, which has been a pretty action-packed period.

The CHAIR — Fabulous. Have you got some introductory comments?

Mr SAMUEL — In terms of an opening statement, I will not say too much. I distributed, as part of our submission, a proposition we basically put to the current government, who are considering this issue. I thought it sensible, just to be consistent, to provide that without too much more commentary. I think it is fairly self-explanatory. We have been quite clear that we recognise that the world is changing around us and around our businesses quite rapidly. Regulation is always slow to move in those spaces. We understand that. But we put forward this proposal that basically looks at two key pillars, if you like. One is allowing the industry to transition into that new space where we see a market now which has far more competitive pressures than there were in the past. Secondly, it is important to ensure fairness for people who operated in the previous regulatory structure and make sure they are looked after as a part of that transition process. As I said, it is all pretty much covered off in there. We have since obviously had a government announcement. There are elements which are similar in the government announcement and other bits which are not as similar. But we are basically happy to take any questions the committee has.

The CHAIR — Very good. I might begin with a question then on that regulatory framework that has been announced by the government. We heard from the previous witness that he certainly felt that the consultation was not a true and proper reflection of what came out in the media release that effectively stated what the government intended to do with regard to deregulation of the industry. I am interested to find out the VTA's view on consultation that may have occurred and whether or not that consultation was actually taken on board by the government.

Mr SAMUEL — I would suggest that from my time in doing this type of work it was a fairly standard consultation process. The organisation that gentleman claims to represent was at every meeting I was at with the minister and other stakeholders through that process. I do not think there was anything that came out of the decision that was particularly surprising. There are issues that we would certainly like to see addressed coming out of it, but I do not think there was anything disingenuous about the process. I think the process was pretty standard. There was a fairly significant level of consultation through that.

I think in modern government people tend to make their decisions in departments and in political circles a little more independently of external stakeholders than perhaps occurred in the past. That is nothing surprising to us. But I would not fault the consultation process. The minister, I think, has been fairly open to all stakeholders in terms of discussing the issues at hand, as the previous minister in the previous government was. It is about, at the end of the day, that they have to come out with a decision. They have come out with a decision, and it is about looking at that and seeing the bits you like and you do not like. But I would not suggest that it was the consultation process that really affected that in any way.

The CHAIR — From my view, a consultation process should be one where stakeholders are engaged and heard from, and then their views are taken into account when the response from government is provided to provide a solution to an issue. Did that occur, or was it just a matter of you being listened to, and then the government going and doing what they wanted to anyway?

Mr SAMUEL — No, I think a lot of what the government have done, particularly in a framework sense, is listen to industry about the challenge it faces and the changes we face, and you can see that from what we proposed and in terms of what they have put forward. There are issues around the fairness fund and these types of things, but as a framework sense, I think it was the most concise argument that was put to government, and they accepted large parts of it — in the sense of a framework. In terms of them making a decision, I suppose ultimately they have to, and we will continue to talk with them and say what we do and do not like and try and get changes where we want changes, obviously.

But at the end of the day, the minister ran her ministerial forum, they took any number of submissions on what people thought should be done and there were varying views in that space definitely, but there was a lot of material provided. As far as I am aware, there was a lot of material provided. In those meetings, as I say, those consultations were very rarely run in isolation. It was usually done where you would have several stakeholders who had an interest. Uber were involved in that, disability groups were involved in that, we were and the group the gentleman represents were involved in those discussions, so it was a fairly standard consultation process.

It is always confronting, I think, when you get to the end of it and then government make an announcement, because you are not always going to like all of it, and you think, 'Hang on, how do I now get involved in that?'. So people feel a bit, I think, shocked when that final decision comes down. But as I say, I do not think it was really the consultation process as such.

The CHAIR — Talking about that announcement that may have been a shock to some, part of that was a \$2 levy on every trip, whether that be Uber, whether that be taxi, whether that be a hire car. That was announced as a part of the government's response. What is the VTA's view on that \$2 levy per trip?

Mr SAMUEL — We have made it quite clear that we do not support it in any way, shape or form. We have been told for the last 10 years that we could not have fare increases, because the impact on demand would be too great and consumers could not afford it. We had to accept those decisions. This represents the biggest single fare increase in Victoria in a long time. On a country taxi fare this is almost a 20 per cent fare increase. So we are concerned about that. We understand the government's need to compensate and to recover money in order to do that; we just think there are better ways to do it, which are contained in our proposal. We are not convinced by the arguments that the levy is the right way to go.

In terms of the structure of that levy and how they propose to implement it, New South Wales did a similar thing in December last year in terms of paying their compensation packages. We are nine months into that process, and still no-one knows how they are going to do it. You cannot simply turn around to a company at the end of the year and say, 'Give us \$50 million'. Despite what the previous witness said, these companies do not have that sort of money sitting in the bank. There is one company that does, but most of them do not, and their ability to pay that will be very difficult. They will then have to recover that money, so they will have to go out to the people that actually do the trip and recover that money. These companies have no involvement in the actual transaction, so they do not actually see that money. It is between the driver and the passenger, and then the driver and the operator, so it never goes up to that level. Their ability to recover it, outside of electronic payments, is next to zero.

In South Australia they determined they were going to do it at the transaction level. Once again, I have got no idea how you do that. I mean, 60 per cent of the payments are still cash. Are you going to have a tin can in the cab where you drop a dollar in? To me it is unworkable. It is unjust. The consumer should not pay for this. Government have a responsibility. They took millions and millions of dollars out of this industry for a long time. It is not the consumers' responsibility to repay that. We are happy to say the government needs to find a way to pay for it, but it should be done via entry into the industry, not via the consumer. That is our firm view, and we have made that pretty clear.

The CHAIR — In Queensland I believe the Queensland Labor government looked at collecting \$1 from taxi and Uber riders and the like; however, they found that the cost of collecting that \$1 would actually be more than \$1 and therefore they would effectively be losing money.

Mr SAMUEL — It would be enormous. The cost of doing this will make these companies debt collection agencies, not taxi dispatch companies. It is a very expensive process to manage. You have got to consider that you have got 5500 cabs in Victoria. At the moment sort of 50-50 are split across the networks in terms of numbers — probably more on one side than the other, but close to. That is 2500, roughly, that you have got to

go and get money out of. Now, most of those licences are held by single people, so just one car on the road. They are not fleets. You cannot do it; you have got to chase all that money. It is a big impost on those companies. And that is in Melbourne. Outside of Melbourne these are small co-ops; they are not companies. They are not-for-profit organisations. They simply do not have that money in the bank to pay it or the resources to collect it. It is just unworkable, in our view, and an unnecessary impost to avoid trying to hold certain companies accountable who just do not want to pay anything at all.

The CHAIR — Very good. With the \$2 levy as it has been announced, however, I have heard discussed that in fact it may not be technically seen as a levy, but rather a sales tax, and as we would be well aware, the state government does not have the legal capacity to collect a sales tax; that is in the remit of the commonwealth government. Does the VTA have a view on whether or not this is in fact a levy or whether it is a sales tax and whether or not the government can even legally collect this \$2 levy or tax?

Mr SAMUEL — We do not claim to be lawyers, but we are certainly seeking that advice. I think the New South Wales association similar to ours did that work and found that it was not a sales tax. It seemed to hinge on the fact that a tax is something that is seen to be permanent, whereas a levy is something which is temporary, and as a result you define the levy as a levy, not as a tax. But there seem to be a lot of grey areas in that discussion. I have not received the formal legal advice yet in that space, but I will wait until I do before I give too much comment on that topic.

The CHAIR — Just to move on to the buybacks of the licences now, obviously the regime has been set out by the government. In effect, if you own more than two licences, those subsequent licences are effectively worthless, in terms of the buyback. What is the VTA's view on that?

Mr SAMUEL — I think our view is stated by our position in our paper, which is that we believe that every licence should be bought back. The big difference here between every other jurisdiction, and one of the things we are very supportive of in terms of the government's approach, is that it is bold. But in being bold and removing that licence, that perpetually held thing, you are creating a new world, and you have to accept that people had to build businesses over a number of years, and in order to do so they had to buy these things. There is a big focus on the Melbourne market, which is understandable, because a vast majority of licences exist here. Allan Fels did a very good job of convincing people that these people are investors. Nothing could be further from the truth. In the vast, vast majority of cases these are people who bought a taxi licence because they were required to do so by government a long time ago, and then that acquired value over time because of the rules established by government.

I have got members in the country. They had to build up those fleets of taxis in order to service their community. I have a member in Hamilton who had to buy another six taxis to service her community. That cost her \$900 000. She had to go and buy those licences in order to run that taxi service. She has done nothing wrong. She has gone out, built her business and serviced her community. There are no complaints against her service from the community. She has now left with \$15 000 she still owes money on. That is not equitable in our view.

In Melbourne there are people that own an awful lot of them. Yes, that is the case, but once again everyone oversaw that process for a long period of time. I think we have shown through our modelling that you can achieve fairness here without blowing the state budget out of the water. You can get that money back via entry over a relatively short period of time and make sure these people are dealt with fairly as we adjust and transition to a new world.

The CHAIR — Certainly I think it is true that the impact that this is going to have on the regional areas needs to be focused upon as well. The committee went to Bendigo to speak with concerned organisations and people in Bendigo. We certainly heard from the manager of the Bendigo taxi co-op that he felt it would be a very brave government that would proceed with this in its current form, because he thought there would be a huge fight. Indeed he committed to a huge fight against the government if it continues along this line. Is that the view of the VTA as well — that this is something that you are going to be fighting the government against? Where to from here for your organisation?

Mr SAMUEL — Look, it is a fair question and a hard one to answer. At this point in time we are having very productive discussions with the government, with the minister. We intend to continue doing that and seeking that change. It comes down to a simple question of where you can fight that battle if you choose to fight

it. In our view it is far better to be in the room having those discussions, being sensible, being productive and trying to produce outcomes for people who need fairness and equity out of this process. So I am not going to make veiled threats against the government and behave in that manner. All I will say is that we have to look after our members and we have to look after our industry and do all we can do to make sure they are properly accounted for as a part of this, as I say, dramatic process.

The CHAIR — Thank you, Mr Samuel, and I do not think they were veiled threats from the manager in Bendigo.

Mr SAMUEL — Sorry, no. Yes, quite explicit threats.

The CHAIR — No, no.

Mr LEANE — Thanks, David and Georgia, for your time. At the start of your submission you said that you have been with the VTA for a number of years in different roles, so you would have been involved in a lot of inquiries.

Mr SAMUEL — Yes.

Mr LEANE — You mentioned Mr Fels. So this would be number — —

Mr SAMUEL — This would be no. 3, this one.

Mr LEANE — No. 3. What sorts of great expectations would you have out of this one?

Mr SAMUEL — Look, I think that we have seen a lot of inquiries and we just need results now. We need certainty for our industry, we need sustainability and we just need to move forward. I respect the right of the Parliament to call for inquiries, of course, and to look into things properly and do them properly. But what I would say is that I think there is enough information out there and I think it is pretty clear now. If you go back to the Fels inquiry, there was not a lot of information. It was a murky thing, and it was a strange industry that had been allowed to grow in certain ways over a number of years. It was very confusing. I think this one is pretty clear. The industry is facing significant competitive threats on a number of fronts. That corrects market failures that in the past needed to be regulated for. It is now time to open that market up and allow people to compete fairly, while at the same time accounting for those people that have invested in the industry.

Look, I wish you all the best in your inquiry, and by being here today I am obviously happy to take part in it, but I just think that what our industry needs more than anything is some certainty.

Mr LEANE — I think we do need to be wished all the best. I think, and you touched on this, that it is important that there is a level playing field and a safety standard that everyone has to reach. Is that pretty — —

Mr SAMUEL — Yes. When you regulate I believe that you regulate either for market failures or for safety. Those are the two reasons a government would intervene in a market. In the past, given the structure of the industry, you needed to intervene. Fare setting is a classic example. You needed to intervene not to protect the industry but to protect the consumer from any abuse that they might have suffered in pricing — so you had to regulate. As you introduce more competition, the need to regulate in that space dissipates. In the safety area, that is never going to dissipate. That is why we have said that at that top level, if you create one licence, everyone plays by the same rules at that central point. That is where safety needs to be accounted for, so that the person has a proper police check, not one they do once and then never get done again — like we do now, where every taxidriver goes through the LEAP database once a month, so that if they do commit an offence after that initial one they can be identified and removed. We want to have all those proper insurance, registration, WorkCover and TAC issues covered off at that central point so that every Victorian getting in a cab or an Uber or a hire car knows that they are covered off and they are safe. I think that is the government's key responsibility. As I said, there are still going to areas in the market where we will need regulation, but that will dissipate over time.

Mr LEANE — I fully respect that you are passionately representing the people you are paid to represent around the transition and fairness, and I appreciate that you have got some concerns about what is being proposed at the government level; I fully appreciate that. But it sort of goes from a point where some people are out there — I mentioned it before; they might just be on talkback radio or they might be the opposition spokesperson — and they are saying that there should be no compensation.

The CHAIR — I am not sure he did say that.

Mr LEANE — I have got a record of it.

The CHAIR — I know you have got it on paper.

Mr LEANE — I am glad that my colleagues disagree with their spokesperson — —

The CHAIR — No, that is not what he said.

Mr LEANE — That is good.

Mr FINN — We have to work out what the spokesperson said.

Mr LEANE — That is right. There might be a spill.

Mr FINN — There is only one place there is going to be a spill, brother, let me tell you!

Mr LEANE — David, I suppose that is something you are combating. You are combating this mindset. A good example from the previous witness was, ‘I started a video shop and everyone went to DVDs. I didn’t get compensated’. You hear that; that is what you are combating. How are you combating that?

Mr SAMUEL — That is the biggest challenge. There is a public perception when you look at industry restructure and transition that, you know, is a very simplistic view of that. Naturally, people do not want to and do not need to understand the detail; they just want a cab to get them where they want to go when they want it. They do not understand the complexity of what lies behind it. We have seen a number of commentators in the media come out and make some pretty bland, and I think at times cruel, statements about people, particularly in this industry — that it is a failed industry and so forth. I just think that is rubbish. I do not accept that. The world is changing; the industry has to be allowed to change with it. The industry has not failed. It is just that the regulatory structure does not any longer allow it to compete effectively with the new market entrants, and as a result we have to change that. But there is always going to be public concern about government paying out large sums of money. I respect and understand that. I have just got make an argument to the decision-makers to say, ‘Guys, this is why it is fair, and this is why it is necessary’, and that is what I will continue to prosecute.

Mr LEANE — The VTA’s relationship with Uber — is it because Uber obviously look like coming into the market in a regulated form, rather than before when they were operating illegally, which obviously gave your association and your members great angst? Do you see there being a relationship being built between Uber and the VTA, or is it still being competitive?

Mr SAMUEL — I do not really speak about Uber much. It is a new business model. They are one company that provide service in that space. My concern is that when a new entrant comes in we all play by the same rules. I have no personal issue with anyone or any company, except to say that my members need to be afforded the same flexibility that they are in as to how they run their business and face the same costs. Other than that it does not really bother me what they do.

Mr LEANE — If everyone is on a level playing field, good luck to them?

Mr SAMUEL — Yes. I do not really care beyond that, and I certainly would not shut the door on a conversation with anyone if they are thinking of coming and being a member. I would love it. But at the end of the day it is not an attack on a particular company. It is a business model I do not like personally, and it has caused my members a great deal of angst and suffering, unfairly. Once it is fair, you cannot complain. If they get more customers than you, then they are doing a better job. That is the way it comes out at the end of the day.

Mr BOURMAN — Just one quick question: Uber have announced that they are going to do a pre-booked fare at some point in time, much like a regular taxi. Do you think that it would be fair to restrict ridesharing people to a certain business model so that it does not directly attack the already existing taxi industry?

Mr SAMUEL — In our model what we see is that we are not really talking about restricting people are such, so everyone would get the same licence, and that would open up a number of business opportunities to you. So you might choose just to do app-based work; that would be your choice. You might choose to do

anonymous rank and hail. You might choose to run a traditional hire car service that only uses phone bookings or whatever it might be. But at that basic level down there as the business with that permit you get to choose what you want to do. So if you want to do a combination of both, nothing would stop you; you would just need the livery on a car and a camera, if you were going to do anonymous at work and so forth. I think it is much more flexible model at the bottom there. Certain companies will want to focus on certain market segments, and as a result their vehicle will look and behave in a certain way. But we are not talking about restricting people in terms of how they do their business like that, and I think the government understand that. Part of having it at that licence conditions level is it makes it must easier to adapt and change those conditions. Where it is enshrined in legislation, obviously it is much harder to adapt and change quickly.

Mr BOURMAN — Given the current proposed legislation really does not have a level playing field, the way I am sort of going at it is that it is going from ridesharing in the historical model, for want of a better term, to a pure almost taxi thing, if you want. It just seems to me that there is an avenue for having what a taxi would do, whether it is painted yellow or someone's personal car, without the restrictions.

Mr SAMUEL — Yes. There are all sorts of opportunities this opens up in that space, and when you free it up they are the opportunities that are presented. I would say that it is an interesting question too with the notion of 'what is a booking, what is rank and hail' and how that world has changed. I mean, it was really easy to segment it 10 years ago. We were the first people in Australia to introduce booking apps for taxis, and once that happened you started to blur that line very quickly between what is a hail and what is a booking. If you walk out on the street and go 'bang' on a phone and the car turns up within 3 minutes, I would suggest that looks far more like a hail than a booking in a traditional sense, so I think that is one of the real complexities in this space.

When you see regulators like those in New South Wales saying they are going to carve out the rank and hail market for taxis, I wish them luck because they have not been able to do it for the last five years. It has been breaking down; technologies and consumers will continue to break it down. I think it is unenforceable. That whole notion of what a booking is, what a rank and hail is and so forth has changed. I mean, Uber themselves set up ranks at Avalon Airport and other places; they want them at airports. It is a complete blurring of that line, and to pretend, as they have in other states, that you can regulate it, I think is very misguided.

Mr BOURMAN — Just roll with the technology?

Mr SAMUEL — You just have to, and then protect the consumer wherever you can.

Ms DUNN — Thank you for your submission this morning. There are just a few areas I want to explore. The first one is around the current insurance that taxis are required to have. I just want to try and get an understanding of, I guess, the cost of that insurance and the coverage of that insurance and how that would compare with what currently might be in place with ridesharing services. I understand you might not know the ridesharing side, but I am still interested to understand the taxi side of that.

Mr SAMUEL — Samantha, I might let Georgia answer that, because it is one of her favourite topics!

Ms NICHOLLS — The requirements that were brought in following the Fels inquiry to effect clarity around insurance for taxis was to say that they needed to have a minimum of \$5 million coverage in a commercial policy, which is provided by an insurer which is covered by the commonwealth Insurance Act. So there was an attempt obviously to clarify what was the existing situation in taxi insurance, which was that there was a lot of group buying approaches, so what is called taxi clubs; and that was an attempt to really remove the influence of people going into shared buying schemes for insurance and clarify individual policies. I think it definitely has improved. The market has probably still a way to go in that space, and we have been working with a number of organisations that have been assisting in determining how successful that has been and where we can go to improve the robustness of those regulations. But certainly it is a regulatory requirement that every taxi have a copy of the policy in the car and are able to demonstrate that they hold a policy that is compliant with those requirements. I think that is fairly clear now as to whether or not you are compliant with those rules. Obviously the situation with ridesharing is very difficult for us to say other than that we understand that the app providers claim to have some sort of umbrella insurance that kicks in at certain times and does not at other times.

There have been various attempts in places in America to try and clarify what they call stage 1 tax, stage 2, stage 3. It depends on whether you have got the app turned on or off, whether you are on your way to a booking or not, whether you have a passenger on board; there are different levels of coverage. But we can be fairly

certain that the Insurance Council of Australia has put out some very unequivocal statements saying to their members that 'If you are on a domestic policy, we will not honour those policies in the event that you are operating a vehicle commercially'.

Mr SAMUEL — I think also that brings up that very interesting point about: is this a commercial service, or are you sharing a car with someone? The insurers in Australia seem to be taking the view that it is a commercial service, money is transacted, changes hands —

Ms NICHOLLS — If there is a transaction.

Mr SAMUEL — and as a result there is some sort of policy movement from groups like the NRMA and so forth to try and create an insurance package that would cater for someone who was using their private vehicle in a commercial sense for some of the time, but it is still very unclear in that space.

Ms NICHOLLS — Naturally they want to try to find a solution because they know that certainly they will have members on their books that are operating their vehicles in that way and it is leaving them sort of exposed in making claims decisions at a time when they will not necessarily be privy to information about how that member is operating their vehicle.

Ms DUNN — Yes, how the car is being used.

Ms NICHOLLS — So they would like to be able, obviously, to clarify what product is applicable when, but there are certain caveats around the products that are available around occasional use. They say if you 'occasionally' use your car for ridesharing. Well, I think that is a very rubbery definition and you will probably find that those — —

Ms DUNN — What does that mean?

Ms NICHOLLS — Yes. Those people may have, with the best intentions, taken out that policy to try and cover themselves and end up exposed at the end of the day.

Ms DUNN — What would it cost — if you do know the answer — I guess, per vehicle to get that sort of coverage that is required under the law?

Ms NICHOLLS — It is a bit difficult to tell because we have been in this transition from what was a non-regulated space to now with regulatory requirements. It varies depending on whether you own and operate the car yourself as an individual, whether you have several drivers going in and out of it, what zone you are in. Obviously there are different risk profiles for a country wheelchair taxi.

Ms DUNN — Yes, metro and regional.

Mr SAMUEL — Fleet size.

Ms NICHOLLS — You know, in the ballpark of 3 to 5 grand a year, depending on the provider, your claims history and all that kind of stuff.

Ms DUNN — That gives me a bit of an indication.

Mr SAMUEL — It is also important to look at what that 3 to 5 grand buys you. The insurance policies can look quite interesting when you buy them in terms of excesses and things like that, and it is very different between businesses. It has been our firm view, at least for the last few years, that these taxi clubs, as they are called, which seem to be completely unregulated, are a blight. There are a couple of reputable ones, but the rest are just a blight on the industry and on the community more generally. What they also do is shut out genuine insurers wanting to come into the market because they do not want to deal with them.

Ms NICHOLLS — It obscures the market because the prices are not reflective of the real risk profile of a commercial vehicle, and so people see that as an option and think, 'Oh well, I'm getting the same thing there. They will give me a certificate'.

Ms DUNN — 'I'll run with it'.

Ms NICHOLLS — ‘I’ll run with it’, yes, but it means the genuine insurers find it hard to price their product properly.

Mr SAMUEL — We have been working with the community legal centre and others for some time to try and find a way to remove these entities so we can have legitimate insurers move into the market. It is the only place in Australia where they exist. In every other state you have legitimate insurers insuring taxis at a commercial rate. It is a far more appropriate and better way to deal with it. It is just that they seem so embedded and hard to remove, and there is no specific regulator to deal with them because they are not really covering it.

Ms NICHOLLS — They fall through the gaps.

Ms DUNN — Okay. Thank you for that. Another area I am interested in, and there was a bit of a discussion about this in Bendigo, particularly with the taxi co-op up there, which is the taxi service and people with a disability. It was highlighted up there that there are issues currently with the provision of wheelchair-accessible taxis in that service generally. It comes with its issues. I just am interested in your comments about how we ensure that there are accessibility requirements across the whole suite of transport options, because I am concerned that they are going to get locked out of options.

Mr SAMUEL — It is a hard area to deal in. Outside of Melbourne it works really well. I mean, for example, in Geelong the response time for a wheelchair booking is quicker than a standard taxi. They perform very well, and that is because they are small geographic centres and it is easy to move the resource between bookings very quickly. In Melbourne it is much harder because it is a much bigger city; it is much harder to get a limited number of things around; and then if you introduce too many of them they are all competing for a pretty set demand pool, which means they cannot make enough money to sustain their business.

We sort of argued through this process that in the taxi industry this is probably the one area where there still is a market failure in play. It is very hard to balance demand and supply in that space and remove those resources. So we still see it as a challenge. Having said that, the vast majority of wheelchair work is done quickly and efficiently, but obviously because of the sensitive nature of the area and the vulnerable nature of the passengers, none of us likes to see those people being left isolated or unable to get taxi or waiting longer. It is about how you address that issue.

People have often focused on the booking. The booking is quite simple: you ring up, you book a taxi. The problem has always been getting the drivers to travel the distance to do the job or getting them to do the job when there is a more lucrative job on offer. We have been strong advocates over the last couple of years of saying, ‘You need to find a better balance in this regulatory framework between incentives to do it and a stick when you don’t’. There has been little to no enforcement of these licences in terms of actually lifting quotas; they are supposed to do a set number of lifts per month.

Ms NICHOLLS — It is very low.

Mr SAMUEL — It has been very, very low, and it has been largely unenforced. You also need to make sure that you have got the economic incentive up front to encourage the driver to go and do it. That does not mean that the government actually has to fork out more money. What it means is they have to spend the money they are spending now more efficiently. We think that is relatively easy to attain. We put submissions into the review of the multipurpose taxi program to say that. There is a bunch of sort of peripheral incentive schemes in place that are strangely administered and difficult to understand and so forth.

We have said. ‘Clean that up, introduce a system that says if you are going to pick up one of these permits or licences to do this work, there is a carrot, and that is you can make more money’, because the good wheelchair-accessible taxi drivers are making more money than any other taxidriver; so if you want to do that work, that is the carrot, but the stick is you have got to do it. We do not want to see you at Melrose holding yard in a 4-hour queue for a passenger. I have been out there, and I have said for some time we need to just balance this, and I do not think it is that hard to get it right.

Ms NICHOLLS — There is also an argument that we put, I think, in that submission and certainly in what we put to the department regarding the MPTP — that there is actually an oversupply in the wheelchair-accessible taxi market in Melbourne, which resulted from a huge release of licences which was almost 150 per cent on what the existing fleet was at the time. That was in 2008. Not only was the auction

process around that quite perverse in that it resulted in people paying huge, huge prices way beyond market value at the time for a government licence of that nature, which obviously puts huge pressure on the productivity of that vehicle from day one, but also it means that there is not enough specialist disability work to supply those vehicles full time. So they have to go and search for that extra work all the time.

Ms DUNN — So the perverse incentive is that they have got to — —

Ms NICHOLLS — They have got to plug those holes all the time. So if you then end up 10 kilometres empty from a wheelchair job and you are halfway up the rank on Collins Street, there is a real tension in that choice for that driver, whereas there should be no tension there. It should be personally a regulatory expectation that they will take that trip, but also that at the end of the day if they take all those trips, they will be able to pay the bills. So I think there was concern in what government had told us about their intention to reduce the price on the current annual wheelchair-accessible licences at the same time as reducing the hire car licence fee. We think that would send a really dangerous signal to the market about the viability of taking up wheelchair taxis, and they are a huge infrastructure investment, obviously far out and way above an ordinary taxi. We think that if there is to be a better alignment of the kind of payment incentives placed both on the driver-industry side and the passenger side, we can achieve much better outcomes from the existing fleet, if not less, and actually sending more out will probably worsen the situation.

Mr SAMUEL — I mean, those licences have been coming back for the last two years. The taxi fleet has been growing, but the wheelchair-accessible taxi fleet has been shrinking dramatically. That is because there is not work for those vehicles. You are better off getting yourself a standard licence and doing standard work; it is cheaper to run it and more effective. We have not seen an increase in waiting times as those licences have been coming back, which is a pretty good indicator that the demand is pretty set. It is oversupplied. It is just not necessary.

Ms DUNN — I am pretty sure you were in the gallery for our prior speaker I asked a question in relation to whether his views aligned with yours on a couple of matters, and the submitter talked about your membership and who you represent. I just wondered if you could clarify for me your representation and whether you had any comments to make in relation to that?

Mr SAMUEL — I appreciate that opportunity. I could happily answer the other part of the question that he did not answer for you. Our membership is structured at a number of levels. First of all, we have network service provider members, then we have operator members and we have licence-holder members. They are the key membership levels. At a network service level the previous speaker liked to speak ad nauseam about two of our members. They are certainly our biggest members — that is Silver Top Taxi and 13CABS in Melbourne — and we thank them very much for their contribution. They could probably do a lot of this work without us, but they contribute a great deal to the industry in this way. At that network level it then goes right across the state, so I think we have 90 network service members, and that is most network service providers in Victoria. There are a couple that are not. I do not think Swan Hill are a member and a few other small country towns, and that is their right. They do not have to join.

At the end of the day most of those network members own licences and operate taxis and in many cases drive them, so to suggest that I am not interested in the welfare of licence-holders, operators or drivers is patently absurd — not to mention my president is the single biggest licence-holder in Victoria. While he separates those businesses, clearly we have an interest to make sure licence-holders get the respect they deserve while also transitioning the industry.

Our membership does not extend to drivers at this point, largely because we would not have the resources to deal with that influx of inquiries, and it is a difficult pool to represent and take money off because we do not think they earn a great deal of money. We provide any number of services to drivers. We are at the airport regularly, speaking to them. We deal with all of the issues when they are fined on they receive fines from drivers. We do all that free of charge. I have a staff member who is busy most days providing those services and spends a great deal of time with drivers. We put on lunches. We put on all sorts of events for them that are well attended. So I resent and reject the notion that we are only interested in two players in Victoria. The industry is far more complex than that, and if you were to take that view of it and operate in that way, you would be out of business in a week.

Ms DUNN — Thank you. I believe you have made commentary in relation to the two tranches of legislation that are mooted to be introduced. It is my understanding that the VTA thinks it should be one lot of legislation.

Mr SAMUEL — Yes.

Ms DUNN — I just wondered if you could elaborate on the concerns that you might have in that two-stage process.

Mr SAMUEL — We are concerned on a number of fronts. Basically, once you reduce that hire car to zero you create a set of perverse incentives if you do not do it to taxis at the same time. So you end up with one thing over here again, which is free, which is pretty much how it operates now with certain market entrants, and then you end up requiring these people to continue to pay a fee for the next 12 months while you do it. I understand that a lot of that is coming from a good place and good intentions. Our concern is that it will unravel in that intervening period where people will say, ‘I am not paying all this money for something when I could go and try and get one for free and operate the way I want to’, or, ‘Why am I paying full stop? This person will be gone in 12 months anyway’. It is a very difficult process to manage. As I said, the intent might will be good, but I think the process and the concern from us is that it will unravel and lead to a situation of government trying to regulate after something has gone beyond a certain point.

What we have said to the government is, ‘Don’t do that. Don’t rush it. Do it next year. Do it all in one go’. The other thing is that the government have to pass it, as the law requires, through both houses of Parliament. We would not want to see a situation where the first bill passes and the second does not, because that would just prolong the agony of the uneven playing field. So we are saying, ‘Make a quick, decisive decision’. We respect that particularly in terms of the second tranche. It is an awful lot of legislation to go through and amend in that space, and it has to be done appropriately. You cannot do that by October. You have to be realistic in that space. We understand that. What we are saying is: do it all in one go and get it right. Compensate people. Pay them their ex gratia payments, whatever they are, at that time. Move them on. Do it quickly and decisively. We are just concerned that you will end up in a situation where things will unravel very quickly once that first lot of legislation goes through. It is already starting to happen, where people are saying, ‘What licence have I got? How much have I got to pay for that? Who do I pay?’. The confusion is, as you can understand in an exceptionally complex licensing regime, paramount. I do not know if you want to add more to that.

Ms NICHOLLS — Well, as soon as that announcement was made the assignment market had collapsed. I think the intention was to try and maintain the income for licence-holders that were privately renting their licences for the period up until which the compensation package could be effected, but the idea that that is going to continue in the meantime I think is already proving to be untrue. That really leaves, again, people in a position where not only have they lost the income that they were previously getting from those assets, but they are in a position where they are waiting up to two years to even begin payments over then a further eight-year period. That idea that it will be business as usual in the meantime is not so.

Ms DUNN — It is already not happening. It is business as usual. Thank you.

The CHAIR — Ms Dunn, I thought we might cross over to Mr Finn and then if we have some further time at the end we might come back. Mr Finn, you are very keen.

Mr FINN — I am very keen. This Uber issues has been going on for a very long time, as I do not have to tell you, and if the change of leadership of the government that Mr Leane alluded to comes about, then perhaps it might take a little bit longer.

Mr LEANE — I was talking about your leadership.

Mr FINN — Can you tell the committee in your view why this has taken so long? Why has it taken the government so long for them to still get it wrong? This is somewhat of a mystery to me. Normally when somebody takes such a long time to consider something in every aspect and from every angle, they usually get it right, but on this occasion it has not happened. What is your view on that?

Mr SAMUEL — Mr Finn, I will not get too involved in the political side of it. I do respect that this is an immensely complex area and heavily regulated and legislated, which does make it hard to make decisions quickly. I respect that. I think we saw in other states that jumped earlier politically opportunistic decisions made

that they will come to regret in time, as will the industries that they regulate. Out of these processes you are always likely to get some things right and some things wrong. Some people will be happy; some will not be happy. There is no doubt I would have liked to have seen everything I put forward adopted by the government; that is the nature of what I do. I do not take issue with the length of time to get it right, but there are certain issues that we think could have been got more right, and I would agree with you on that. But I do not take issue with the length of time. I think that the Victoria Parliament taking its time to consider this properly and get it right once — not having to deal with it again in 6 months, in 12 months, in 2 years time — is a far more sensible approach.

Mr FINN — Do you see that happening? Do you think we will have to revisit this in 6 or 12 months?

Mr SAMUEL — Look, I think that if certain changes are not made, we run that risk, yes. We have made that clear to the minister and said that if some things are not done properly, we will end up revisiting this again. She is aware of that, as is the Premier, I hope — that we need to get it right in the first go. There is still an opportunity to do that. Cabinet has made a decision on this and announced what they intend to do. I would hope that does not mean that the door is completely closed on making sensible amendments to what is to be done, and if that occurs, then we have got it right first time around and the length of time is justified.

Mr FINN — You made it clear that you thought the compensation was not fair. What would be a fair compensation package?

Mr SAMUEL — That is my favourite question. It is a very hard question to answer, because people's ideas, a licence-holder's notion of fairness is — —

Mr LEANE — Is more than zero.

Mr FINN — More than zero, are you saying?

Mr SAMUEL — More than zero is a good starting point. Every licence-holder will have their own — —

Mr FINN — No. David Hodgett never said that.

Mr SAMUEL — I think that it is relative to each licence-holder's view of their own situation. Having said that, as an association you have got to come to a point where you can talk to government and negotiate around that. What we have said is that basically we need to look at market value for all those licences and each one of them. That market value has been fluctuating obviously over the last few years. When I started in my previous job in this organisation, they were worth half a million dollars. As we all know — it is well stated — that has declined over time, so naturally government have to draw a line in the sand somewhere and say, 'This is the rate at which we are going to buy these things back'.

We put \$250 000 for a metropolitan licence in our proposal and declined that over the zones, because in certain zones they were worth less and so forth. We would stand behind those claims and say, 'You can finance them, and you can do it', and you can get a whole bunch of people out of trouble at the same time. What we are very pleased to see is a proper hardship fund included in this announcement to make sure people are not losing their houses. We note the Premier's comments about that in the announcement. We do not want to see people losing their houses and left with debt. That would be a catastrophe for those individuals, and they do not deserve it.

If you compensate at a proper level, there would be a question mark around whether or not you even need a hardship fund, so you could probably spend that money differently and just say, 'We are just going to make sure that people are properly accounted for in that process', and therefore you would not need that money. Putting an actual dollar figure on it, though, is difficult and controversial. We have made our points in that submission, and we stay true to them.

Mr FINN — Putting on the devil's advocate hat, if I can, do you think that the taxi industry has largely brought this situation on themselves? Do you think that the industry has not kept up with the times? We have heard from a previous witness that in fact two of the big players have not invested to the extent that they should have invested to keep things up to date. Do you think that the taxi industry itself has to share a fair portion of the blame for the appearance of Uber and a lot of what has followed?

Mr SAMUEL — This is a global issue. This is not something that is unique to Victoria, where you can single out two people and say they did not invest enough. It is a global issue. Those companies are having to respond to those challenges, and their response has been hamstrung by the regulations and laws they follow. There were compensations. The previous speaker is speaking about something that he has no real knowledge of in terms of how those companies invest their money and how they operate. While we all have to respect his opinion, and we do, he has no detailed knowledge of how those companies operate.

The reason they look the same and operate similarly is that they were required to do so by law. The shape of their dome light was regulated. The colour of their door handle was regulated. They could not easily differentiate their brands. There is now a need in an increasingly competitive market to do that — to differentiate their brand. Are we perfect and were we perfect? Far from it. Did we respond to this challenge? Yes, we did. We had smart phone booking apps before anyone else in this market, so to suggest they were not innovating and investing in those, I do not accept. Did they get it right and perfect? No, they did not. That is why you have to keep innovating, keep investing and keep adapting. The law has to allow you to do that.

But I am not going to stand here, hand on heart, and say that we did not make mistakes. Of course we did. We have to address those mistakes, and we have to be given the freedom to address those mistakes. But to blame it on two companies — this is a global company that is going right around the world doing the same thing — is patently absurd. These companies will adapt and adjust to these challenges like they have always done, and they will succeed. End of story.

Mr FINN — What is the next step for the taxi industry if Uber is allowed legally into the market?

Mr SAMUEL — The most important thing is that we adjust to the expectations of consumers. We are in a competitive market now where people will demand things of us that we have or have not done in the past in different and new ways. If we are not agile and do not change with that in a competitive market, they will choose someone else's product over their product. It is pretty simple when the market operates like that. Once we get a level playing field, all is fair in love and war. At the moment it is not fair, because we cannot adapt, we cannot charge the prices we want and we cannot do those things. Once that is established, it is all fair in love and war. It is business. It is competitive. If our businesses are not good enough, they will not succeed. If theirs are not good enough, they will not succeed. I see it as being fairly simple in that space. Our industry has to adapt to the change and most importantly changing consumer expectations.

The CHAIR — I just had one final comment there, one question there, actually, in terms of the announcements about the regulation. I thought you were very kind in saying that they were announced via cabinet. I thought they were announced by the *Herald Sun* via a leak, but perhaps that is just me.

Mr FINN — That is the way cabinet works.

Mr LEANE — It was one member of cabinet.

The CHAIR — I am curious to know who has been made happy by these announcements. I was just jotting things down. Obviously there are your good selves, the VTA, there are ridesharing organisations like Uber and there are passengers. You do not necessarily appear to be entirely happy with the \$2 and the compensation. We are yet to hear from Uber, but I doubt they are going to be happy with the \$2 announcement that has been put in there. I think passengers who are going to be slugged \$4 for a return trip do not seem to be very happy. I am wondering where this announced regulation or deregulation of the industry has got it right, because I am struggling to see anybody who thinks it is a good idea.

Mr SAMUEL — I think lots of people think that. As I have said to you at the outset, there are two elements to this issue. One is setting up a framework, a commercial structure, a regulatory structure, moving forward that allows businesses to succeed and to compete and honour the requirements of consumers. That is one set of issues, but it is contingent on another set of issues, and that is short-term fairness for people. That is where the angst rightly comes from and will continue to come from. Once those things are addressed the framework will allow us all to provide a better service, so I do not doubt that. You can read that in my paper, in my proposition; it is clear that is the way I think the world is going. But I have made it very clear also that I want people that have invested in the old regime to be properly accounted for.

Naturally those people will quite rightly receive a lot of attention as part of this process, and they should, but there are lots of people that win out of it in the longer term. In the short term, yes, it will be difficult. But I cannot think of a decision any government from either side could have made that would have avoided that. It is like any industry going through significant structural change, and we saw it heavily through the 1980s and 1990s. We have seen it in the agricultural sector. We have seen it in the logging sector. We have seen it in the automotive sector. This is really confronting for people, and it is very easy to pen a piece in the *Herald Sun* and degrade the contribution of those people, simplify it and make them sound greedy. That is not the case. They contributed and committed and invested an awful lot of their lives in this, and they deserve respect as part of it. That is always going to be the focus when these processes occur, but I cannot think of any outcome in this situation where you can get it 100 per cent right and make everyone happy straightaway. It will take time.

I would implore you guys to work together to achieve that and make sure that when it comes to Parliament we do get the decision right, that the right thing goes through, those people are accounted for and at the end of the day the people you represent largely, the consumers, are looked after as to whatever framework develops coming out of that.

Ms DUNN — I am wondering if you are aware of taxidrivers who also drive for Uber, what that number might be and what their motivation for doing so might be.

Mr SAMUEL — It is a very good question. I will not name the company because I am sure there will be other companies that come into this space. We do not have clear numbers on it, but we know it happens. The really interesting thing we have seen is that traditionally in the taxi industry, even with a lot of drivers available, which certainly has not been the case over the last couple of years, cars were hard to fill during the week. It was hard to fill those shifts. A Tuesday morning was hard to fill. Fridays and Saturdays you could not get enough drivers to drive them.

Ms DUNN — Plenty of work.

Mr SAMUEL — What we have seen is a complete switch of that. Our cars are full during the week. There are plenty of drivers to drive them, but there is no-one to drive them on Friday and Saturday nights. The reason we think that is is that our fare structure means that you earn more in a taxi during the week than you would doing rideshare. Come the weekend, when the price surges, all the drivers want a share of that, so they go and drive those services. We have seen a complete and perverse shift in that over the last 12 months to 18 months. It is quite fascinating to watch and quite concerning to watch. I could take you down to a depot of cars on a Friday night down in the south-east now and show you a full lot of cars waiting to go out — taxis — because they are not driving them. They are out there making more money doing rideshare when the price surges. When the price drops off on the rideshare during the week, when demand is lower, they flip.

That to me is a demand and supply issue of labour allocation and how you allocate that labour and the market actually achieving that. There is a notion in this industry that we should not be able to put our prices up with demand. When you do not have competition, no, you would not necessarily want to see that. You would not want to see the 9 and 10-time surges we saw over New Year's Eve, but there is only one reason they can do that, and that is that they have no-one to compete with in that surging market. So once we can push our price up, they go nine, we go eight, they go seven, we go six, and we find a proper plateau. You are not going to be able to address that through regulation, but you stand a far better chance of addressing it through competition in that space.

We do not want to see customers charged nine times the price. At the moment, though, people can do that, and they just come back to the good old regulated taxi that has their tariff limited. We cannot also be allowed to be second best in the pricing market and told, no, we have to accept a restraint on how we do business but our competitors do not. That also breaks down that rank and hail issue too, Samantha, in that once upon a time you could not do that as a hire car because you had to have a pre-booking; now with technology you can overcome that issue relatively quickly.

The CHAIR — Ms Dunn, did you want to have a final question and maybe any further questions we might be able to put on notice? I am just conscious of the time.

Ms DUNN — Yes, it is a really quick one, and it leads to software. Do you see time when taxis will be able to utilise the same sort of software in Uber so that you can book and know the fare you are going to pay?

Ms NICHOLLS — You already can.

Mr SAMUEL — You already can; 13CABS, if you use their app, you pay on the app; Silver Top will be doing it shortly; on ihail you can to it all. They need to refine those products, which they have been doing, and they do, in my view, just as well. It is a marketing issue as much as anything.

Ms NICHOLLS — You have got full mapping, and you can see all the cars that are available. Once a car is allocated it will tell you the car number. That connects to the public register and will give you the driver's name. The driver can contact you anonymously — they do not get your number; you do not get theirs — they have a driver connect system so that they can call and say, 'Hey I'm out the front', or, 'Where are you?', or whatever. There are in-app payment and in-app receipts, driver ratings, passenger experience ratings — the whole lot.

Ms DUNN — So it already exists?

Mr SAMUEL — Yes.

Ms DUNN — That is great.

The CHAIR — Thank you very much for coming along and presenting evidence today. That evidence that you have provided will be provided to yourselves by way of a transcript for proofreading in coming days, and that will eventually find its way onto the committee's website. Once again, thank you very much for your attendance today.

Ms NICHOLLS — Thank you.

Mr SAMUEL — Thanks for your time, everyone. It is appreciated.

Witnesses withdrew.