

# 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

#### Witness

Mr John Gordon, owner, Classic and Prestige Car Hire, and secretary, Wedding Car Association of Victoria.

**The CHAIR** — I reopen the Standing Committee on the Economy and Infrastructure public hearing. Today the committee is hearing evidence in relation to the inquiry into ride sourcing. 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. At this juncture I will hand over to you, Mr Gordon. If you might like to just state your name and the organisation you are associated with and then move into any introductory comments, and then we will go into some questions from there.

**Mr GORDON** — My name is John Gordon, and I am representing two organisations today. I am representing my own wedding car company, which is Classic and Prestige Car Hire, and I am representing the Wedding Car Association of Victoria, of which I am secretary. We will go into those a little bit further.

**The CHAIR** — Great.

**Mr GORDON** — Wedding car operators are really at the very end of the hire car chain. We have just heard from George about metropolitan hire cars — VHA and VHB. They sit here. Above them, of course, are the taxis. We are somewhere way down here. We have always been sitting around the very end of the tail of the dog. Whenever the VTD and government have had the dog wag its tail, of course we have suffered.

It is a little bit different, our industry, and there are two major parts to the wedding car industry. The first part is a bunch of old guys like myself, mainly retired, who love old cars, and we love to show them off. The second part of the industry are younger guys who go out and buy a bells-and-whistles stretch limo — you know, a Hummer or a Chrysler 300. They put with that an equivalent sedan, and they run their business accordingly. They are generally younger guys and been made redundant somewhere and just go out and get into the transport industry. The older classic car guys, like myself, we generally only do weddings. In fact 99.9 per cent of my business over the last 15 years has been weddings. The other small part might be a 60th wedding anniversary, or somebody whose dream is to ride in a Rolls-Royce — I might take them for a jaunt. The classic car part of the market is weddings only.

The guys that run the limos of course are out there doing everything they can. They are doing weddings. Funerals have become big, and debutante balls and school formals, which are all part of their SV licences — we will go into that a little bit later on as well — but they also do events, which is acting ultra vires of their licence rally. Events are mainly Spring Racing Carnival work.

**Mr LEANE** — Concerts?

**Mr GORDON** — Concerts, tennis. Now, in theory they are acting outside their licence to do that sort of work — that is the domain of the metropolitan hire car licence — but these guys have got investments of up to a quarter of a million dollars in their cars, and they are going to take every piece of work they can get.

Focusing on the weddings, we are a very specialised part of the market. We have low profitability and low revenues, but that is not why we are in the industry. We are in it because we are car enthusiasts and we love nothing better than showing our car off on a Saturday afternoon just parked down here.

In the total industry we are the quiet ones. We are quite numerically strong — probably looking at 700 or 800 operators, licences — but we are the quiet ones. We are not protesting on the steps of Parliament or blocking Flinders Street. Over the years we just take our medicine handed down to us by the government and the taxi directorate, now the Taxi Services Commission, and we just go on doing what we do. We do not get political.

We have always done things the right way. We have always supported regulation. We are vulnerable of course to others coming in and eating our lunch. For George's metropolitan hire car guys, it is perfectly legal for them to do weddings, but because they are out on the road seven days a week, they can fit in the 3-hour booking on a Saturday afternoon much cheaper than I can do, who only does one or two bookings a week. Their cars are already in town. Their drivers just throw a ribbon on it and do a wedding. That keeps us price competitive, I suppose.

The other threat that we have is from unlicensed operators, and this has been a real threat over the last 10 or 12 years. The VTD and the Taxi Services Commission have not really been out there protecting us as our

licences would hope for. It is too hard for them. They are reluctant to stop a bride or a car with ribbons on it and say, 'Are you licensed?'. In fact what they do is they tend to take the easy pickings, which is to stop guys like me, who have got the stickers on the car and all licensed and all registered, but it is easier to target me to make sure I have done everything properly than target somebody who is unlicensed. It gets too hard. They just say, 'I'm just doing a wedding with my cousin; not getting paid for it'. But we see the same cars out there day after day after day, and we know they are running little businesses.

Then of course the other competition that we are hitting at the moment, which is a little bit unfair, is the club cars. I do not know if you are familiar with VicRoads club cars. It is where you get a reduced licence fee. It costs \$70 to register a CH club car. They are only meant to be used for private use, but we are seeing more and more of these out there doing weddings. Nothing we can do about it.

Our biggest concern is that we will become collateral damage while you guys are sorting out a solution for the taxis, Uber and metropolitan hire cars. We are down here, and we can be greatly affected by decisions you make, so we want you to know that we are down there. We are here — a very small part of the market, but we are here. By the stroke of your pen, you could wipe us out. We just really need to be confident that there are no unintended consequences that occur to our part of the business by making your decisions that cover 99 per cent of the revenue earners in the hire car industry.

I have been involved in this for 15 years. I have owned classic cars for many years. I own six Rolls Royce Silver Clouds, and I have been secretary of the Wedding Car Association for 15 years. The Wedding Car Association was formed in 1980 and has 75 members, with 500 special vehicle and RH licences. So, as I say, numerically we are quite strong. We are a large stakeholder in the industry numerically. Those licences include classic cars, stretch limousines and modern cars — just the modern Calais and Chrysler 300 sedans that are used for weddings and various things.

We have represented the industry in several reviews. I personally have been involved in the 2004 review and the 2012 Fels report. It was interesting, the Fels report. The recommendations for the wedding car industry were not adopted by the state government, and they were referred back to the Taxi Services Commission for review. The Fels report recommended that we be cast off and just be completely unlicensed and unregulated. We did not want that, so we objected and the government took heed of what we said and referred it back to the Taxi Services Commission. Nothing has ever gone forward from there down the years.

You asked George about the licence types. We operate under two licences: a special vehicle licence — which is mandatory on cars less than 25 years old, and most, if not all, of these stretch limos operate on those licences — as well as the sedans. The terms of the licence limits them to weddings, funerals, formals and debutantes, and you can get an extension if you want to do tours, so wine tours and such like. Events is that grey area, and this is the area where the limo guys kind of infringe a little bit on the metropolitan hire cars, but they need to do it to make a living.

The licence costs \$2000. That has not changed for 14 years. The cars need annual roadworthy certificates, and all bookings must be pre-booked. The second licence, which covers probably 95 per cent of the classic car hire business, is the restricted hire, or RH. Those licences are free on application, with an annual fee of \$152.40. They are available on any vehicle over 25 years old. Once again all must be pre-booked. There are two-yearly roadworthies, and that was argued on the basis that we spend more money on our cars and look after our cars far better than the average motorist does, because we are enthusiasts. They felt that an annual roadworthy was probably pushing it a bit too far.

The government made a little bit of a mistake here when they issued these licences in 2004. They virtually opened them up to all sorts of business. With an RH licence on a 25-year-old-plus car we can actually do exactly the same work as George's metropolitan hire cars can do. The government thought, 'Nobody's going to buy a 25-year-old car and run up and down the Tullamarine Freeway', but unfortunately people did. They went out and bought a 25-year-old Mercedes-Benz, put an RH licence on it and competed with these guys up front. But as far as the majority of us are concerned that run RH licences, we have stuck our living — weddings only, generally weekends, Saturdays and Sundays, and very seasonal.

There are 970 SV licences at the moment, and probably about 200 of them are on stretch limousines. There are 617 RH licences, of which about 400 are on classic wedding cars. Within the marketplace in Melbourne we are looking at about 75 classic car operators, doing weddings only. We are looking at about 35 limousine operators,

where weddings are a dominant part of their business, but as I have said before, they are doing everything they can because they need the revenue.

Then of course we have got about 50 operators with modern cars, who ostensibly are providing them for weddings and funerals but will do corporate work as well. The feature of the weddings only is that it is all booked well in advance. It is booked 12 or 18 months in advance. I would say that with my business 90 per cent of brides and grooms come in and inspect the cars before they book. That impacts a little bit on the safety aspect. It lessens the requirements on them. For the industry itself, and this is the wedding car industry pre-Uber, the biggest issue that was facing our end of the market were these SV-licensed cars doing work that George's metropolitan hire car guys should be doing. He talked about that cut-over, that blurring of distinction, and that is very real. But there was no easy way to stop that, and the Taxi Services Commission have struggled. I can understand it from their perspective. They have now got a \$40 000 licence against a \$2000 licence.

One of the issues that has never, ever been addressed by successive governments or the Taxi Services Commission is stretch limos. When we did the initial work on the legislation back in 2004, there were no stretch limos. There might have been one or two stretch Commodores or stretch Fords, but they were not on the radar. That is the biggest change that has hit the industry in the last 15 years, but they have always glided a little bit under the radar as far as licence types are concerned. Really what our recommendation to Fels was was that they had their own licence type that freed them up to do all the things that they needed to do. But that got a little bit hard, and once again Allan Fels recommended no licensing completely, so it sort of fell by the wayside. But stretch limos are a real problem. Where do they fit into the licensing structure? They do the work that a sedan does, except they do not do airport work. A stretch limo operator will not go to the airport, the reason being that if you have 10 passengers, you have not got room for 10 passengers' luggage. You can take two or three passengers and their luggage and then have to put their luggage inside. Stretch limo operators do not like that, so they do not do airport work, but they do corporate work and they do the tours and all the other things.

The other issue that was really facing us pre-Uber was that there was no enforcement of the rules by the Taxi Services Commission. No matter how hard we complained — we used to file photographs and documents of unlicensed operators — they just turned a blind eye. It was all too hard for them. Certainly we do suffer from that. We are also suffering because the current health of the wedding industry in Melbourne is not that strong at the moment, especially pertaining to cars. You might not be aware, but it appears that the total number of weddings in Melbourne is dropping by 33 per cent a year. The best figures we can get from births, deaths and marriages is that it has gone from an average of 30 000 to 20 000 in the last 12 months.

We are also seeing a change in dynamic — a move away from church weddings to garden style. Of course they do not need cars for that, so we have been hit a little bit there. Ceremonies and receptions are all at one venue, so they do not need a car. We are seeing more offshore weddings as well. People are spending less on their weddings. The days of the big, fat Greek wedding are not over, but they are certainly nowhere near what they used to be 20 years ago. People are spending much less on their weddings. Because of that, we are seeing a move to alternative transport. People are providing their own cars. Rather than paying me \$550 for a Rolls-Royce, they use Dad's Commodore or Toyota Camry.

We are also seeing, from the classic car perspective, a change towards limos. They are hiring one stretch limo that takes 10 passengers rather than three classic cars, because of the economies. We are all up with increased operational costs and fewer new entrants to the industry. People are just not coming into it now.

So that is just a little bit of background, but then the reason I am here and the concerns that we have — the biggest concern we have — is the setting of the fee, the license fee. In terms of revenue streams we are well down here. I think George said his average VHA revenue per car was about \$130 000 in his presentation. The average revenue for a wedding car, a classic car, is less than \$20 000. For a limousine it is just slightly more than \$50 000. So we do not have the revenue or the profitability to be able to pay large fees. At the moment we are paying \$152, and for some guys that is a stretch, that is an impost. If the fees went up astronomically, in answer to your question before, Jeff, we would have a lot of retirements from the industry. Guys would just say, 'It is not worth it'.

The average operator of a classic car makes about \$4000 a year per car. That covers all of his time, his own wages for driving it himself. There is not a lot of money in it, not a lot to come and go. That figure for a stretch limo is about \$16 000, but you are talking about a \$200 000 motor vehicle. The average value of a classic car is probably around \$30 000 — the Jaguars are cheaper, the Rolls-Royces are more expensive. We do not have the

revenue or profitability streams that these guys have. We are limited, our business is Saturday and Sunday and it is seasonal. We operate between October and April, and that is pretty much it. We are certainly not seven days a week and we are certainly not 12 months of the year.

Our other concerns are the time frame for reform. I have been reading in the newspapers differing stories about the time frames that the government is working towards heading towards 2018, but I heard this morning that in fact it had been brought forward to 2017, so we have a concern about some of the transitional arrangements. We have now been invoiced for our next year's licence fee of \$154. Most of the members of the Wedding Car Association have rung me saying, 'Why are we going to pay this? Do we have to pay it? What happens if we do not pay it?'

We want to know what is going to happen between now and the time that this new licence is valid. Are we going to see a whole host of unlicensed operators running around with impunity? We had a situation this week where one of my members sold an SV licence — face value \$2000, sold it for \$1000 on Friday. The new owner went down to the Taxi Services Commission on Monday to register the change — because they are transferable, those licenses — and over the desk at the Taxi Services Commission they said, 'No, this licence is valueless. Take it back to where you bought it and get your \$1000 back. You do not need a licence. They are going to be not required from February 2017'. So what is going to happen? All of my members are asking me that question, especially this guy who has now got to refund \$1000 to this operator. Then this operator rang me and said, 'What happens between now and 2017? I am not going to have a licence to operate, the Taxi Services Commission will not register the change or sell me one, but I want to go into business because I am ready to go. I have got the car. What happened?'. These are questions that need looking at.

We looked at the trip levy, the \$2, and we hope that it will not apply to us. If it does apply to us, because weddings are generally multi-car bookings, is it \$2 per booking? Is it \$2 per car? How are you going to enforce it? How are you going to collect it? These are all questions that the members have rung me and asked me. What sort of documentation is going to be required? You have got to remember that we are just a bunch of old guys running classic cars. We struggle with things like BAS and all the licensing requirements. Put another impost on us and they might just throw their hands up. We have always been fervent believers in regulation, and right through from the first reviews of the industry that I was involved in in 2004 we have always said we want to maintain that regulation. In fact we objected to Allan Fels's recommendation.

There is a little hurdle that people have got to climb to get into the industry. We do not want people to wake up one morning and say, 'I am going to do wedding cars'. That little hurdle that is there at the moment is getting a licence, getting a drivers certificate for the driver, having a VicRoads licence — they are just small barriers, but at least it puts something there that somebody has actually got to go out and do something before they put up their shingle and start operating. But of course — —

**The CHAIR** — Mr Gordon, I am conscious of time. Are there any final comments you wanted to make just before we pop into some questions from the committee?

**Mr GORDON** — The real thing is the financial aspect. That setting of that fee — that is the one that will drive us out of the industry or drive us underground. Most of the old guys will say, 'It is not worth it now. I will just leave the cars in the garage', and that will be a whole industry that just disappears overnight. That is the one takeaway that I want you to have on the top of your page.

**Mr BOURMAN** — That is the \$2 fee we are talking about?

**Mr GORDON** — No, this is the annual customer passenger licence fee, which is yet to be set. Everybody is saying it is going to be the one same fee for a taxi, Uber, metropolitan hire car and us, and we are saying — —

**Ms DUNN** — For you that is a higher amount.

**Mr GORDON** — Yes, that would kill us.

**Mr BOURMAN** — When you are earning four figures per year, that is a killer.

**Mr GORDON** — Yes.

**The CHAIR** — You would want a club licence almost type approach here. You have your club cars that can be driven for certain reasons under certain permits, and if there was a capacity there for a permit that is just for wedding cars — —

**Mr GORDON** — Or cars that are 25 years and over.

**The CHAIR** — Indeed, that is right. I imagine there could be a bit of a boost in your business, though, if we get a plebiscite up and we get the right answer in the plebiscite. There could be many more.

**Ms DUNN** — I think we should just avoid the plebiscite and just go straight to legalisation.

**The CHAIR** — There could be some more weddings there for you to operate in. We will have to wait and see the outcome to that. In terms of what you want to be able to get out of the reforms to deregulation — whatever it is you would like to see — effectively you just want to be able to do what you are doing now without a great financial impost, whether it be a \$1000 fee or something like that, to ensure that you can do what you are doing.

**Mr GORDON** — That is right.

**The CHAIR** — It does not seem like it is too much to ask, I do not think.

**Mr LEANE** — That was pretty comprehensive. I did write down \$550 for your — what do you run?

**Mr GORDON** — Rolls-Royce Silver Cloud.

**Mr LEANE** — Rolls-Royce? I have a daughter getting married next year.

**The CHAIR** — Time and place, Mr Leane.

**Mr LEANE** — We do take away your message as far as the association wants to see some form of regulation so you have not got cowboys everywhere, but you want to keep it as un-onerous as possible. Is that pretty much it?

**Mr GORDON** — Sure.

**Mr BOURMAN** — Just a quickie. Do you have any idea of the unlicensed or unregulated industry for wedding cars at the moment, because I know a lot of people will drive their mates in their cars and whatever but then I know you see on Facebook from time to time someone will say, because I am a classic car guy myself, ‘I want a car for my wedding and I will chuck in a slab’ or whatever the case may be. It is hire for reward. Does anyone have any idea?

**Mr GORDON** — No. No idea. Empirically it is large, just based on the number that we see around town on a Saturday and Sunday afternoon. But then that is blurred because it could be a genuine friend of the bride and groom.

**Ms DUNN** — I do not have any questions but I do just want to say, John, thank you for presenting to us. In terms of the value of the licence that you pay for and the issue around that \$2 levy, I think they are important ones that we need to consider as part of our deliberations, so I thank you for bringing them to our attention.

**Mr GORDON** — Most of us who run RH, of course the licences were free. There are some of us who have the old \$2000 SV licences because historically we had them before 2004 when RH licences first came out. There is a \$1250 credit for the first one, \$625 for the second. Look, that is neither here nor there, so we are not going to be saying — —

**Ms DUNN** — It is what is coming in the future.

**Mr GORDON** — It is that fee and that flexing of the \$2. Whilst that is not going to make or break us, it is going to be an administrative nightmare. If that fee is too high, higher than the \$152.40 that it is at the moment, a lot of people will just say, ‘No — too hard’.

**Ms DUNN** — Forget it.

**The CHAIR** — You are right, it might be difficult to administer whether it is going to be a \$10 transaction every weekend if you have got your five cars out — \$2 per car or what have you. It is not going to be a significant financial impost but indeed the administrative burden, however it is going to be captured, in whatever way, is going to be quite difficult, is it not?

**Mr GORDON** — That is right.

**The CHAIR** — And it is going to cost you more in time in trying to fill out a form or do a transfer or what have you than the actual \$10 that is going to be received from the levy.

**Mr GORDON** — Yes.

**Mr BOURMAN** — So it is going to make a job that you are doing for love effectively even harder.

**The CHAIR** — Indeed. Thank you, Mr Gordon, for coming in. It is always good in these inquiries to hear from people like yourself in different parts of the industry that we may not have had front of mind, so we certainly appreciate your time today.

**Mr GORDON** — Thank you very much.

**Witness withdrew.**