

**LEGISLATIVE ASSEMBLY FOR THE  
AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PLANNING AND ENVIRONMENT**

**(Reference: Road Transport (Public Passenger Services) Amendment Bill 2003)**

**Members:**

**MRS V DUNNE (The Chair)  
MR J HARGREAVES (The Deputy Chair)  
MRS H CROSS  
MS R DUNDAS**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**FRIDAY, 31 OCTOBER 2003**

**Secretary to the committee:  
Ms L Atkinson (Ph: 6205 0142)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents relevant to this inquiry which have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

**The committee met at 10.24 am.**

**JOHN DAVID MUIR** and

**DESMOND FRANCIS NICHOLLS**

were called.

**THE CHAIR:** Welcome to day one of the hearings of the Standing Committee on Planning and Environment examining the Road Transport (Public Passenger Services) Amendment Bill 2003. Welcome to the Canberra Taxi Proprietors Association.

You should understand that these hearings are legal proceedings of the Legislative Assembly protected by parliamentary privilege. This gives you certain protection but also certain responsibilities. It means you are protected from certain legal actions, such as being sued for defamation for what you say at this public hearing. It also means that you have a responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

I will ask you if you wish to make an opening statement. When you do speak for the first time, please identify yourselves for the Hansard recording. Mr Muir, are you going to commence?

**Mr Muir:** If I may. I am John Muir, chief executive of Canberra Taxi Proprietors Association and chief executive of Canberra Cabs. I want to make an opening statement, Madam Chair. We want to make our presentation in two parts. I have made available for you copies of the points that we are going to use as we go through the presentation. I will ask Des Nicholls to commence and I will follow with a conclusion on the matter.

**Prof Nicholls:** Thanks, Madam Chair. My name is Des Nicholls. I am part of the audit committee on taxi fares and regulatory matters. We have handed out some dot points there, and we want to work through those and address them. Then, of course, we would be happy to answer any questions relating to issues that are raised in them.

What I thought I would do is start off with a general overview. We have been involved with this topic since the NCC, the National Competition Council, issued the edict in 1995 that, where there were monopolies or perceived monopolies, deregulation of entry should be considered, and the public interest should be taken into account while doing so. Now, unfortunately public interest issues have been neglected by the NCC, and by the two reviews, the Freehills and the ICRC review here in Canberra.

In 1999, a Senate select committee on the socioeconomic consequences of the national competition policy was extremely critical of the approach being taken, saying there was a predominance of narrow economic interpretation of policies. We believe this was absolutely true and that it has flowed through into the ACT. Basically, economists did both reviews in the ACT.

The Department of Urban Services' submission, which I have referred to as being by DUS in the handouts, has also done this, giving little or no consideration to social and environmental issues. We have had the opportunity, since we made our submission, to

look at the DUS submission. We are a little bit concerned about some omissions and incorrect facts and we want to pick them up as we go through.

**THE CHAIR:** Sorry, Professor Nicholls. When you say there has been no consideration given to social and environmental issues, what would you consider to be, say, the big three in both of those categories that have not been addressed?

**Prof Nicholls:** The big three: there is a paper in the back of our submissions, a rather large submission on public benefit issues which is attachment I, that contains a whole list of them. That is the most recent paper I did for the Australian Taxi Industry Association. It picks up a whole bunch of issues right at the end of that paper.

Safety issues are undoubtedly the main ones: safety from the point of view of the vehicles and safety from the point of view of the general public. This has been dramatically illustrated in the case of the Northern Territory, where they deregulated, had to re-regulate, tried deregulation again and, on 3 June, announced that they are going to re-regulate, and the industry is going fight the government on public benefit issues.

**THE CHAIR:** When we are talking about deregulation, my understanding—and it may be a flawed understanding—is that the National Competition Council wants to see deregulation of the entry process. It does not actually require deregulation of issues such as safety and service. It is not a necessary consequence, if you deregulate entry, that you do away with standards. It could be a common fault.

**Prof Nicholls:** They are not mutually exclusive. If you deregulate entry standards, something has to happen. In the ACT, taxi drivers are now earning less than a 21-year-old kid at McDonald's, on an hourly basis. The quality of drivers will drop and there will be fewer fares. In the Northern Territory, for example—and it is recorded in *Hansard*—taxi drivers are working 12-hour shifts for \$85. Straight away, it is hard to get drivers and the quality of the drivers just flows through.

With respect to the National Competition Council, they certainly earmarked entry but they also had a look at other matters, including the setting of fares. Of course, Commissioner Baxter, in the ICRC review, advocated deregulation of fares three years after deregulation of entry. The Department of Urban Services ignored that fact in its review. The two are not mutually exclusive.

There are classic overseas examples in attachment I. If you have a look at what has happened in places such as Ireland, for example, or the US, you will find that, in the US, 22 cities deregulated and 15 of them, in a very short time, re-regulated and virtually all of them are now re-regulated.

The argument is about these public benefit issues. You will find that you are going to get clogging at the busy ranks such as those at airports and hotels, and when new entrants come in they always go to the busy ranks. It has not been accepted but it should be recognised, I am sorry, that when you have busy ranks, the business from those busy ranks often subsidises the outer suburb taxi fares. For example, if you are a taxi driver in Civic and you get a call to Gordon, you go to Gordon, you pick up and you have to take someone to Tuggeranong, you have lost money on the trip.

There are cross-subsidies between profitable and non-profitable runs. That has been recognised. As a result of deregulation, the profitable runs suddenly become non-profitable because taxi drivers are spending an hour, or an hour and a half waiting for a fare at those profitable ranks. We just do not have that independence, unfortunately. It is flowing through.

With respect to the states and territories—the first dot point there—we know that the Macquarie Bank through the NCC, came up with the buy-back scheme. The Western Australians have rejected a buy-back scheme, which is contrary to what DUS claims in its report. Queensland recently—and a press release from the minister is at attachment H—has said it will not deregulate and it will wear the cost of it.

As I have mentioned, the Northern Territory has deregulated twice and re-regulated since 2000. The Department of Urban Services suggests in its proposal that the penalty will be a wealth transfer of \$5.6 million, as claimed by Freehills. I would argue that that \$5.6 million so-called wealth transfer is incorrect: it was based on gross returns of investment, and did not take into account the cost of capital.

We believe that, next year, the ACT will lose \$1.5 million as a result of not deregulating taxis and pharmacies. The pharmacies are included in this, so the taxis will be much less than \$1.5 million. Given the budget surplus that we have here in the ACT, this is pretty small bickies.

The equivalent figure in New South Wales is \$51 million over five industries. What has been interesting as a result of this NCC move is that there is now no state or territory that has deregulated a taxi industry. Reviews and attempts at deregulation in the Northern Territory have shown that it does not work. A large number of overseas studies appear in our attachments that confirm this. Indeed, just in the last couple of weeks, we have received information from New Zealand, which has been held up as the great deregulator, that they are having huge problems in Auckland. There is now so much congestion downtown in Auckland with double parking of taxis filling up ranks, and so much abuse and fighting, that the Auckland city council is asking for re-regulation of entry.

After the Freehills report, the Queanbeyan cabs were allowed into the ACT. We had a second network coming in here and that meant competition. That seems to have been overlooked by those who are pushing for complete deregulation. We've also had an extra 20 WAT licences issued since March 2000. These licences are issued for six years at an annual fee of \$1,000. In the ACT, the WATs essentially operate as standard taxis. They do very little disabled work and our figures show it's less than 1.5 disabled services per taxi per day.

**THE CHAIR:** Can we come back to the WAT issue again?

**Prof Nicholls:** Yes, we can pick up on that later.

**MR HARGREAVES:** I think that is a separate issue.

**Prof Nicholls:** Yes, but we can certainly talk about it further.

Following the Freehills report, the ICRC did a review. We were concerned about that. Over the years, we've got to know Commissioner Baxter very well. We were surprised that the government went to the ICRC to do a further review, when it had already stated categorically that it believed in deregulation. That really surprised the industry. It was supposed to be an independent review but, of course, in his review the commissioner recorded that he believed in deregulation of entry and also deregulation of fares three years after deregulation of entry. No-one even attempted to go near that in Australia.

I might also point out that the deregulation of fares was overlooked by DUS in its submission.

**THE CHAIR:** Professor, you say that DUS overlooked the issue of deregulation of fares. Do you mean to say that it did not mention it, glossed over it or said that it was irrelevant?

**Prof Nicholls:** It reported the recommendations of the ICRC review as dot points, but didn't include the one on the deregulation of fares.

**THE CHAIR:** Thank you for pointing that out to us.

**MR HARGREAVES:** And thanks for bringing it up, Madam Chair.

**Prof Nicholls:** Basically, the NCC and the reviews that followed were arguments by theoretical economists, people I know. Stephen King did the Freehills reviews. He is a well-known deregulation economist from Melbourne and Paul Baxter was at the ICRC. They followed the theoretical economists of the productivity commission in a report it produced in 1999.

As our submission shows, there is plenty of evidence from overseas economists to show that the economic theory just does not hold in the rank and hail markets. Supply and demand arguments cannot hold there: you have a choice of one when you are hailing a taxi. The NCC admits that 40 to 60 per cent of the total Australian market is rank and hail. This is discussed in our submission.

None of the recommendations made by both the reviews here has said, "We want to deregulate entry", and has made a recommendation about how demand for taxi services can be increased. What has happened in the ACT—and we've given figures—is that the demand has declined dramatically. The number of meters on has declined 16 per cent since 1999 or, if you go back to 1996, it has declined 26 per cent. The number of meters on per taxi since 1999, with the increase in the number of taxis, has dropped off 22.9 per cent. This is without any deregulation whatsoever.

The industry has suffered, and we do have the extra competition from another 20 WATs and the 16 taxis from Queanbeyan.

**THE CHAIR:** Are we able to quantify the number of journeys from Queanbeyan taxis?

**Prof Nicholls:** Could I refer you to appendix G on compensation? If you go to page 5, the information is laid out there at the top. It is in table 1 at the bottom of page 4 and the top of page 5. They are actual data.

**THE CHAIR:** These are actual data about the number of metered journeys over those years, but that does not—

**Prof Nicholls:** Yes, for each year. Then we divide that by the relevant number of taxis in each year to give the number of meters on for the taxi.

**THE CHAIR:** But that is the other side of my question. My question is: can you quantify the number of journeys by Queanbeyan taxis in Canberra?

**Prof Nicholls:** No, we can't. They've only been here 12 months.

**THE CHAIR:** Yes.

**Prof Nicholls:** Certainly, they have hit the airport market solidly, as you'd expect.

**THE CHAIR:** Yes, but here you have figures from 1996 to 2002 showing a decline over that year of the number of meters on.

**Prof Nicholls:** Yes.

**THE CHAIR:** Okay. If the Queanbeyan taxis have only come in in the last year or so, can you account for the decline prior to the entry of Queanbeyan cabs into the market?

**Prof Nicholls:** The Queanbeyan cab numbers have not been included in those figures.

**THE CHAIR:** Yes, I understand that. What I'm trying to get at is that there is a demonstrable decline in these figures, and there are obviously factors in this other than the entry of Queanbeyan cabs, because that was only in the last year or so.

**Prof Nicholls:** Yes, the entry of Queanbeyan Cabs won't show up in these figures.

**MRS CROSS:** No, but your figures had already declined before they came into the market.

**Prof Nicholls:** Sure. That is absolutely correct.

**MRS CROSS:** That is what the figures say.

**THE CHAIR:** How do you account for that decline?

**Mr Muir:** You will notice that, in 1999, we saw the start of a rise in the number of hirings. As small as it might have been, it was still an increase. It was in 2000 that the additional 20 wheelchair-accessible taxis started to come onto the market, with no increase in demand and with, as we'll see later, a very small amount of wheelchair-accessible work. These taxis do about 95 per cent or more of their work as standard taxis. That has contributed to a decline over those years 1999 to 2002. The Queanbeyan taxis simply add to it.

**THE CHAIR:** Are the WATs measured in this?

**Mr Muir:** Yes.

**MRS CROSS:** How many of those taxis are there, for *Hansard*?

**Mr Muir:** About 26. Sorry, there are 26 in these figures. There are now 25.

**MRS CROSS:** If there are 26, what you're then saying is that, because of those 26 taxis, the numbers—

**Mr Muir:** Per taxi.

**MRS CROSS:** But your figures even declined in 2000 and continued to decline. Are you saying that that decrease was just caused by those 26 cabs?

**Mr Muir:** I'm saying they contribute significantly to it. It would be impossible to say any one issue has caused the total decline—

**THE CHAIR:** No, I didn't expect that you would say that.

**Mr Muir:** But they contribute significantly to it. When 26 vehicles come on—the amount of work they do represents in the vicinity of 24 standard taxis—without any increase in demand, you will see a decline in the number of meter-ons per taxi.

**MRS CROSS:** What other reasons are there for that decline? You said it's part of the problem.

**Prof Nicholls:** We believe government fleets such as DASFleet or Comcar—what do they call them now, John?—have been increased as well, so there will be less demand from government. There has also been a general decline in the demand for taxis.

**MRS CROSS:** Are you referring to the ACT government fleet or the federal one?

**Prof Nicholls:** The federal one.

**MRS CROSS:** So you're saying the size of the federal government fleet has increased. Do you know by how much?

**Prof Nicholls:** No, I'm sorry, I don't.

**Mr Muir:** Some external factors have affected the market and, again, quantifying them would be quite difficult. However, September 11, Ansett and other such issues affect the number of people who would be coming into town and therefore the number of hirings. They're just another part of the group of items that causes a decline in hirings.

**MR HARGREAVES:** I was looking at the 1997 figure there. You take a real nosedive in 1997 then lose 50,000, then the figure climbs back up a bit. It took a flogging in 1997 and then, gradually, from about 1999 onwards, it started to go back down again. Is that the sort of glitch that might be caused by the Prime Minister not living here, so the lobbyists are not coming here but are going to Sydney and Melbourne? We might then

lose a lot of that short airport-to-Parliament House or to the Barton precinct and back demand.

**Mr Muir:** We certainly noticed a decline when that happened, immediately. There was a general revamp of the Commonwealth public service about that time too, or just before it, and a thinning of the ranks. Obviously, people were also then being told to pull their heads in with regard to spending and so there was less travel. We suffered as a consequence because a lot of our work is business work. However, certainly the Commonwealth government's move to do some work outside of the ACT doesn't help us.

**MR HARGREAVES:** Is there any way we can get a bit of a handle on figures for private travel versus those for business travel? I don't suppose there is. What was going through my head was that I wanted to see the effect of movements in the biggest business in town, which is public service work, whether it be federal or territory. It seems to me that, if the federal government gets a cold, you get the flu.

**Mr Muir:** That's true. A large proportion of our work comes through the airport, and a large proportion of the people who come to Canberra through the airport are business people as opposed to tourists. Many tourists drive to Canberra from other locations in Australia, and come by bus and those sorts of things but, daily, it's the business people coming through the airport who affect us. If there is a major change in the way a government does business in Canberra, that will affect the flow of business people.

**Prof Nicholls:** Another example that has emerged in another city, Perth, in particular—and the NCC put me onto this—is that now the rental car companies make it so easy to rent cars that you can book ahead, walk out of the airport, pick up your key, go to bay 13, pick up your car, come back, throw the key on the desk and you're off. I was talking to Alan Thompson recently and that is exactly what he does in Melbourne.

We have no way of measuring what impact that has had on the taxi industry out at the airport but there are estimates that up to 80 per cent of business travellers to Perth just use the rental car system now. Because the airport is removed from the town, it's cheaper for them to pick up a rental car for the day and drop it off on the way back, rather than getting taxis to and from. I suspect there will be more and more of that happening in the ACT.

**MS DUNDAS:** This graph that you've given us talks about meters on. Is there any way of gauging how the change in the call system, that streamlined process, has affected demand as well? There is a difference between the number of calls you get through the centre requesting cabs or the number of people waiting at a rank for a cab, and the number of meters on, so do you have any way of gauging that?

**Mr Muir:** These meters-on figures are obviously the totals of both radio hirings and what you might call hail and rank work, which we call walk-ups. We can break that figure down into two parts but, in direct answer to your question, Roslyn, the figures you're seeing here do not reflect a change in method of dispatch. We first introduced data dispatch back in 1991 and so there is nothing in here reflecting a change in method of operation that would cause a change in the number of hirings.



**MS DUNDAS:** It would be interesting to get a greater feel for how people are using taxis. In the submission you've handed us today, you have mentioned the need to look at how ACTION is working on low patronage runs. That would mean an increase in walk-ons for taxis as opposed to an increase in call-outs. Knowing whether or not most of your work is coming through call-outs or walk-ons—

**Mr Muir:** To give you a feel for how those figures would break down, the ratio would be around 55 and 45 per cent or 60 and 40 per cent, radio to rank.

**THE CHAIR:** Previously, Professor Nicholls said that—

**Mr Muir:** There was a 40 to 60 ratio. That's a national ratio.

**THE CHAIR:** Rank and hail was estimated at 40 to 60 per cent.

**Mr Muir:** That's nationally.

**THE CHAIR:** Sorry, that is of the total Australian market.

**Mr Muir:** We are experiencing somewhere between 40 and 45 per cent for rank and hail, so we fall within that range.

**MRS CROSS:** On page 5, the first page 5 of your submission, it says at the top, "Until 1995 the number of taxi plates reflected the demand for taxi services." Can you explain how the minister's releasing plates reflects this, as you claim on this page? Wouldn't a deregulated market better reflect the demand for taxi services?

**Mr Muir:** We were going to give you the way forward later on in our submission, but I'll do that now. It is the way we achieved that equilibrium in the past.

**MRS CROSS:** Okay, before you do that then, can you also explain this to me: on page 5 you also talk about the problem in the United States but what examples do you have of violence that has occurred since deregulation in the United States? You do have this in your submission. You say that the taxi markets have cited violence since deregulation, but there are no examples there telling us where and how often.

**Mr Muir:** They are in the references we use to support our submission. They are the international studies that were done to which we refer.

**MRS CROSS:** I see.

**Mr Muir:** Rather than restate them, we referred to the studies that were there.

**Prof Nicholls:** Attachment I contains a whole list of information on the public benefit issues and the overseas experience, including in the US and so on.

**MRS CROSS:** Okay. I'm not an economist, but also on page 6 you say that "supply and demand analysis is inapplicable". Can you explain why that is?

**Prof Nicholls:** A simple way of looking at it is: if I'm standing downtown and I hail the taxi, I have a choice of one taxi. I can't negotiate with a bunch of taxis to get the cheapest fare. I can say, "How much is it going to cost to take me to the airport?" and the driver will give me a figure. I'm not in a position to argue with him, because I don't know how long it's going to take for the next taxi to come along. It is a supply issue—the taxis that are not there. You have a choice of one. Unless you have a line-up of taxis with whose drivers you can negotiate the best and most competitive price, then you have a real problem.

In the New Zealand case, when they first deregulated, what actually happened at Wellington airport was that everyone who had a taxi licence queued up and they had an enormous problem there. You'd go out and get into the first taxi and say, "Take me to the Hilton Hotel," and he'd say, "No. I've been waiting three hours. I want a longer fare. Get out." In the end, even though they deregulated in New Zealand, the airports had to re-regulate. They had to completely re-regulate the industry. You can see that worldwide. This is where supply and demand just completely collapses.

**THE CHAIR:** On the subject of negotiating a fare, Professor Nicholls, what you're actually describing is a meterless system, where you go along and barter. However, the thing is I can go along and say to a taxi driver, "What does it cost me to go to the airport?" and he'd say, "About . . ." or whatever, but—

**MRS CROSS:** You are still using the meter.

**THE CHAIR:** You still actually pay what is on the meter.

**Prof Nicholls:** Remember the maximum fares are set in the ACT. There is no reason why you cannot get an agreement with the taxi driver to charge less or to pay less, and he will charge less. The meter shows the maximum fare.

**THE CHAIR:** The meter shows the maximum fare. So, the next time I get into a taxi, I can say, "Get me there in five minutes and I'll give you 5 per cent"?

**Prof Nicholls:** Absolutely.

**Mr Muir:** The other issue is, in this business of supply, demand and negotiation, even if you have a rank full of taxis and you walk up to the first, check out the standard, look at the driver, ask for the price and work your way down the rank doing the same, as you might when you shop to pick the best answer, I can almost guarantee you the first taxi won't be there when you get back because, if I'm the second person coming to that rank, I'm going to get in and drive away. It's not the same sort of supply and demand market that you might see when you duck into David Jones and decide, "That is a bit expensive. I'll go across to Grace Brothers instead." It isn't that market. That is what the international studies have shown around the world: the prices are somewhat inelastic.

**THE CHAIR:** Yes, but what you are actually describing is an open slather approach: we take away perpetual licences and anyone who has a car who meets the fit and proper person test can become a taxi driver.

**Prof Nicholls:** This is what has happened in Ireland and it is reported in the public benefit paper. That is exactly what happened in Ireland.

**THE CHAIR:** That is what has happened in Ireland—

**Prof Nicholls:** And it's a disaster.

**Mr Muir:** And around the world.

**THE CHAIR:** And in places such as New Zealand, which actually means that everyone says, "I can make a reasonable crust out of being a taxi driver. I'll become a taxi driver," and then the market is oversupplied. There are presumably middle ways of ensuring an orderly growth in the number of taxis.

**Prof Nicholls:** Without regulation of some form.

**Mr Muir:** There is a way to ensure an orderly growth in taxis, yes, and we will propose that be adopted here. We will tell you how to do it.

**Prof Nicholls:** Yes, we'll address that.

Moving on: with respect to whether the government is serious about integrated public transport systems, we have actually proposed elsewhere that ACTION buses should be removed from low patronage after-hours routes and that the taxis should run around on those. They would pick up passengers and, if they got four or five passengers, they would call in another taxi. The government would subsidise them and it could save a heap of money.

**MS DUNDAS:** And the taxi just runs the bus route?

**Prof Nicholls:** The taxi runs the bus route.

**MS DUNDAS:** And it only gets the fare that it would get for running—

**Mr Muir:** Off the passenger. It would get a subsidy from government, which would have to be negotiated. We proposed this many years ago. We said that the poor patronage times for the buses were also the times when we had a considerable amount of excess capacity. The times just matched. We suggested that, at those times, it would be appropriate for taxis to run the feeder routes to the major bus interchanges. We're in no way wanting to run a major bus route. Our industry is not a mass transport provider. However, for the low patronage feeder routes, it would be far more economical to use our services.

**THE CHAIR:** Just as an example, you would take the 315 route, starting out at Fraser, and somebody would say that Aerial Taxis has permission to run that route.

**Prof Nicholls:** From 7 until 10 at night.

**THE CHAIR:** You go out and start at 10 past 7. You run the route, you go past every bus stop and, when you have four fares, you say, "I can't pick up any more," so you radio in and somebody else comes along and finishes the route.

**Prof Nicholls:** Yes.

**THE CHAIR:** You get \$2.50 for everyone who gets in because that is the fare, but you have an arrangement with ACTION to supplement your costs.

**Prof Nicholls:** With the government, yes.

**THE CHAIR:** It's not rocket science.

**Mr Muir:** No, it's very simple.

**Prof Nicholls:** You'll see in our submission that I refer to Wanganui and Palmerston in New Zealand. That is exactly what they did. They were lucky when they deregulated because they also deregulated the buses and they put the maxi taxis on these routes. The Queensland government is trying it out at Mount Tamborine in Queensland. We raised it with the ICRC commissioner. He put a statement in his last review of ACTION fare increases.

If the government is serious about an integrated transport system, it will not be rocket science either. Two years ago, when I was considering another matter, I took the number of ACT ratepayers and divided that into the total subsidy for ACTION buses and it works out that over \$400 per ratepayer per year is the subsidy to ACTION buses. If you couldn't reduce that significantly under a scheme like this, then there's something wrong. If they want an integrated transport system that's the way to go. That would then increase the demand for taxis. It is a proposal for increasing demand.

**MS DUNDAS:** The proposed discussion paper on sustainable transport, discussion on the light rail and discussion about how we've just upgraded all of our roads to encourage bikies would all have an impact on patronage for taxis. How do you see long-term transport changes affecting your industry?

**Prof Nicholls:** I suspect they are different markets.

**Mr Muir:** We don't see issues such as light rail or buses having an impact on us. We are separate but complementary transport systems within the total package. In this proposal of feeder route services in low patronage times, we're talking about, let's say, the 7 to 10 pm time and that sort of thing. There are probably not a lot of bike riders wanting to ride to the interchange to get a bus at that time. We're providing a service at a time when there are some people, but not a lot, who would want to go and use the other mass transport service.

**MS DUNDAS:** Over the last few years, you've shown a meter decline of somewhere between 19 and 22 per cent. If changes continue to occur in the way people in the ACT access transport, that would also have an impact. I'm trying to get a picture of what you think. Obviously, you think the government's plan of releasing 10 plates per year, come

hell or high water, is not sustainable, but what do you think is sustainable? Should we be looking at maintaining the number we have for the next five years or—

**Prof Nicholls:** Could we lead up to that?

**Mr Muir:** Because we have a proposal about how to do that.

**Prof Nicholls:** We're leading up. We are trying to get you all excited and then we will hit you with it.

**THE CHAIR:** Okay. Without appearing to be rude, we'll have to quickly cut to the chase because otherwise we're going to get seriously behind time.

**Prof Nicholls:** Okay. The next point was the issue of DUS, who just don't understand how the fare works. We've given figures there on how the setting of fares in the ACT works. They've given an analysis that is quite incorrect and I think it is important to recognise that.

**THE CHAIR:** Basically, what that boils down to is that—

**Prof Nicholls:** They don't understand.

**THE CHAIR:** They don't understand the difference between a licence and a lease.

**Prof Nicholls:** It is also the impact of reducing the lease fee from 26,000 to 16,000 and the dramatic impact that could have on a smaller business. Remember, we are talking about 242 small businesses here and that's important. The DUS data on network fees is also misleading. They're comparing apples with oranges there. We had a discussion on that. It is quite wrong and you may want to pick them up on that after you've had a look at what we've said.

It is important to recognise, and the overseas studies really emphasise, that you have to look at the ACT—it's a local environment here. We can't compare our taxi industry with anywhere else's. We have 48 per cent dead running time here, which is enormous. That is, of the 160,000 average kilometres travelled a year, 48 per cent of those kilometres are not paid for. There are no fares on them.

**MRS CROSS:** Compared to what figure, nationwide?

**Prof Nicholls:** I don't have that figure, I'm sorry, but our figure for the average kilometres travelled is much larger than that.

**THE CHAIR:** It doesn't matter, it's still a very large—

**Prof Nicholls:** Yes, because we're so spread out.

**MR HARGREAVES:** That proposal of yours, to form a partnership with ACTION on those low patronage routes, would go a long way to addressing that dead running time.

**Prof Nicholls:** Absolutely.

**THE CHAIR:** There are mutual benefits.

**MR HARGREAVES:** Yes.

**Prof Nicholls:** With respect to the proposed legislation, we believe it's going to be a disaster. You're talking about 242 small businesses who own plates, and another 700 drivers. No-one has considered the plight of the drivers themselves. They're always at the bottom of the heap. If you flood the market with more taxis, you're going to do irreparable damage to the driver industry. That is something that we're very aware of. That's introducing deregulation over time, rather than immediately.

We are also concerned that the responsibility for decision making on trials will be removed from the minister and given to the bureaucrats. We think it is absolutely ludicrous to let them make the decisions.

**MR HARGREAVES:** Scary, isn't it?

**Prof Nicholls:** As it stands, as you say, 10 per cent of plates a year are going to be released automatically, whether the demand is there or not. If we have declining demand, they are just going to release them. I don't know anywhere where they do that without taking account of demand. In his press statement, the minister said that they would review it after two years, but there is nothing in the legislation or the regulations to say there will be a review. This can continue on—

**THE CHAIR:** He is saying, "Trust me."

**Prof Nicholls:** Yes, exactly. Also, the public servants can issue as many non-standard plates as they want. They can put out as many WATs as they want or off-peak period plates, flood the market overnight and just destroy the market. That is a real concern. We're not taking into account the drop in demand.

With respect to compensation issues, advice from senior counsel has been that there are real compensation issues. If you lose part of your property, under the self-government act, you're entitled to compensation. It has to be just compensation and, under this scheme, there is absolutely no way that full compensation would be paid.

This is only a small point, but we also believe that it's quite unfair to have the plate owners paying the \$7.50 lift fee. We can subsidise the buses to the tune of \$400 per ratepayer or more, but we are expecting the operators to pick up the \$7.50 lift fee and not get a return—that is crazy. When you have a look at the DUS proposal, you will find that they do a great little financial analysis that, coming from a university, wouldn't have got three out of 10.

**THE CHAIR:** In economics 101?

**Prof Nicholls:** Yes, in high school economics. They're comparing apples with oranges, they're comparing it with the bond rate. Let's compare it with the property rate, as we suggest here. If you're investing in a set of plates or a bit of property, you're going to get

a return on both through your labour or your rent, and you'll get a capital gain. You can't compare it with the bond rate.

ACTPLA's submission does point out the sustainable passenger system and the triple bottom line approach of balancing economic, social and environmental goals. We couldn't agree more with that, and that is what we talked about earlier when we were discussing the public benefit issues. You can't separate the two. I will not push on.

In the review process, and the case of the taxis being obsessed with entry into the taxi market, there has been no weight placed on social or environmental issues. We've talked about the Northern Territory experience, which is fully laid out in the submission. As I said, I wrote that in February and it's been updated since June. They've completely re-regulated and they are fighting the federal government on public benefit issues. Socially, they have suffered a great deal up there.

Before I pass on to John, I should mention that we've had a large number of meetings with ICRC Commissioner Baxter on fare reviews. Each time we meet, he says that he wishes that the ICRC wasn't involved in the setting of fares. The ICRC usually has to do the large corporations—water, electricity and so on—but he has been stuck with the taxis. We are talking about a large number of small businesses here, 242, and he continually tells us he'd prefer not to be doing it. It is on those grounds that we've looked for a way ahead. I'll let John take over now.

**MRS CROSS:** So you agree that the ICRC should not be determining the price?

**Prof Nicholls:** Exactly.

**MRS CROSS:** I thought that you said the contrary.

**MR HARGREAVES:** So they should restrict themselves to the pricing of public utilities and leave the private sector alone?

**Prof Nicholls:** That is exactly correct. The ICRC is set up to deal with large corporations and not small business people. They have great trouble: they talk about returns on investments when we're looking at running costs and so on. His formula is being screwed up.

**MR HARGREAVES:** It is interesting that they regulate taxi hire rates but they don't regulate the hire rates for bicycles to run around the edge of the lake.

**Prof Nicholls:** I completely agree.

**Mr Muir:** I appreciate the time constraints and so I'll go on with our way ahead, Madam Chair. I will start by saying that, only two nights ago, I heard the Chief Minister address the Canberra business community. He explained to the community there that his government was committed to growing local business and to growing the private sector. I'm afraid that this commitment seems a bit at odds with the amendment bill, which seems to want to destroy local business and certainly get at the private sector. In our opinion, the amendment bill is an attempt to simply regulate deregulation.

We understand that we can't just tell you what's wrong: we have to tell you what to do instead.

**THE CHAIR:** We don't have to do it, but we do have to listen. We're all ears.

**Mr Muir:** What we recommend you do is release taxi plates in response to user demand, and let taxi plate numbers and demand be determined by a combination of parameters. The first of those is annually totalling the number of taxi plates in existence per head of employed population.

**MR HARGREAVES:** What happens if it goes down, John? What happens if 4,000 public servants are transferred to Melbourne? It has happened.

**Mr Muir:** Then there would be no increase in taxi numbers. You would be demonstrating that the potential demand is not there because you've had this outflow.

**MR HARGREAVES:** We're not talking about elasticity, we're talking about monitoring growth.

**Mr Muir:** As you asked, this is talking about how we release taxi plates, not how we take them back.

**THE CHAIR:** You work on the basis that the current number of taxis are a given?

**Mr Muir:** Yes.

**THE CHAIR:** Okay. At any one time?

**Mr Muir:** When we talk about WATs, we might talk about that in a bit more detail but, basically, yes.

The second parameter we propose is that the average number of radio hirings per taxi per month be totalled. This is another good indicator of the demand being realised. I can say that these parameters have been used in the past and, in answer to an earlier question, they were the parameters used to achieve the equilibrium, up to around 1995 or 1997.

**MR HARGREAVES:** Recognising that that represents 60 per cent of radio hirings?

**Mr Muir:** You see, back then, before 1995-1996, we only had the capacity to identify radio hirings through our computer system. We now have the capacity, as you've seen in those figures in our paper, to identify meters on. We can use a meters-on figure there to capture the entire market, not just the radio hiring market. We're proposing that we use those two parameters.

The third one we would use is our benchmark response times for meeting that demand. Unfortunately, since 1997, benchmark response times have been the only parameter used. We have met benchmark response times. There have been no plates released. The trouble with benchmark response times, in their own right, is that they don't take you the next step—they don't tell you how many plates to release because you aren't meeting



benchmark response times—whereas the first two parameters take you there. So we use all three to come up with the number of plates that should be released.

**THE CHAIR:** What you're saying, Mr Muir, is that you use benchmark response times to tell you whether you need more plates, and then you use the other parameters as an indicator of how many more?

**Mr Muir:** We suggest that we should be more proactive than that, and use all three every year. We go on here in our recommendation to suggest that these things be assessed and reported to the minister annually. Remember that the network must report monthly on its benchmark response times to government and, for about the last three or four years, there has been an annual independent survey done of our response times. It's an external audit on the reporting we're doing, and that also indicates whether our response times are being met.

**MR HARGREAVES:** Those response times would be affected, would they not, by the entry of Queanbeyan into the marketplace? Also, would they not be affected by the reluctance of quite a number of WAT operators to pick up people with a disability in the first place, so people with a disability endure a lot longer waiting times than you would find acceptable? Isn't it going to drag your response time average down if you have 40 of the things on the road?

**Mr Muir:** That is correct but, when we report, we report separately on standard and WAT response times, so you actually get a very clear picture of what each is doing. You can isolate them in that way and see just what effect they are having.

When that has been done and those parameters have been used, we recommend that the minister receives advice annually from a committee of suitable representatives of the taxi industry, the community and the bureaucracy, regarding the plate numbers—we would calculate that in the way I have just described—and on fare adjustments and how the fare should be adjusted.

As Professor Nicholls has already indicated, the application of the ICRC formula is not understood by the minister's department, and it showed that in its submission. It goes well beyond lease or other issues: it goes to how that formula is applied.

We suggest that the inclusion of a return on investment in the fare formula—and it was included by the ICRC—is contrived. Not only is it contrived, it does not take into the account the cost of that investment, so we have some return without any cost. I'd like to be in that marketplace if I can get a return without a cost.

The recommendations that we've provided to you in our submission provide for a service that is consumer driven—user demand. It provides for an economic environment in which taxi operators and drivers may conduct their business which has a semblance of market equilibrium.

It also provides a market in which standards can be realistically set, and this goes back, Madam Chair, to your question about deregulating entry but retaining standards. Everywhere that that has happened, it has become clear that you cannot retain standards because, once you divvy up the pie amongst a lot more suppliers, they can't afford to

maintain the standard that you want to maintain, and so they undercut it. You then have a huge policing problem, in a deregulated entry market, to try to get that standard back up to where it should be. That has been shown in all of the studies that we've presented to you in these papers.

**THE CHAIR:** When we talk about deregulation, you are quite right, most of us talk about entry. We might say, "Okay, it's open slather boys and you can do what you like." Most people can demonstrate, and I think Professor Nicholls has demonstrated, that this doesn't work in a variety of contexts.

However, the issue is that there are more impediments to entry than number: there are costs and a whole lot of other things. At the moment, in addition to regulating the number of taxis, we also have a very high cost of entry into the market because of plate costs—a substantial six-figure sum. I am not going to argue about what that six-figure sum is, but it is a substantial sum of money which is part of the problem of entry, but it is not just about money.

I think that some of these suggestions are good and that they should be considered by the committee, but they don't actually address the question of how entry should be priced. One of the most significant issues about entering is not the number but the price of entry.

**Mr Muir:** In the past, there has never been a reluctance to purchase when plates have been made available. The price has never inhibited entry. There have always been people prepared to enter at that price and those people set the price, because it's an auction price. I would suggest that the price is inconsequential, it does not matter, in so much as the claim that is made in a lot of the economically driven papers is that that price flows through to the fares. We can demonstrate to you that it does not and that, right back before self-government, there were documents on how fares were structured. There is no return on investment, there is no plate price and there is no payment for or interest rates on those plate prices in the fare structure. It is simply not there, so the price of the plate is not passed on to the public.

You are wondering whether you should be concerned about a marketplace that is happy to place a value on a plate. Going back to the earlier question about when the federal government changed its working relationship here and the size of its community, a lot of those people who were then made redundant had a considerable sum of money all of a sudden. They hadn't reached the end of their working lives, they'd done nothing else but work in the public service in Canberra, and wanted to stay here, so they bought a job. They were happy to buy a job in the form of a taxi plate. They had an expectation, as many do that at the end of the day, that there would be some capital gain, which will become their superannuation. I don't see anything wrong with those marketplace economics, so long as the service is being provided and you have the right number of taxis.

Our recommendation does that, in that it responds to the demand.

**THE CHAIR:** However, one of the issues is, has the fellow who, in 1996, took a package from the Commonwealth public service and invested it in a taxi plate, and now still owns a taxi plate, experienced capital gain?

**Prof Nicholls:** In attachment G, page 6, table 3, we provide the sale price of plates. You will notice there how the price of plates changed, from 1996, when it was about \$240,000, up to \$300,000 in 2000. In 1999-2000, there were many public service redundancies. Those public servants had money and they pushed the price of plates up to get into the market. Since then, the price of plates has declined and it is continuing to decline.

**Mr Muir:** One of the major reasons for that, Madam Chair, is that, since that time, the intensity of these reviews has been such that it has introduced instability into the marketplace, and some fear about the future. People have consequently stopped purchasing and plate prices have gone down.

**THE CHAIR:** But this table says that, not only is there not dollar gain, there is real decline.

**Prof Nicholls:** Absolutely.

**MS DUNDAS:** But it's also that the number of plates has increased, so the people who invested haven't actually seen that capital because they're still holding on to their plates.

**Mr Muir:** The number of standard plates and transferable plates hasn't increased since 1996.

**Prof Nicholls:** What has happened, Roslyn, is that, in 2000, another 20 WATs entered the marketplace. We have seen how that has pulled down the number of fares per taxi, and so the returns are not there. That is affecting the price.

**MRS CROSS:** What is your response to the other side of the argument, which has come to us as legislators? Anyone who buys a business—and I understand business because I come from that background—is not guaranteed a return on investment. There may be a figure on what the previous owner may have been reaping from the business, but no business is a guarantee. It's a risk, which is one of the reasons so many small businesses in Australia fail in the first five years. How do you respond to that?

**Prof Nicholls:** The way I would respond to that is, those who have been buying into this particular business have, in the past, had a fairly good idea of the risk, particularly from government, the so-called sovereign risk. All of a sudden, with all these reviews and National Competition Council policy, and so on, the sovereign risk has blown out. The risk from government and government decision making has increased dramatically, and there is no doubt that that degree of uncertainty has forced the price of the plates down.

**MRS CROSS:** Sure, but you can say the same thing about when the GST was introduced in Australia: it cost a lot of businesses money to implement and enforce it. There are many government decisions, federal—because I think the federal government has affected your industry somewhat—and perhaps local, that affect many types of businesses. Certain constituents ask me why we should do something special for the taxi and hire car industry and not for them.

**Mr Muir:** It goes beyond a simple marketplace risk. If the ACT government were to say that, tomorrow, 99-year leases would no longer exist on residential properties and you

had no option with that land, your house price would probably plummet. We'd probably say it's a bit unfair because everybody buys a house with the expectation that the old 99-year lease is going to roll and roll and roll, and that they would be able to buy and sell.

There has been an expectation built into taxi plates, because the government auctions them and sets the market for them, that there is a market for taxi plates built by the government. The government built it from scratch. For the government to take it away is akin to what I have just described. It is not a marketplace risk that is doing this: this is a fundamental issue of taking back property rights, and that is where compensation comes in.

**MS DUNDAS:** Do you know of any plates that are currently not being used in the sense that they're out there in the market, the owner just wants to sell them and they're not being picked up?

**Mr Muir:** No, none that are for sale. We know of one that's not being used, but that is because of a domestic issue.

**MS DUNDAS:** So all of the licences out there at the moment are being used?

**Mr Muir:** Sorry, there is one—and there may be two by now—WAT licence that has been handed back because it is not profitable.

**THE CHAIR:** Are there people who are not running their taxis full time?

**Mr Muir:** Yes, they are running their taxis full time. Everybody is whenever they can get a driver—that is the issue. Every car is available all the time but, because of the low return for drivers, there are some evenings when it is quite difficult to get a driver to fill the shift. That comes back to fares.

**THE CHAIR:** I am conscious of the time, members, but I want to ask a couple of specific questions. Are you aware of the submission made by the Macquarie Bank?

**Mr Muir:** We are.

**THE CHAIR:** Although that submission to us is confidential, I understand that the Macquarie Bank has had discussions with you in relation to its buy-back proposal. What is the Taxi Proprietors Association's view of that proposal?

**Mr Muir:** Our view is that its argument is based on all the wrong premises. It gets to its answer for all the wrong reasons. For all the reasons we've given you, we don't wish to get to that position of compensation. However, if the government's amendment bill and its aims were to come to fruition, then we would see compensation as being our only option, and we don't see how a government could fund compensation other than through the Macquarie Bank.

Certainly, for us, compensation is just compensation at the time of the hurt. That is not something that will spread over a number of years: it's only at the start point. Given that we're talking about \$50 million or more, then probably the Macquarie Bank has to come into play at that stage. However, it's very much our second-best option.

**Prof Nicholls:** You will see, in the attachment about the Northern Territory at the back of our submission, that the Northern Territory paid compensation. It cost them over \$25 million. They paid out the market value and they recouped that by imposing a licence fee of \$16,000 a year in Darwin for, they estimated, nine years. It has since blown out to 12 years. That licence fee has to be gathered each year.

Since then, they have actually deregulated and re-regulated twice, so they're back to re-regulated taxis and capped taxi numbers, and they still have that debt hanging over their heads that has to be funded through the licence fees.

**MRS CROSS:** Can I just get clarification, Professor Nicholls? You said that the Northern Territory paid \$25 million in compensation—

**Prof Nicholls:** They paid the market value.

**THE CHAIR:** Of budget.

**MRS CROSS:** Of budget, and then they charged a \$16,000 licence fee?

**Prof Nicholls:** In Darwin, it was \$16,000, but it went down to \$4,000 in Tennant Creek. Basically, it was a \$16,000 annual licence fee.

**MRS CROSS:** Right, and now they've gone back?

**Prof Nicholls:** To pay off that debt.

**Mr Muir:** Can I also say, Madam Chair, that our resistance to getting to the compensation point is not just a stubborn one; it's one that comes from the point of view that we still want to have an industry in which to work. Where they did compensate in the Northern Territory, that industry went straight down the drain afterwards, which has caused them to re-regulate. We don't want to work in an environment like that. We're very proud of the industry we have and the service we provide, and we want to be able to keep providing it so that the community benefits from the industry we currently have.

**MS DUNDAS:** This whole discussion is being driven by national competition policy and—

**Prof Nicholls:** That is why we are here today.

**MS DUNDAS:** Yes. The question then is: if national competition policy wasn't on the agenda, would you think there was reform needed in the ACT taxi industry anyway?

**Prof Nicholls:** No, Roslyn. All of the independent surveys that have been done since this national competition policy issue was raised have shown us to be far in front in the eyes of the public. In every survey done, on the scale of one to five, where five is the highest rating, our service has been rated above four across eight characteristics. The surveys were conducted at the time when I believe the bureaucrats who fired them up thought we would get a pretty lousy response that would support their approach—"We should deregulate because the service is no good here." Time and time again, we have shown

how good it is and therefore I don't think there is a reason for regulatory review. It was running quite smoothly.

**THE CHAIR:** If members have finished on this, I want to go back to the issue of the WAT taxis. I am conscious that we're going over time, but I think it's important. You have said today that, if we had a perfect market, we actually created an eddy at the side which has had ramifications throughout. We have a whole swag of people who have paid \$165,000, \$280,000, \$240,000 or \$249,000 for a plate and the right to operate a licence, and then we've introduced this special category of licences which are now quite fluid in the market. Mr Muir, you're saying that one, and possibly two, have withdrawn from the market and, at the same time, you are saying that the ones that are in the market are skewing it. Is that a reasonable summary of your attitude to WAT taxis?

**Prof Nicholls:** John can correct me if I'm wrong, because we haven't done a song and dance act about this but, the WATs have been rather interesting because they come in paying out \$1,000 a year, rather than paying \$230,000 or \$250,000 as we do. They pay \$1,000 a year for six years and their set-up costs are obviously a bit more. However, once they get into the market, they can act as standard taxis. What has happened is that the government's approach has been shown to be quite wrong. They have said that the disabled aren't being picked up quickly enough, so we should put more WATs on to the market. That has made no difference.

We actually suggested to the ICRC, when it did a review of WATs, that we introduce a lift fee and they rejected that. Then it went to the government, and it went back, and the \$7.50 lift fee was finally adopted to compensate owners for the time of loading the disabled and so on, to make them drop everything, get out of the queue at the airport, and go and pick up a disabled person. That is what it's all about.

As I said in the presentation, I found it abhorrent that the standard taxi operator now has to pick up the cost of that lift fee through this legislation. That is just outrageous. If that's not working, then what will make people pick up the disabled? We believe that there are about 10 WATs too many in the marketplace for the demand. There is effectively a transfer of wealth from the standard drivers to those 10 WAT drivers, because they're just doing standard taxi work. If you talk about \$140,000 a year, that's \$1.5 million a year that your standard drivers, who've paid for their licences and plates, are not getting that is being picked up by the WATs. That is the way the market is working out there. If you said the lift fee was \$20—

**THE CHAIR:** In a moment, I will recount an incident that was related to me by a constituent. It was not in a submission to this inquiry but I think that it characterises what's happened. But, before I do that, I want to ask whether you can you tell how many of the fares picked up by WATs are actually those of disabled people availing themselves of the services, and how many of them are those of groups of kids going out on a Saturday night who think, "There are six or eight of us so we'll get a big taxi and that will cut down our costs."

**Prof Nicholls:** There are some figures in our submission. John extracted them for a six-month period. For an average WAT, you have 3,900 fares in the six months and 245 of those are disabled.

**THE CHAIR:** I can't do the math, but it's a pretty low percentage.

**Prof Nicholls:** Yes, that is where I got my figure of less than 1.5 per WAT per day. It is in the submission.

**THE CHAIR:** Now I will recount the experience that was related to me by a constituent. This person lives on the edge of the ACT, in the outer suburbs, and has a disabled child who has severe mobility problems. Their principal outing, each month, is to go to one of the disabled facilities. This mother has experienced an irregular problem in that the child will get to where they're going and then the taxi will not come to pick them up to take them home.

On one occasion, about which she wrote to me, the problem was that the taxi didn't turn up. It was booked two days before—this is a regular event so she booked the taxi—but it didn't turn up for the return journey, which created a lot of problems for the disabled child, the parents and the people at the facility. She approached Aerial and—

**MR HARGREAVES:** Canberra Cabs.

**THE CHAIR:** Sorry, Canberra Cabs. I stand corrected. The woman on the phone and on the radio was very helpful and attempted to get a cab. The first person who had a WAT, the next closest person, refused to take the fare because that person was on one side of town and didn't want to go to the other side of town. The next person she found could not take the fare because the current driver was under a restraining order that prevented him or her from going to this particular facility.

**Mr Muir:** I am aware of the incident.

**THE CHAIR:** Can you explain to me why somebody is licensed to drive a taxi, let alone a WAT, and yet is under a restraining order that prevents him or her going to particular places?

**Mr Muir:** I can't give you the details, but I can tell you that it's my understanding that the problem arose between the driver and an individual who was a resident at that place. A personal relationship developed which the individual then didn't want to continue, and so the order was taken out to prevent the driver going there. It's not as though there had been an incident involving him and all of the disabled people that meant he had to be prevented from dealing with disabled people. It was a personal, domestic incident between the two people.

**THE CHAIR:** One off.

**Mr Muir:** They then didn't want that driver to go back to that location because the person who had been involved in the incident with the driver was at that location. I think that's as detailed as I can be on that issue.

**MR HARGREAVES:** I think we got the picture.

**THE CHAIR:** Would it be unusual for a taxi driver to be under a restraining order?

**Mr Muir:** It's the only one I've known of in the 12 years I've been in the industry.

**THE CHAIR:** Would someone who was under a restraining order meet the fit and proper person criteria allowing that person to maintain a taxi licence?

**Mr Muir:** I can't answer that. The Department of Urban Services could answer that question.

**MRS CROSS:** Can you tell us if this restraining order was based on physical abuse?

**Mr Muir:** Again, it would be a matter of establishing that.

**THE CHAIR:** No, I don't think we should go there.

**MRS CROSS:** I would have concerns, that's all.

**Mr Muir:** It would be a matter of whether or not it was a one-on-one thing or whether this person, the driver, was likely to be physically abusive, let's say, to the disabled community at large. That is another issue.

**MRS CROSS:** No, you can be an abuser and abuse one person.

**MR HARGREAVES:** I think the salient point that Mr Muir made is that this is the first time he's seen it in 12 years of service. We have to put it into context.

**Mr Muir:** We were surprised when we were told that this was the case. I wasn't as surprised when I realised the circumstances.

**Prof Nicholls:** The figures of 245 out of 3,900 were recorded between January and June 2003 and they are on page 13 of our submission.

**THE CHAIR:** And that was for one—

**Prof Nicholls:** That was the average.

**THE CHAIR:** Is there anything else for Aerial?

**MRS CROSS:** Canberra Cabs.

**THE CHAIR:** Sorry. Old habits die hard. Thank you very much for your time, for coming here today and for your submission.

**MR HARGREAVES:** It was a very detailed submission.



**DAVID WILLETTS** and

**WARREN SCANES**

were called.

**THE CHAIR:** I am not sure whether you were here when I read the riot act the last time. I will do it again to make sure that it's entirely valid. You should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections, but also certain responsibilities. It means that you are protected from certain legal action, such as being sued for defamation for what you say at this public hearing. It also means that you have a responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

Thank you very much for attending the first day's hearings of the Standing Committee on Planning and Environment into the Road Transport (Public Passenger Services) Amendment Bill 2003 and associated matters. When you first speak, so as to assist Hansard, please identify yourself. Would someone like to make an opening submission?

**Mr Willetts:** Yes. My name is David Willetts from Dallarooma Pty Ltd, trading as CBD Chauffeured Transport. What we propose to do today is go through my submission, reading it for you to take note of what is in the submission, and anything that I miss I will hand to Mr Warren Scanes, who is our business manager.

Just a rundown on our business, and it pales in comparison with Canberra Cabs: we're only a very small family business. Previous to February 2002, we traded under various trading names and one of them was Hughes Chauffeured Limousines, which you might have heard of, but in 2002 we ceased to be a licensee of that organisation. In 1997, we had three hire cars and two minibuses. Since then we have steadily grown and we are now the largest combined hire car and bus operator in Canberra. Our fleet consists of seven hire cars, one stretch limousine, three small passenger vehicles, four light buses and two medium buses, which I've listed in the submission.

**MRS CROSS:** How do you determine that you're the largest?

**Mr Willetts:** Combined; there's nobody else who's got the mixture that we have.

**MRS CROSS:** I see, the mixture not the number.

**MR HARGREAVES:** How many buses do you have?

**Mr Willetts:** We have three small passenger vehicles, Toyota Taragos; four light buses, which are Toyota commuter vans and two Volkswagen Transporters; and two medium-size buses, 20-seat Toyota Coasters. Our fleet is diverse and, through this diversity, we are able to satisfy the requirements of a large sector of the community. The 17 vehicles in the fleet represent jobs for 20 full-time and 10 part-time drivers, which is a significant factor to take into account. We're a family business and all the directors work in the business for a low pecuniary reward. Most days we start at 5 o'clock in the morning and

often work until 11 o'clock at night, and it's often seven days a week. I'm just trying to outline the way that our business operates.

About two years ago, after the Ansett collapse, from which we lost about \$35,000, we took a corporate decision to diversify our hire car fleet from the traditional corporate level of Ford Fairlanes and Holden Statesman models and incorporated three silver Ford Falcon sedans because of the lower price. Through this low price we were able to offer what we call a no-frills service. This was done with the written consent of ACT Urban Services, as there was no restriction at that time on the model of car that could be licensed as a hire car.

**THE CHAIR:** Does that mean that that has changed since then?

**Mr Willetts:** In the regulations that have been proposed and this committee is considering, there are stated minimum requirements for hire cars.

**THE CHAIR:** For the record, what are they now?

**Mr Willetts:** I believe it just goes on the wheelbase—2,900 millimetres. I think that's the size.

**THE CHAIR:** So that the only criterion is the wheelbase.

**Mr Willetts:** The wheelbase. That's in the actual proposed legislation.

**MR HARGREAVES:** A Fairlane is longer than a Fairmont.

**THE CHAIR:** So that it doesn't matter about the fitout, the engine capacity or anything like that?

**Mr Willetts:** No. We are proposing that there should be better regulations than just that.

**MR HARGREAVES:** Going down that path about a no-frills service, what is the difference between a taxi ride and a no-frills service?

**Mr Willetts:** We offer meet and greet at the airport and it's always a prebooked service; it's not off any rank or anything like that. Our drivers are neatly dressed and all speak very good English. What I'm saying is it's a service that's a little bit of both.

**MR HARGREAVES:** I'll turn the question round the other way. Can you tell me where the frills are? My understanding of a hire car, and I think it is great, is that there is a bloke there waiting for you and you get in the car, it's yours, bang, no waiting, off you go, super clean, nice vehicle.

**THE CHAIR:** But there is a difference.

**MR HARGREAVES:** But I'm trying to get a handle on the difference between the with and without frills.

**Mr Willetts:** The difference, of course, is the model of car. Hire cars are traditionally at least a Ford Fairlane or a Holden Statesman, which is a bigger limousine than a Ford Falcon, for instance.

**THE CHAIR:** In this case, it is a matter of the size of the vehicle, not the engine capacity or anything else; it's really about how long it is.

**Mr Willetts:** The size of the interior fittings.

**MRS CROSS:** I won't speak for Canberra, but I've used both services elsewhere and there is a difference between a no-frills hire car and a full service hire car. There is a difference.

**Mr Willetts:** Because we could offer this no-frills service, it was a reflection of the price we were offering as well. There was some resentment from the rest of the hire car operators in Canberra, but at the budget fare the travelling public welcomed this innovative introduction.

**MR HARGREAVES:** Can you tell me the normal fare and the budget fare so that I can see what the discount was?

**Mr Willetts:** We were offering a \$22 fare from the airport to Civic.

**MR HARGREAVES:** What would be the taxi fare for the same period?

**Mr Willetts:** Between \$16 and \$17.

**MR HARGREAVES:** So you're looking at a \$5 extra charge for the no-frills.

**Mr Willetts:** Yes. The normal hire car was offering it at \$30 to \$35. That's from the rank at the airport.

**MR HARGREAVES:** That's a good comparison.

**THE CHAIR:** You're not ranking, you're prebooked, so that if somebody coming in is wanting to be picked up and wanting to be sure that there's a car there you're offering a service which is at a modest premium over the taxis and a discount on a longer wheelbase car?

**Mr Willetts:** That's correct.

**Mr Scanes:** If I could just correct a figure there. My name is Warren Scanes and Mr Willetts has introduced me. The prebooked service in a limousine can cost up to \$46.20 from the airport to the city.

**MRS CROSS:** Do you mean a stretch limousine?

**Mr Scanes:** No, just a hire car.

**MRS CROSS:** Who charges that, because I've never paid that?

**Mr Scanes:** We used to charge that when we were Hughes Limousines.

**MRS CROSS:** Right. The rates have gone down, though, haven't they? Yes.

**Mr Scanes:** I hope that we've had something to do with that.

**MR HARGREAVES:** You have said here that the travelling public welcomed this innovative introduction. How did you measure that?

**Mr Willetts:** Something like a 300 per cent rise in the booked jobs that we had on our system. In fact, our cars are so busy these days from booked jobs that they very rarely go on the airport rank to supplement their income. We've got a turnover of booked jobs continually, all day, and it was never like that before. There would be periods in most days when there was no work for any cars and all our cars would be out from the airport rank.

**MS DUNDAS:** Can I clarify something? You said that it's quite possible that your cars could just join the queue at the taxi rank.

**Mr Willetts:** Not on the taxi rank. There's a separate rank at the airport for hire cars. In fact, Canberra is the only place in Australia which allows that. It came after the pilots strike—to supplement the hire car operators' income—because there was just no income for them at all when the pilots strike was on.

**MS DUNDAS:** Could we, because of time, focus on the deregulation aspect of the legislation? The question that I asked earlier was: do you actually think that there is any problem in the hire car industry or any form of private transport that is forcing us to go down a regulated route? Do you think that the current situation is fine?

**Mr Willetts:** No, we believe that it should be deregulated.

**MS DUNDAS:** Why?

**Mr Willetts:** Because of the experience that we've had before.

**MS DUNDAS:** How would deregulation benefit?

**Mr Willetts:** There would be more competition.

**MR HARGREAVES:** Wouldn't the value of the asset, your business, just disappear?

**Mr Willetts:** I don't believe it would.

**MR HARGREAVES:** You still reckon you could sell it.

**Mr Willetts:** I'll just clarify that. We don't own any plates at all. Our interest isn't in investing in a plate. We lease all our plates, so it wouldn't really matter to us if we leased them from private individuals or from government. The only difference would be that the

government would set a value on them probably lower than what we pay now, so we'd be better off.

**MS DUNDAS:** You offer a particular service, but it does compete with taxis in the sense of people looking to hire a vehicle to get them from one place to another. If the taxi industry were deregulated and there was an increased number of taxis running at a lower fare to meet market demand, you don't see that as impacting on the business?

**Mr Willetts:** I can't really speak for the taxi market. I can only speak for the hire car market.

**MS DUNDAS:** You just judge yourself in the hire car market.

**Mr Willetts:** Yes.

**MRS CROSS:** So you have no dead running time.

**Mr Scanes:** We have heaps of dead running time. We do pick-ups in Tuggeranong and we only charge one way. We don't have a base to base fee. Our running time, we haven't done any estimates on it, but the taxis tell you that it's 40 per cent. Ours would be either equal to or more than that.

**MRS CROSS:** If it is, why are you in favour of deregulation?

**Mr Scanes:** Because it would give us a choice of motor vehicles that we can use. We can use cheaper running vehicles and still supply the hire car service of meet and greet, load the bags and carry bags into people's houses, which are traditional hire car chauffeur duties.

**MS DUNDAS:** Basically, you just want greater access to the types of vehicles that you can utilise.

**Mr Scanes:** Yes.

**MR HARGREAVES:** So the notion of hire cars being prestige vehicles is actually working against your being able to make a decent quid in the marketplace the way it is at the moment.

**Mr Scanes:** We have found a niche in the business with nine-seat passenger vehicles, which are licensed as buses in New South Wales and are operating quite efficiently there without any problems from the hire car or the taxi industry and they're giving people the choice of multiple passengers and getting the hire car service with those vehicles. We run our business on a guaranteed pick-up time. If we're not there on time the passenger doesn't pay. We're not here to denigrate the taxi industry, but we don't take bookings that would prevent us being on time to pick up a passenger. We have a reliability factor there that we're inundated with bookings of a morning from those people who have a fear of missing an aircraft.

**MRS CROSS:** If you're late, you don't charge the passenger.

**Mr Scanes:** That's correct.

**Mr Willetts:** Do you want our business card to use in future?

**MRS CROSS:** Given that you have cornered a market niche, given that you are the intermediary between the taxi and the luxury hire car and you have a niche market there, why would you want to change things?

**Mr Willetts:** We just want the regulations to help us to grow a little.

**MRS CROSS:** Would you be prepared to compete, if there was deregulation, with the hire car industry as far as maintaining the standards that they have in their industry?

**Mr Willetts:** Don't forget we do have some top of the line corporate cars as well. We can service a whole range of clients. We are not just going for one market.

**MRS CROSS:** I understand.

**Mr Willetts:** That's why we've got the corporate limousines. We have got buses as well.

**MS DUNDAS:** Do you think that the restrictions that are put on licensing and leasing fares for a 9-seat minibus should be the same as those that are put on a 4-seat car?

**Mr Willetts:** There are extra costs in running a 9-seat minibus, of course. That compensates for the fact that there are added running costs as well. Are you asking why should that compete with normal cars?

**MS DUNDAS:** You are asking for greater diversity in the number of vehicles that you can utilise, but do you see that greater diversity also should reflect different regimes for each of those vehicles, because there are things that you can do with a 9-seat minibus that you can't do with a standard 4-seat car?

**Mr Willetts:** Yes, you can carry one passenger or you can carry nine passengers and it can do both one-passenger work or nine-passenger work, so it's flexible in its usage.

**MRS CROSS:** There seems to be a lot of hostility among various groups in the industry. I have had constituents talk to me about the difference in service and standard of all sorts of things from taxis right up to luxury hire cars. Do you think that deregulation will solve all that? While you're thinking of the answer, what do you say to those who have invested six-figure amounts for a licence plate to work in this industry and then others who only have to pay a leasing amount, so there's a difference between renting a plate and buying it? You've got the business owner and then you've got the investor in a business. What would you say to that?

**Mr Willetts:** It's a business choice that you've made, like any small business. As I said before, we're in small business and we lost \$35,000 in the Ansett collapse. It's a risk that you take when you go into it in the first place.

**MR HARGREAVES:** On that note, when the Commonwealth government decided to do over the hire car industry there was a lot of lost revenue, something like 30 per cent of

the potential. I'm just wondering whether your response to that is to lower the standard of vehicles which are available, the no-frills service, so that you can actually recoup that loss. Is that one of the reactions that your part of the industry has had to that?

**Mr Willetts:** Exactly, yes, and we've seen this with managing directors of companies saying to their employees, "I use a taxi. You can use a taxi. I'm not paying for a hire car." You can see this with the airlines as well. They've gone more to the economy seats. All airlines around the world are offering a no-frills service, with fewer first-class passengers and business-class passengers. It's the same; it flows through. That idea in business flows through to ground transportation. Managing directors find taxis, especially in Canberra because the standard of taxis in Canberra has improved a lot. I give it to Canberra Cabs that they're very well presented for the most part. People are happy in the most part to take a cab from the point of view of the standard, whereas before it used to be a little bit tatty.

**MR HARGREAVES:** If I wanted to have someone pick me up at the airport, I would ring in. The number presumably would be a yellow pages number if I haven't got your business card on my person. How does the message get from the person I speak to into the cars? Is there a network?

**Mr Scanes:** Two-way radio systems.

**Mr Willett:** Two-way radio.

**MR HARGREAVES:** So you've actually got a radio network.

**Mr Willett:** Yes.

**MR HARGREAVES:** Okay. Isn't the no-frills silver Ford Falcon just a very mini taxi service thing?

**Mr Willett:** Like I said, we do offer more.

**MR HARGREAVES:** You actually have a mini taxi service operating in town through CBD, so the statement that we need to look at Canberra Cabs to comply with national competition policy falls over about now because, in effect, your organisation is actually providing an alternative taxi network, even though it hasn't got lots of vehicles doing it.

**Mr Willett:** Exactly.

**MR HARGREAVES:** The possibility is there. You are running in competition. Therefore, we have already complied with competition policy.

**Mr Willett:** Exactly.

**MR HARGREAVES:** Because your service is a full-on taxi service, isn't it?

**MRS CROSS:** Actually, you've got a foot in each camp.

**MR HARGREAVES:** With the add-on of the luxury bit as well.

**Mr Willetts:** Rather than calling it a no-frills hire car service, you can call it a taxi service with pluses.

**MR HARGREAVES:** The difference between the vehicles is the colour, isn't it?

**MRS CROSS:** And the size.

**Mr Willetts:** We do have other vehicles as well which we offer and operate under the no-frills service. We have the Taragos and the Volkswagen Transporters and we offer the silver Falcons. I must say that when the corporate vehicles are not busy they tag on to the end of the Falcon services as well, so they're used to back up that service as well.

**MRS CROSS:** They multitask.

**Mr Willetts:** Yes. Although the silver Falcons can't go up to the corporate level, the corporate cars can come down whenever we're busy in that area and help out.

**MRS CROSS:** So you're right, John; in effect, it's almost like a deregulation.

**MR HARGREAVES:** It's a second taxi network and you've also got luxury access. If the whole air crew come off the plane, they can hop into one of your nine-seaters and go, which is a taxi service—either that or get into one of the wheelchair accessibles or the bigger ones.

**MRS CROSS:** That's a very good observation because, now that I've seen how diverse CBD is, they're already in each market and they've got a bob each way.

**MR HARGREAVES:** That's why the deregulated market would suit your business quite well, because you wouldn't have the taxis complaining about you doing taxi work and you wouldn't have the luxury cars complaining about you doing the luxury work. The little bus people wouldn't complain about it, either. It would free up the marketplace completely and it would be cost to the consumer driven.

**MRS CROSS:** But it would matter, because if we go by the people we've had come forward already, and we don't have a position on this, if you wanted more licences to do more taxi work and if you wanted more plates to do more hire car work, then you're already taking business away. It would depend on the number, of course, that you'd want. In one way it's competitive and in another way people would say that you're taking business away from those other niche markets because you've got a foot in each camp.

**Mr Willetts:** John Muir never complains about CBD. We have a very good relationship with him, because we help him to cope with the peaks of their business, which stops the public getting on his back.

**MR HARGREAVES:** The fact that you charge more than he does in the first place for the same trip might contribute to the affection, I imagine.

**Mr Willetts:** Yes.



**MRS CROSS:** Do you have a problem with the hire car industry?

**Mr Willetts:** We do.

**MRS CROSS:** Why is that?

**Mr Willetts:** Because they can see us traditionally eating into their market.

**MRS CROSS:** It's got nothing to do with the fact that they bought their plates for a high amount and you just lease them?

**Mr Willetts:** No.

**MRS CROSS:** It's not that?

**Mr Willetts:** No.

**MR HARGREAVES:** One of the things that we are worried about with deregulation is the effect that it will have on standards—the standard of safety of vehicles and that sort of stuff. It doesn't really matter to you, does it, who owns the plates, whether the government owns the plates or an individual owns the plates?

**Mr Willetts:** No.

**MR HARGREAVES:** The type and quality of the vehicle, the training that needs to occur for the driver, the passenger loadings and all that, do you see those things being affected by all of this?

**Mr Willetts:** The vehicle is inspected annually.

**MR HARGREAVES:** The same story.

**Mr Willetts:** Yes.

**Mr Scanes:** A very rigid examination, we might add, at Dickson Motor Registry.

**MR HARGREAVES:** Do the Department of Urban Services people, between rego checks, actually look at how you're operating within the industry and other people may be operating within the industry to make sure that the regulations within which you operate actually are not being abused by other people, like some of the RHVs?

**Mr Scanes:** The checks done by Urban Services inspectors, to our knowledge, are rare. There are numerous complaints made to Urban Services about unlicensed operators and we in the industry receive little feedback as to the action taken by Urban Services. They use the provisions of the Privacy Act, and wrongly, not to tell those in the industry of what action they've taken against illegal operators.

**MR HARGREAVES:** Am I correct in assuming that you haven't heard of anybody being taken to court for breaches of those regulations?

**Mr Scanes:** No.

**MR HARGREAVES:** Thanks for that. That just confirms my view. Any more questions?

**MRS CROSS:** No. Thank you very much.

**MR HARGREAVES:** Thanks very much for that and for your submission; it has been most enlightening.

**HOWARD GARNIER,**

**BERT TRENERY and**

**LARAINÉ STEPHENSON**

were called.

**THE DEPUTY CHAIR:** You should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections but also certain responsibilities. It means that you are protected from certain legal action, such as being sued for defamation for what you say at this public hearing. It also means that you have a responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

The normal story is that we invite you to make an opening statement and then we follow with questions.

**Mr Garnier:** I am Howard Garnier, Joint Secretary of the Limousine Industry Association of Canberra and Queanbeyan. I should point out that our submission calls us something else on the letterhead and we apologise for that; that was a misnomer. We are in fact the Limousine Industry Association—not whatever was on the heading there.

**Mr Trenery:** I am Bert Trenery, representing the Limousine Industry Association. I am currently president, and my two colleagues are committee members also. We know that there is a limited time span available to you, but the three of us would like to reiterate the main points of our submission. Our submission really covers what we are seeking from the committee and, consequently, from the government, but we are happy to answer questions that you might wish to ask us.

We want to impress on the committee that the hire car industry currently consists of two types of operations or operators. Firstly, there are those licensed operators with H-plated vehicles who either lease or own a plate. Leasing costs about \$10,000 a year, \$800 a month, at the moment. Owners of plates, depending when they bought them, could have paid up to \$140,000 over the years.

The other category involves people who are operating registered licensed vehicles which do not have H plates. We have MO vehicles and we have some RHV, restricted hire vehicles, which do bite into the industry's normal hire car work, which makes it an uneven field. It is one of our big concerns. The MOs and the RHVs are really operating with those plates as a means of operating a hire car. That is a concern to the people who have been in the business for some time because this trend has really emerged over the last few years. In the past, all hire cars in Canberra were H-plated vehicles and there was no intrusion into the system. The RHVs were designated some years ago to deal with the overflow of work, to deal only with school formals towards the end of the year and weddings throughout the year. Then approval was given for them to help out in high-demand cases such as presidential visits and so forth; we have recently just gone through one of those. We have no problems with that; that helps deal with the demands on the market.

**THE DEPUTY CHAIR:** There are peaks and troughs; but the peaks are predictable, are they?

**Mr Trener:** Those high-demand cases are quite infrequent really. They really only occur when there is something special on—maybe the Olympic Games; maybe the Masters Games, although I do not think that was a demand this year; maybe the Rugby World Cup that has just taken place. The last two biggest occasions have been on major foreign presidential or US presidential visits. There may be a demand at other times for one or two or a small number of cars, but a large influx of RHV special requirements is very rare really.

**THE DEPUTY CHAIR:** So, apart from those presidential visits, it is still fairly predictable in terms of end of school year, graduations from RMC et cetera—those sorts of things—

**MRS CROSS:** High school graduations.

**MR HARGREAVES:** Yes; they are all fairly well known, aren't they?

**Mr Trener:** Yes.

**MR HARGREAVES:** And my understanding is that there aren't too many of them?

**Mr Trener:** For the end of the year school formals, I do not think you will find extra demand other than RHVs. The hire cars and the RHVs do service that demand, so there is no additional requirement for those. It is only when there is, say, a presidential visit that the number of hire cars is really insufficient and needs to be boosted temporarily.

**THE DEPUTY CHAIR:** So, outside of those known peaks—when the ANU has its graduation, schools have their graduations and all those sorts of things—there is no real need to have RHVs around?

**Mr Trener:** Not doing hire car work; that is right.

**THE DEPUTY CHAIR:** Okay, I understand.

**Mr Trener:** There is another category of tourist buses that run with MO plates. By and large they do not interfere with the industry at all because they are legitimate tourist operators. We do not see them operating around town as a hire car generally. That is one of the categories that the new bill is proposing and we have no problem with that.

On the issue of small buses and charters, a few years ago DUS clarified what a charter and what a tourist licence was for a small bus. That has now been combined as tour and charter. We have asked DUS to clarify for us what charter actually covers, but I think we have failed to get some clarification.

**Mr Garnier:** Yes.

**Mr Trenergy:** So that is a bit of a grey area that we are concerned about and that needs to be looked at and tidied up.

**MRS CROSS:** Why are you concerned about it?

**Mr Trenergy:** It is hard to know whether a small vehicle with an MO plate is doing a tourist job or any other work.

**MRS CROSS:** What is it allowed to do?

**Mr Trenergy:** In the past it was only allowed to do tourist work.

**MRS CROSS:** Okay; so it has changed now?

**Mr Trenergy:** It has changed to tourist and charter.

**MRS CROSS:** Okay; so what is the hazy area?

**Mr Trenergy:** The hazy area is the charter area.

**MRS CROSS:** Right. Because?

**Mr Trenergy:** Because an MO vehicle can pick up a person at a hotel and take them to the airport, and do that under the banner of a charter, whereas in the past a small vehicle, a small bus, could not. Because it now can, or is termed to do that, it is really running a hire car service.

**MRS CROSS:** Was the change in definition done for the purposes of the consumer having the flexibility to be able to use any sort of vehicle?

**Mr Trenergy:** I do not know; DUS changed it without consultation with the industry.

**MS DUNDAS:** Is your concern really that vehicles whose licences mean that they should be travelling around the lake and possibly taking people from their hotel to the Library and then up to Parliament House are actually doing the airport runs?

**Mr Trenergy:** Yes.

**MS DUNDAS:** Whilst the airport has been through a lot of redevelopment, really it is not a tourist destination at this point. So the concern is that the tourist market has stretched over to airport runs?

**Mr Garnier:** The major concern about this is the fact that these vehicles are paying a one-off price of \$150—not even an annual fee of any description—and are actually competing in a practical way with hire cars that are paying either about \$120,000 for a plate as an owner-operator, or about \$10,000 a year for a lease, as CBD does.

**MRS CROSS:** Who pays \$150?

**Mr Garnier:** All these MO-plated vehicles.

**MRS CROSS:** For the purposes of *Hansard*, what is MO?

**Mr Trenergy:** Sorry, motor omnibus. It is on all sized buses in the ACT.

**Mr Garnier:** We see this as a gross inequity in the industry. That was proven when CBD were giving evidence a while ago. You can see the proliferation of these types of vehicles intruding into the hire car industry when in the old days their sole province was to do tourist work, weddings, formals, all these shuttles and what have you—and they paid a corresponding price for that. Now we have two types of vehicle operating in the one market—one at an astronomical cost compared to what you might call zero for the other. That is why CBD can discount fares.

**MS DUNDAS:** So would you say that there are changes needed to the current situation?

**Mr Garnier:** Absolutely.

**MS DUNDAS:** We are looking at a piece of legislation that brings about an increase in the number of licences and a change in how the taxi industry works and looks at also how the hire car industry works. You are saying that the changes proposed by that legislation do not address the problems that you think need to be fixed, or address it in the wrong way?

**Mr Trenergy:** Well, in a way they are going to label the small bus as a tourist bus and have a registration on it which may continue to be MO. Therefore, it does not necessarily cover the situation that we have at the moment. If someone wants to run a vehicle, whether it be a luxury sedan, or say an upmarket Tarago or a Chrysler Voyager, as a hire car, they certainly can and that will still provide a choice of vehicle for the consumer. But we are saying that the people who want to do hire car work should have a hire car plate.

**MRS CROSS:** What do you think of the no-frills one, though?

**Mr Trenergy:** No frills will come automatically with the standard of service that is being offered in the industry.

**MRS CROSS:** Well, it is also the lower price too.

**Mr Trenergy:** That is right.

**MRS CROSS:** We heard the prices that were mentioned before. The no frills—

**THE CHAIR:** The price of the vehicle, not the price of the—

**MRS CROSS:** Yes, it is in between a taxi and a hire car, but they offer to do the same thing as a hire car.

**Mr Trenergy:** Yes, that can still continue. The thing is that the previous motor transport act and regulations did specify a minimum size of wheel base for a hire car. But that is not the case today. If someone wants to use a Falcon, a Tarago or any other suitable

public-passenger-carrying vehicle, that is quite all right with us, providing they have a hire car licence plate.

**THE CHAIR:** Can I interpose there? I would like to get a feeling for what the industry thinks is the defining element. What is a hire car trip as opposed to somebody who runs a tourist bus operation? It can be a frills or no-frills hire car trip, but what is the defining element of a hire car trip?

**Mr Trenergy:** Well, we all might give you some definitions to some degree. Initially, a chauffeured hire car is going to be an upmarket vehicle and service that you are going to pay for, and usually you will pay a bit more than you do for a taxi. It is for people who want reliability and the comfort of a more spacious car than they can get if they take a taxi or any other vehicle. They want dedicated service and they want to know that the vehicle is going to be waiting close by and that the driver is going to recognise them and assist them into the vehicle and away they go, with no problems at all, as Mr Hargreaves said before. It is a service that is the most efficient you can buy.

**MS DUNDAS:** But it also is a service that you specifically request. You cannot flag a hire car down from the middle of Civic in that sense. You have to phone ahead.

**THE CHAIR:** It has to be prebooked.

**MS DUNDAS:** Except for that rank at the airport.

**Mr Trenergy:** That is right; it has to be prebooked.

**THE CHAIR:** Aside from the quality of the vehicle, I want to find out what defines the difference between a taxi journey, a hire car journey and the journey that someone may take in an MO vehicle for a tourism purpose as opposed to the MO vehicles that you say are imposing themselves into the hire car area. I really want to find out what is the defining element of a hire car journey as opposed to those other two categories?

**Mr Garnier:** If I could just speak personally, I do not believe there is any difference other than the type of vehicle that is used. Between a limousine and a Tarago bus, there would be a difference in the type of service you are providing. It gets back to this inequity that has grown up in the industry. Hire cars in the old days performed a whole range of things, from tourist work to weddings to formals to whatever. I do not think there was any defining difference in those days. But now we find there are two types of vehicle operating in the industry, one paying \$150 and the others about \$10,000 a year.

**THE CHAIR:** Yes, that is what I am trying to get at. If you had, say, a small delegation of seven people who wanted to do this, this and this and prebook it, you would probably provide a people-mover type of thing for that, simply because you could not fit them all into the one car. So there is actually a space in the market for that sort of thing.

**Mr Garnier:** Absolutely, I would think so.

**THE CHAIR:** It could be a small sporting team comprising half a dozen kids and their coach who come to town to play in a competition or a small delegation, et cetera, et cetera that need more space. Your concern is that the vehicle that provides that service

is plated in a way that gives them an advantage in the market because their entry price is so much less than yours.

**Mr Garnier:** Absolutely. I think you will find in our submission that we have indicated that the consumer range of choice is much wider now because of the variety of vehicles that can be used—and we have no objection to that. In fact, we believe the consumer should have maximum choice. It gets down to this basis that everybody should be competing on a level playing field. We do not want everybody dragged up to \$10,000 a year either. What we are looking for is a level playing field that allows everybody to compete evenly and provides the consumer with the widest range of choice possible at the lowest possible price.

**THE CHAIR:** So the issue is not the type of vehicle; it is the entry cost for doing a similar sort of job.

**Mr Garnier:** That is right.

**Ms Stephenson:** I am Laraine Stephenson and I am treasurer of the Limousine Industry Association. If people want to choose a Tarago or a hire car, that is fine. But do not forget that a Tarago has the same seating capacity as a stretch limousine, which has to have an H plate on. Basically, taxis can do anything whatsoever; there are ranks all around the place and they can be hailed. We can do anything. We hope we do it better—we are sure we do it better—than taxis because there is not quite such the rush and everything. But we have not got ranks; the work is all prebooked except for the airport.

Traditionally, each hire car did three to four tours a week. Then mini-buses came into vogue—at first they were fairly rough things to ride in but they are now becoming quite luxurious—and people-movers. They are coming into the market at a very much-reduced price—about \$150 entry fee, the same as the Taragos—so that we cannot compete on the tour market any more. If everybody is on a level playing field, it is totally the client's choice. The department seems to have made a decision that they will make the market choice by making the entry fee, which I think runs against the NCC, really.

**THE CHAIR:** In the current regulations is there a limit on the number of seats for a hire car vehicle, either upper or lower?

**Ms Stephenson:** That is an interesting one. One of the owners of a limousine decided that he would update to one of the newest style stretches that are available, which was a 10-seater. He was off the road for five weeks because the department did not know what it was. It is a bus because it is a 10-seater. The minister has put through that it is registered as an H plate, so it has the expensive plate on it. But the right-hand side door at the rear cannot be opened because it is a bus. That of itself almost tells the whole story of the industry. We believe that we have been deregulated for a long time with the RHVs and the small MOs. So deregulation is not all that different, other than that we would be looking for compensation.

**MS DUNDAS:** So what is it that you actually do want to see? You have identified all these problems with definitions and licence fees. A solution has been put forward of greater deregulation of some definition or another. What would you actually like to see happen?



**Mr Trenerly:** Other than the operational sort of standards that we have just covered, the other main concern is what is going to happen to the people who have paid a lot of money for a H plate. At the moment, of the 22 ACT H plates something like two-thirds are currently leased, not operated by the person who owns the plate. There are people who are owners who do not want to be owners any more, but for the last three or more years they have not been able to sell that plate. It has been difficult to even lease the plate. Up to three H plates have been handed back to the motor registry for safe keeping because they were not on a vehicle; they have to be handed in if they are not on an approved hire car vehicle. So this is a big concern.

**THE CHAIR:** But somebody still owns the rights to those plates.

**MS DUNDAS:** But they're not earning.

**Mr Trenerly:** The owner paid, say, \$120,000—

**THE CHAIR:** Just take me through this. Because plates are not physically attached to vehicles, the motor registry has to hold them? But the government does not own them; they are owned by private individuals and the motor registry looks after the plates.

**Mr Trenerly:** The motor registry will not allow them to be out of their possession if they are not on a registered vehicle. At the moment some of those plates have come back out of the motor registry, but they have been there for some time—since late last year, one of them?

**Mr Garnier:** One of them was close on 12 months.

**Mr Trenerly:** So the concern is for the future of the industry and what happens to all these plates that are out there. There are some people who own the plates who have retired and moved out of Canberra. They managed to lease their plate to someone, but they really want to get rid of it. They did not buy it for any capital gain. I think \$120,000 to \$125,000 is around the norm, and that is what the selling price has been over the last three or four years—up to four years. So people are trying to work out how they can get out of the game and not lose that capital. I am not saying that a lot of people bought them for an investment purpose at all; if you were going to be in the business for 10 years, which is pretty much the norm, over the years you would pay more to lease a plate than you would to buy one. Over the years it has cost more to lease a plate than it costs today. It is now around 33<sup>1</sup>/<sub>3</sub> or 40 per cent cheaper to lease a plate than it was four, five, eight years ago.

**THE CHAIR:** So what would you be paying for a lease now?

**Mr Trenerly:** At the moment about \$800—some less, some more.

**THE CHAIR:** Is that a month?

**Mr Garnier:** Some of them are down to as much as \$600 and \$700 a month.

**MS DUNDAS:** But is that something to do with the market as well?

**Mr Trenerly:** It is to do with the demand. And the demand has diminished since the first Freehill report happened. That is the problem.

**MS DUNDAS:** So I will ask the question again: what would you like to see happen?

**Mr Trenerly:** What we would like to see is in our submission, and it is basically a buyback proposal from the government and for us to start again on, we think, a lease basis. Two-thirds of the plates are leased at the moment. Why does the government not lease plates out, to recoup some of the money that it might buy back with? It could be either a commercial, privately funded buyback or a government one; we can talk a bit more on that. But that is basically what we want to do. We want to make sure that no-one really loses their business on this. Remember that the government sold those plates originally as a business and people paid tax on them as a business—a business tax. The minimum legislated price was \$60,000 back in the mid-eighties, so it should be around \$120,000 or the value today, which is probably about the same. I think that is what the ICRC concluded. We would like to see the owners compensated or the plates bought back, whatever you like to call it, and the issue of plates under lease.

**MRS CROSS:** So what do you think about the Macquarie Bank proposal?

**Mr Garnier:** Our market at the moment has been influenced quite significantly by this four-year period review. We have a deregulated market operating around 22 plates.

**MR HARGREAVES:** Can I just ask another couple of points to clarify this. It seems to me that there are a couple of little points that perhaps need to be put on the record from your point of view. It seems that, with the RHVs doing in a sense illegal work and not being pulled up or prosecuted, and with the emergence of the smaller MOs, what is happening is that the marketplace is being deregulated by default—

**Mr Garnier:** Absolutely.

**MR HARGREAVES:** and that we actually have a regulated regime which is not being enforced. On top of that, if I heard you correctly, uncertainty hit about four years ago when the Freehill report came out. So now the value of those plates is affected by the uncertainty about what is going to happen in the industry within the context of a de facto deregulated market. Am I hearing that the thing is in such terminal mortality and so complicated that there is no real way of rescuing it and going back and that the best thing to do at the moment would be to embrace a buyback system and then wipe the slate and have open slather on people-moving other than taxis?

**Mr Garnier:** I could not have said it better, John. That encapsulates the whole situation. Yet two years ago we were in this room arguing for a status quo which a standing committee of the Assembly actually endorsed.

**MR HARGREAVES:** Unanimously.

**Mr Garnier:** It was not picked up by the government incumbent now. Since that time we have had to move to a position of saying that it is unrecoverable. What you have just described is a situation that is exacerbated every day. Really, the only way of solving that

is to remove those 22 plates from the system, wipe the slate clean, have a deregulated market with accreditation to establish and enforce standards, and allow the consumer choice.

That could be done in a number of ways. Helen, you were asking about our attitude to the Western Australian proposal. I think we see that as a practical way of dealing with our problem, but we recognise that the hire car industry in Canberra is far too small to justify a Macquarie Bank type proposal; the bank has told us that. So, unless the government decides to do that in relation to the taxi industry as well, we do not see that as a practical proposition. But we do believe that the government in a practical sense can fund the buyback. I think it would cost something like 2.64 million. The government could do that in one of two ways. It could regard that, as we suggest it should, as an investment in a viable, productive, vibrant, competitive market for the future that will take account of future trends and consumer choice et cetera, and not try to recover that money, in which case it could set a lease fee or maybe not have a lease fee at all. It would certainly be in a position to establish a sensible point of entry cost so that the market is not absolutely burgeoning with plates but the number is kept at a reasonable, practical level.

**THE CHAIR:** This is a very important issue, and I do not know that I really got to the base of it when we talked with the taxi industry. I am not sure whether you were here for all of that. There are two issues, it seems to me, about deregulating entry. One of the issues is cost. Putting aside for the moment the MO, the cost for the strictly hire car plate is high, because you have to pay for or lease a plate at a fairly substantial fee. In the same way, entry into the taxi industry is high because you have to pay for or lease a taxi plate at a substantial fee.

The other issue about entry is the number of plates in the market. I am not quite sure that we have really plumbed this with the taxi industry to the extent that I am entirely satisfied. You can do something about the entry price, but you do not have to throw the baby out with the bathwater. It seems that what is being put to us by the taxi industry is that we do something about the entry price and also do something about the number of plates and we will end up with a sort of free-for-all. I do not think that anyone who has come here has said that we should do something about both the entry price and the number. I think that we can actually do something about the entry price without doing anything about the number, without sort of opening the industry up to sort of infinite competition in the number of plates, either in the taxi industry or in the hire car areas.

**MRS CROSS:** So you would not be as worried about deregulation if the compensation was what you wanted and then it started again and it was open slather, would you?

**Mr Garnier:** We are concerned about how to provide a competitive industry for the future. It is not just a personal thing of getting the money and running. We would like to see the industry reformed for the future.

**THE CHAIR:** And also have an orderly increase in the number of plates.

**Mr Garnier:** If the government had a lease fee, it could regulate it to have some control over the number of plates in the system without actually putting a limit on them.

**THE CHAIR:** So you would not necessarily see a sort of a numeric limit that you visited and reviewed on a regular basis as the only mechanism?

**Mr Garnier:** The lease fee could be reviewed and used as a mechanism for controlling the number of plates.

**Ms Stephenson:** It is harder in the hire car industry because there are two major companies, CBD and Canberra Hire Cars, and the others are all very much independent. So it is very hard to get figures together in the way that Canberra Cabs can with all their cabs and the huge computer system that runs them.

**THE CHAIR:** Centralised booking.

**Ms Stephenson:** Yes. So it is a lot harder to do it in the hire car industry.

**Mr Garnier:** We have independents, as well, who operate over mobile phones.

**Ms Stephenson:** It has taken us a long time to change our position. We have been having meetings weekly where we sit down and just throw these things around. We are very concerned about how the industry would be even if we were bought back, because we know what we have been through. The buses, for instance, have had all their legislation and rules changed. The Taragos are now in a situation where they will not be able to hold those MO plates forever because they are in a transitional period.

We were not involved in that bus thing. My opinion is that a bus should be 19 seats and up and that everything under that should be a people-mover. These have been cutting into the hire car industry for a long time. We talked about tourism. I can go back probably 12 years when we had overseas visitors at the airport come up with vouchers and ask, “Are you for us?” Our staff would say, “Well, the office has probably made a mistake and we haven’t been given this booking,” and so they would call the office—I was in the office at the time—and we would not have the booking. This happened quite a bit, and it was mainly because people were not being picked up. If they had been picked up on time, we would not have known a thing about it. Eventually we got some booking numbers and things—I actually have a photocopy of one of them—and sent them off to the company that had sent this through to a bus company. Those people were paying overseas for a limousine tour service here but were being picked up by minibuses. We would not have known anything about it if that bus company had been on time. These are the sorts of things that can happen.

Hire cars used to have the Ansett crew contract until the company put on two Taragos at a very reduced price, so all of a sudden there was \$120,000 taken out of the hire car industry. That can be taken out of one company; but it all goes around. I just think there should be a level playing field for all of those, whether they be a sedan, a stretch or a people-mover. Then you will not have all these little things, which are never going to be policed because they cannot be.

Then you are providing a range of services that are tailored to particular niches in the market. But the level playing field is there, so you do not have these ridiculous things happening. We will never know how much that affected the tourist industry, because the complaints did not happen here. We only found this out through late pick-ups. But those

people would go back overseas and say, “Never pay for a limousine service in Canberra, because you don’t get it.”

**MR HARGREAVES:** I recall, too, that you made representations to the bureaucrats that have responsibility for the enforcement of it, and you showed them photographs of people operating RHVs illegally, and nothing happened beyond that point.

**Ms Stephenson:** No. We gave over the wedding cars and the RHVs in the public interest, so that weddings could have choices and everything, and the department said, “Once we get this through, there will be enough legislation so that the minute they do anything wrong they’ll be fined \$5,000.” Well, that was about 10 years ago and nothing has happened.

**MRS CROSS:** So it has not been enforced.

**Ms Stephenson:** No. This is why we have got to the situation where we are almost saying, “Well, open it up as a blanket thing for RHVs, people-movers and everything, on the same level playing field,” and then they cannot compete unevenly.

**THE CHAIR:** Just a technical question, Laraine: you said that you thought that a bus should be anything over 19 seats.

**Ms Stephenson:** Yes.

**THE CHAIR:** Where does the drivers licence requirement cut in?

**MS DUNDAS:** It is around there; you can drive a minibus with your regular drivers licence.

**THE CHAIR:** It is on the back, is it?

**MS DUNDAS:** Yes.

**MR HARGREAVES:** An MR licence is for any medium rigid vehicle with two axles and a gross vehicle mass over eight tonnes other than a motorcycle. There are two points I would make there. Firstly, a 19-seater bus, or thereabouts, is over eight tonnes, so you can have a drive of one of those, and, secondly, I have not seen a motorcycle over eight tonnes in my life.

**Ms Stephenson:** Evil Knievel used to drive one.

**THE CHAIR:** I hate to use a really bad analogy, but you could drive a Mack truck through that definition!

**Ms Stephenson:** Exactly.

**MR HARGREAVES:** Yes, but not an eight-tonne motorcycle.

**MS DUNDAS:** Most of the Canberra schools have minibuses; they fit up to 12 and you can drive them with your regular drivers licence. That is where I put the gauge.

**Mr Trener:** There are self-drive ones with about 12 or 14 seats—an AVIS bus.

**Ms Stephenson:** I think that, as part of the investigation, bus legislation should be looked at again.

**THE CHAIR:** It seems reasonable to have consistency. If you need a bus licence to drive it, perhaps it should be a motor omnibus; if you do not, it should be some sort of car.

**MR HARGREAVES:** Yes. You should not have a vehicle with an MO plate on it unless you have to have a bus drivers licence to drive the thing; it works in reverse, doesn't it?

**Ms Stephenson:** Yes. The example I gave you about stretch is just typical of the whole thing. That is why we are throwing our arms up in the air and saying that the whole thing needs to be—

**MR HARGREAVES:** The ridiculous example that was used before was that if you have a right-hand rear door you cannot open it onto the road—and not too many buses have got a right-hand rear door—

**MRS CROSS:** I think that is the most ridiculous thing I have ever heard.

**MR HARGREAVES:** So it is a bit silly.

**Ms Stephenson:** Well, I am sorry, but—

**MRS CROSS:** No, it is good that you told us.

**Mr Garnier:** It was purely an oversight by the department when they did that legislation; they just did not provide—

**MR HARGREAVES:** It seems as though it is not rescueable, so we need to have more definitions. I just wanted to explore with you the other thing, too. National competition policy is all about getting rid of legislation that encourages monopolistic practice. You could argue that Canberra Cabs is a co-operative monopoly, but I think we have just seen this morning from CBD that even that is under challenge now. Correct me if I am wrong, but the only access people have to the limousine industry is through the Yellow Pages. There is no single network, so there is no monopoly. You compete against each other for the pricing structure because you are not subject to the ICRC. So, because there is no concept of monopoly, there is heaps of competition in it and that is why you have two large companies and a series of independents. The independents have been able to survive because it is a competitive marketplace. So the question is: why on earth does anybody have to attack the industry under the guise of national competition policy?

**Ms Stephenson:** Well, the biggest competition in the industry is Comcar.

**MRS CROSS:** You mean, the federal government; you can ask the minister that one.

**Ms Stephenson:** We wonder why it does not come under the national competition policy because, even though they charge something like \$85 to \$90 an hour, we cannot go up there and compete with them.

**Mr Garnier:** And you could not leave it as it is. You say not to attack the industry; but it does need urgent reform to remove those inequities.

**THE CHAIR:** But what we are talking about is reform rather than deregulation. From the discussion here, we have already agreed that it is pretty much deregulated.

**Ms Stephenson:** Yes.

**Mr Garnier:** Well, I mean reform provided that there is equity, justice and fairness for the people that are existing in the industry. One thing I did not mention that I think is important and has not been raised very much during this whole debate is the ability for existing people to get out of the industry. People are absolutely locked into our industry at the moment; people that own plates and have been in there for years and years and years have no way of exiting that industry, no way of recovering—

**THE CHAIR:** Because there is no market.

**Mr Garnier:** With the auction system that is proposed in the bill, or any other form of restricted licensing, there is always a way in which you can cater for growing demand; but nobody has ever dealt with the issue of oversupply. How do you get rid of plates that you do not need in there, apart from people going broke?

**MR HARGREAVES:** If I suggested to you that I had a good business proposition for you—a property that is not going to increase in its capital value; rather, it is going to decrease in its capital value by 10 per cent a year for the next seven or eight years—would you take that proposal up with me?

**Mr Garnier:** No, my word! I was going to propose that to you, John, actually.

**MR HARGREAVES:** Is that what is happening to the plates in your industry?

**Mr Garnier:** That is what is going to happen in the auction system.

**MR HARGREAVES:** So that is why nobody is interested in buying a plate, because it is a guaranteed loss.

**Mr Garnier:** Would we go and buy a house if it was going to devalue by 10 per cent a year? No way.

**Mr Trenery:** The government is lowering the price each year if there is not a sale. You would be silly to want to buy a plate when you could wait another year and get it 10 per cent cheaper. The other thing is that the release of additional perpetual plates is just exacerbating the current system; it does not solve anything.

**Ms Stephenson:** Can I just bring up another subject? You are probably aware from our submission that the three Queanbeyan plates that are allowed to work in the ACT have

all had an offer of buyback from the New South Wales government in the form of a share in the taxi plate. They have worked out a formula of what they purchased their hire car plate for and what the taxi plate was worth at the same time. The one thing that worries us is—

**MR HARGREAVES:** It is about half, isn't it?

**Ms Stephenson:** It depends on where you make that—

**Mr Garnier:** It depends on the ratio of hire car to taxi plate at the time, what the relationship was at the time of purpose.

**MRS CROSS:** But I have heard that that has not been very successful, has it?

**Mr Garnier:** Well, an offer has only just been made.

**MRS CROSS:** Yes, I have heard about it.

**Ms Stephenson:** Yes, the offer has just been made, but let us say that it is 50 per cent, so for five years they can lease that plate or operate it and they get 100 per cent of the income. At the end of five years they can either buy out the 50 per cent at the current taxi rate or they can sell it and they get 50/50. I mean in some cases they're getting 79 per cent or whatever.

**THE CHAIR:** But this is still a perpetual plate?

**Ms Stephenson:** They get a share in a taxi plate; they hand in their hire car plate—

**Mr Garnier:** The hire car plate gets handed in and in return they get an equity in a taxi plate which is based on how much they paid for their hire car plate at the time and how much the taxi plate would have been worth at the time.

**MR HARGREAVES:** Is that a pseudo increase for the number of taxis in Queanbeyan?

**Mr Garnier:** It is New South Wales wide.

**MR HARGREAVES:** That is a sneaky way of increasing the number of taxi plates.

**Mr Garnier:** Absolutely—and getting rid of the hire cars.

**Ms Stephenson:** And then they can lease a hire car plate. Our concern is that those three have had special permission to work in the ACT. Harold Hird said at the last inquiry here that he regarded the industry as being deregulated because the three Queanbeyan plates had been allowed to work in it all that time. But our big concern is that, without us even knowing, they might be able to do that exchange and then lease a New South Wales plate, being the same registration plate as they have, and still work in the ACT, even though the three original ones were the ones that had the special permission. Apparently, New South Wales country leases are a lot cheaper than city leases. City leases are \$8,000 per year. So that is another concern because those are three plates that are not ACT and are and not funding any money into the ACT whatsoever.



**Mr Garnier:** Can I make just one other point about what happens in other jurisdictions in the hire car industry. In New South Wales the hire car industry is deregulated. There's an \$8,000 per annum lease fee.

**THE CHAIR:** And the New South Wales Department of Transport administers that?

**Mr Garnier:** Yes. In Victoria the hire car industry is deregulated. There's a \$60,000 up-front, one-off fee. I haven't got to the bottom of how they justify that or how that actually works.

**THE CHAIR:** I think it's just revenue raising, by the sound of it.

**Mr Garnier:** It probably is. Anyway, there's no limit on the number of plates. I'm told that in Queensland hire car licences are released as they see fit, so there's some sort of control there. In South Australia the hire car industry has been deregulated since 1991 and there's an \$1,100 per annum lease fee. In Western Australia—

**THE CHAIR:** When you say “deregulated”, how? They've taken away perpetual licence?

**Mr Garnier:** I'll put it in a different way: there is no limit on the number of licences and they are issued by the government.

**THE CHAIR:** But there is no perpetual licence?

**Mr Garnier:** There is no perpetual licence. That is to the best of my understanding anyway from my enquiries. In Western Australia the same situation applies and there's only a nominal fee. There are restrictions to services; they are restricted to only prebooked work of at least one hour's duration and they must charge 60 per cent more than the taxi rate. Don't ask me how that one works!

**MRS CROSS:** That's WA.

**Mr Garnier:** That's Western Australia. They're a long way away. Tasmania has been deregulated since the year 2000. They have removed all restrictions and there's a \$5,000 one-off up-front fee. In the Northern Territory the hire car industry is deregulated and there's only one hire car category and there is a \$6,000 per annum fee.

**THE CHAIR:** So in all of those areas except Queensland there are no limits on the number of vehicles—

**Mr Garnier:** That's as I understand it. In some cases that goes back many years. As Canberra Cabs mentioned here this morning, I think you will find that in most, if not all, jurisdictions very little has been done in relation to the taxi industry. We would argue that it is quite possible for the ACT government to deal with the hire car industry separate from the taxi industry in Canberra. I noticed in the DUS submission that they indicated they weren't prepared to do that because of what they consider to be a competition for common services by both industries, which I just do not think holds water. I think we made that point in our comments on that particular document.

**THE CHAIR:** There being no more questions, thank you very much.

**Sitting suspended from 12.59 to 2.04 pm.**

**DENIS O'BRIEN** was called.

**THE CHAIR:** I will begin the afternoon session of day one of the inquiry of the Standing Committee on Planning and Environment into the Road Transport (Public Passenger Services) Amendment Bill 2003 with formal proceedings. You should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections but also certain responsibilities. It means that you are protected from certain legal action, such as being sued for defamation for what you might say at this public hearing. It also means that you have the responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

Welcome, Mr O'Brien. Would you like to make an opening presentation? When you first speak, please identify yourself for the benefit of Hansard.

**Mr O'Brien:** Thanks very much. My name is Denis O'Brien. I've been a taxi driver, taxi manager, taxi lessee and eventually taxi owner over the last 16 years in the ACT. I've got a presentation here and thank you very much for the opportunity to put it to you. I would like to address the formal written presentation in the submission that I've given, but I will just address the key items of that rather than going through the whole lot.

As you know, on 17 June the Assembly voted to refer the proposed legislation to reform the ACT taxi industry to this standing committee. The decision by the Assembly was taken against the recent background of a number of independent reviews of the ACT taxi industry conducted by prominent proponents of free market economic theory. The momentum for taxi industry deregulation has been driven by experts in the deregulation industry, not by community concern. They have failed to address empirical evidence that contradicts their preferred results. This committee review is an opportunity for individual elected representatives of the Canberra community to evaluate the opinions of these experts and to contrast their theories against observed facts and reasonably projectable, commonsense outcomes.

The bill proposes to remove existing legislation which empowers only the minister to determine the number of taxi licences on issue and which also prevents the Road Transport Authority from issuing any licences that exceed the number determined by the minister. These changes will accompany the introduction of a process of annual releases of taxi plates. This means that the number of taxis in the ACT can increase by in excess of 20 per year each year for as long as the legislation exists. At its extreme, this legislation will enable the number of taxis in the ACT to more than double, from 217 to 459, within eight years; that's standard taxis. It's important to note that the formula underlying the release of taxi plates makes no attempt to match the supply of taxis with the community demand for taxi services.

Another feature of the bill is that it devalues taxi plates over time. The question would appear to be how the process for the continuous release of taxi plates under the conditions envisaged by the proposed legislation could be reconciled with a sustainable public transport policy that includes a viable taxi industry. There are other aspects that need to be scrutinised. These include the accreditation process and the compliance issues associated with this and the fare-setting process that underpins the financial ability of

individual industry participants to continue to meet the accreditation requirements over time. There is also the question of the scope and value of compensation for current and future losses sustained by industry participants resulting from any eventual changes to the industry.

I'll move on to the current roles of taxis. There has been general agreement that the role of taxis is primarily to augment the mass passenger public transport system. Taxis become the preferred form of transport when the bus system is not suitable for the particular journey that the passenger wants to undertake. On the community perception of taxis, the level of success of taxis to fill the role required by the community has been the subject of continuous scrutiny over recent years. The report of the 2003 survey showed that the level of dissatisfaction was 5 per cent. The report noted, "General passenger satisfaction levels across all criteria are a high level of satisfaction with the service provided."

The 2002 survey stated, "The satisfaction levels for all attributes are exceptionally high." The 2000 survey—I thought I had missed it because it says exactly the same thing—says, "The satisfaction levels for all attributes are exceptionally high." The 1999 survey reported, "The satisfaction levels for all attributes are reasonably high." So you can see that we've come from a base of reasonably high over a four-year period to exceptionally high. So the community perception of the Canberra taxi industry is clearly one of a high level of satisfaction with the service being provided. This perception has remained consistent over the four-year period that formal independent surveying of the industry has been conducted.

That moves me on to the purpose of proposed government reforms. The purpose of government reforms has nothing whatsoever to do with any response to any substantial perceived or recorded community concerns. The sole purpose of the proposed taxi reform is unambiguously to ensure that the ACT government gets its share of the federal government's NCP funding. There is no other purpose. In order to achieve this purpose, the ACT government needs to address the issues that have been identified by the NCC as being integral to any NCP review.

The NCC position is essentially incorporated in a Productivity Commission research paper produced in 1999. There have also been previous studies. The assertions in the Productivity Commission research paper have been reflected, but not critically examined, in a number of reports that have been written about the taxi industry in the ACT. Each of these reports has suffered from selectivity in the way that information has been addressed. Information that is supportive of a deregulation outcome has been accepted without validation. Conversely, information that has not been supportive of a deregulation outcome has been dismissed without objective evaluation and in some cases even without mention. Consequently, each report has produced a potentially flawed outcome.

There are other sources of information, however, which identify actual outcomes that have been observed in places where restrictions on taxi licence numbers have been abolished. One of these is a study of the taxi industry in a number of USA cities conducted by Paul Stephen Dempsey, professor of law and director of the transportation law program at the University of Denver.

**MRS CROSS:** Mr O'Brien, are you just going to read through the submission we already have?

**Mr O'Brien:** Not wholly. There are bits that I will leave out, but there are bits that I think are very important and I'd like to read those.

**MRS CROSS:** We've actually read it. Okay, go ahead.

**Mr O'Brien:** I'm sorry, but—

**MRS CROSS:** No, that's all right.

**Mr O'Brien:** That being the case, I don't need to repeat Professor Dempsey's credentials for you and his publications. But I think it's important to note that Dempsey summarised his study in this way:

This article explores the legal, historical, economic, and philosophical bases of regulation and deregulation in the taxi industry, as well as the empirical results of taxi deregulation. The paradoxical metamorphosis from regulation, to deregulation, and back again, to regulation is an interesting case study of the collision of economic theory and ideology, with empirical reality.

He also noted:

Unfortunately, as we have seen, the taxi industry fails to reflect the perfect competition model described in microeconomic textbooks.

As to the community benefit, the Productivity Commission paper asserts that restrictions on the number of licences and therefore the number of taxis have no benefit for the community. The surveys that I've referred to show that the community considers that it derives significant benefit from the industry. The industry presently has restrictions on numbers. All of the independent deregulation experts assert that the elimination of this restriction on the number of licences will not compromise the benefit to the community that presently exists, but they provide no proof. This is what we're talking about removing. Contrary to the competition council paper, Dempsey found:

Most cities that deregulated experienced deterioration in service...The oversupply of cabs reduced the earning potential of drivers, causing a decline in the quality of drivers, and leading them to engage in overcharging and discourteous behaviour...the US Urban Mass Transportation Administration concluded, "adding new owners into a highly competitive supply-rich market is beneficial to neither the public nor to the taxi operators."

So there are no winners. More recently, the Northern Territory removed its restrictions on taxi licence numbers in 1999. The result was a serious deterioration in the taxi service. The Northern Territory government imposed a temporary freeze on taxi numbers in November 2001 to overcome the damage done. This information has not been included—certainly, the Dempsey information has not been included—in previous studies, and I don't know why.

On taxi availability, the Productivity Commission's research paper notes that the restriction on taxis has resulted in a steady decline in the number of taxis per head of population and is reducing the overall level of taxi availability within the community. In the ACT, it's simply not the case. I've given you some information there that shows, in fact, that the per capita rate has increased. Whether or not that's a relevant issue is also questionable. An important conclusion that Dempsey came to was:

Deregulation proponents were correct in their predictions that removing entry restrictions would result in increased entry into the industry—

and that's what this is all about—

The robust entry of new firms and entrepreneurs into the taxi industry, accurately predicted by deregulation proponents, has been among the most significant impediments to the achievement of consumer benefits predicted to result from deregulation.

In simple English, the oversupply of taxis has taken away any chance of improvements in the industry that have been predicted.

I don't know if I need to address windfall gains, unless you're interested in whether there is a movement of some millions of dollars from the community improperly to the taxi industry, but I'm quite happy to address that one for you. It has no contemporary relevance if you look at the history of it. As to service innovation, there's an assertion that licence restrictions inhibit service innovation. In the case of the ACT, it's simply untrue. I have a list of innovations that I'm prepared to relate to you if you're interested in me going through them.

**THE CHAIR:** Yes, I would be.

**Mr O'Brien:** Okay. The list of innovations I've got—it is not exclusive; it's just what came to mind when I was writing this thing—that have occurred in the ACT includes a taxi credit payment system, known as Cabcharge ACT, that enabled customers to use credit vouchers to pay for their journeys. This paralleled the Cabcharge system operating in Sydney and has since been taken over by Cabcharge Australia. It has been extended to include EFTPOS transactions and is expected to accommodate smart cards in the near future. That's a considerable service innovation.

Prepaid payment vouchers as an alternative to the Cabcharge facility, which are able to be purchased from Canberra Cabs and used in taxis. Multiple hiring facilities, with reduced fares for all passengers. We have a legislated regime of multiple hiring rates which, until recently, hadn't been duplicated in other jurisdictions. Data booking and despatch facilities of the same quality as those operating in major taxi fleets in Vancouver, Paris and Stockholm. In 1991, Canberra was the fourth city in the world to adopt the Motorola system. It was replaced in 2002 with the contemporary Sigtec system. That was when we moved from two-way radio through an intermediate phase and into total data despatch, not a cheap alternative.

Automated booking services for speech or hearing-impaired customers. We had a facility called the Easycab facility which was available to hotels, clubs and that sort of thing and also available to people with hearing or speech disabilities. There was no need for any

talking at all; there was push-button connection. Industry-imposed restrictions on driver changeovers during afternoon peak periods. Several years ago, in acknowledgment that the period between 3 and 5 o'clock of an afternoon was our busiest time during the week, taxi drivers were prohibited from changing shifts between those hours, so they were required to change either before 3 or after 5.

Passenger vans to accommodate larger groups of passengers. I am aware that the Canberra Cabs board subsidised for a period half a dozen passenger vans, I think it was, to try to identify and capture the market for group bookings. It met with limited success and it certainly met with increased costs for the operators of those vans because the types of group bookings that they got after midnight on Friday and Saturday nights was not the market that they were after and the cost of maintaining a satisfactory standard of taxi against those group bookings led all bar one of those operators to exit that market.

Approaches, unsuccessfully, to government to augment after-hours and/or low patronage government bus services. Over a period of at least 10 years Canberra Cabs has made itself available to assist the government in reducing the costs of running the ACTION bus service by providing taxis, and at the time those passenger vans, to provide service on low patronage or after-hours bus routes. The offers have never been accepted. SMS messaging booking facilities, a new innovation. Anybody can use an SMS messaging facility now to book a cab and that augments the Easycab booking service that I mentioned earlier.

That's what we've done as a regulated industry in the ACT. In relation to places where deregulation did occur, Dempsey was able to identify the impact on service innovation. He found:

Not only has deregulation generated little service innovation, it's not unusual to see several service problems arise when the regulatory system collapses including excessive fares, circuitous routing—

I think they mean going the long way around—

and refused service ...

This is generally: "I don't want to do short jobs."

I turn to employment opportunities and drivers' incomes, which I think are essential items because without taxi drivers you don't have a taxi service. The Productivity Commission asserts that eliminating restrictions on taxi licences will dramatically reduce the cost of owning a taxi—they're probably right; that the overall cost of providing taxi services will reduce significantly, resulting in lower fares and increased customer demand—I don't think they're right; and that these two factors, lower taxi costs and higher demand, will provide considerable opportunity for taxi drivers to increase their incomes.

What did Dempsey and Kang, who did the other study that I didn't mention specifically, observe? Dempsey observed:

...most deregulated cities have faced stable or declining demand as measured by the number of daily trips per cab or trips per shift—

as opposed to the increasing demand predicted—

After deregulation, taxi productivity, measured by the number of revenue trips per day or trips per shift, fell by at least one-third...In the deregulated cities, driver income decreased despite higher fares...Most taxi drivers in deregulated cities earned less (often despite spending more hours behind the wheel) than before deregulation.

Kang observed:

...drivers' working conditions deteriorated significantly in terms of wages and working hours in most countries where data was available...the increases in the number of taxis are not accompanied by increases in the demand for taxi services. Instead, they lead to decreases in the productivity of industry in terms of the number of trips per cab per hour operated.

So the predictions have not been found to have been achieved anywhere. As to the effect on fares, there's an assertion that the cost of a taxi licence adds around one-third to an average taxi fare and that removing the licence costs would substantially diminish the total cost of providing a taxi service and could lead to a substantial decrease in fares. This has been addressed in a number of issues.

Swan, who undertook a study of the ACT industry in 1979, concluded:

The Department makes no allowance for the value of the plate when it sets the regulated fare to allow the taxi proprietor to recover virtually all costs, except the opportunity costs associated with the scarcity value of the plate.

The ICRC addressed the issue in a number of reports. Firstly:

The Commission notes the industry's view that the cost index deliberately excludes any consideration of the return on plates and that the fares themselves are not designed to provide any investment return. Although the Commission has some concerns with this position, it has decided that plate values should not be a determinant of taxi fare levels.

It repeated that sort of position later in a separate report, a draft report, as follows:

With the Commission recommending deregulation of the taxi industry, it is compelled to develop a cost setting methodology and price path that will allow the industry to prepare for the removal of licence quota restrictions. It considers that a detailed approach that attempts to include plate values is therefore not appropriate.

However, it had a change of heart when it produced the final report, stating:

The methodology that is proposed using a Weighted Cost Index incorporates a proxy for "return on investment". The proxy that is used is the annual taxi plate leasing cost as reported by the industry.

However, this change to the longstanding fares assessment methodology was not associated with any commensurate increase in fares to reflect the initial introduction of



a new cost component with a value of \$26,000 annually. As such, the ICRC's claim to have included plate values, in any form, in fares lacks legitimacy.

Because the value of plates has not been and is not included in fares, the impact of deregulation on fares has not produced the fare reductions projected by the proponents of deregulation. Dempsey noted:

One would expect that excess capacity would drive prices down, as it allegedly has, for example, in the deregulated airline industry. Paradoxically, precisely the opposite has occurred in the deregulated taxi industry. As Price Waterhouse observed, "prices rose following deregulation in every documented case"...Professor Roger Teal of the University of California studied pricing at nine cities which deregulated...He concluded, "In every city in this study taxi fares are now higher in real terms than before deregulation, often by a substantial amount."...Professor Teal concludes, "Taxi rates may have increased as much as 10 per cent more in the deregulated cities than they would have done under continued regulation."

Dempsey also stated:

In an economic environment of declining productivity created by excessive entry and stable or declining demand, taxi operators can survive only if they can increase the revenue derived from each trip, which places upward pressure on fares.

So lower fares are not likely to occur.

**MR HARGREAVES:** I just stop you there for a second, Denis, to give members an opportunity to ask you some questions. We have read your submission and I'm conscious of your time and ours.

**Mr O'Brien:** Not a problem.

**MR HARGREAVES:** There are a couple of questions I would like to ask you to confirm or fix for me.

**Mr O'Brien:** If I can.

**MR HARGREAVES:** Yes, I'm sure you can. Would I be correct in assuming that the ACT is a defined demography? We've got a defined size of the cake in terms of opportunity for hirings and it's predictable. We know exactly how big it is. Therefore, having more taxis involved in this, whether it's plus one, plus 20 or plus 100, means the share of that cake is going to diminish for each one of them proportionate to that increase and, as a result of that, for people to earn the amount of money they did before the fares are going to have to go up. So, by definition, adding a stack of extra taxis to the system now is going to have an upward pressure on fares.

**Mr O'Brien:** Yes, that's a reasonably projectable outcome. It has actually been observed empirically in places where this occurred. Yes, I've got no problem with that view at all.

**MR HARGREAVES:** It's my impression also, given that it is a defined demography, that the more people we've got in the system, it would be true to say that there is more

opportunity for the consumer to get a cab, because there are more of them out there and, by definition, that's going to be right.

**Mr O'Brien:** Absolutely.

**MR HARGREAVES:** But it is also true that the amount of running dead and downtime for taxis is going to increase in proportion to the number of increased taxis, isn't it?

**Mr O'Brien:** Yes and no. It could go either way. The amount of dead running could well decrease because taxis won't drive anywhere where they're not going to get a satisfactory return. They might sit around the shopping centres and the airport.

**MR HARGREAVES:** So you're saying that the periphery, the Gordons, Banks, Spences and Evatts, won't see a cab, but you'll be right around the town centres.

**Mr O'Brien:** Yes, absolutely. In fact, that's exactly what's being experienced elsewhere.

**MS DUNDAS:** On that point: in your submission you have already noted that there has been an increase in the number of people who are unsatisfied with the taxi service that they're getting and we've heard repeatedly about the declining patronage that's already happening before we even have the discussion about deregulation. How do you think we can address those problems? What do you think is causing those problems?

**Mr O'Brien:** The factors that produce a decline in taxi patronage are generally outside the ability of the taxi industry to influence. My research of total hirings over the years, because I've done a fair bit of it, indicates that we were travelling quite well from when we had statistics on that, sensible statistics. In fact, I've been looking at them since 1991, I guess. We had a reasonably steady increase through 1991 to 1996. We had a noticeable decline in 1996 which coincided with the election of the coalition government federally and the restructure of Australian Public Service programs and personnel numbers. That had an impact on us because we're very much a company town and when the company does business we do business and when the company doesn't do business our business declines.

**MS DUNDAS:** What do you think has impacted on the levels of satisfaction?

**Mr O'Brien:** Yes, certainly they're related to standards of cars and standards of drivers. Because there's been a contraction over the last two years in the workload for individual taxi drivers and operators, I think there has been a decline in driver standards because some of the better drivers have left—I know personally that they've done that—and we have had an increase in what you might call a transient taxi driver population.

**MS DUNDAS:** You're almost stuck in a vicious cycle. The fewer people you have using taxis, the less better is the service you get, so fewer people wanting to use them.

**Mr O'Brien:** It doesn't necessarily end up with fewer people using your taxis. What it means is that you have fewer people satisfied with the taxis that they're using. That doesn't necessarily reduce your numbers, but it certainly reduces the quality of your service.

**MRS CROSS:** You say that in the next eight years, if the bill goes through, there will be a doubling of the number of taxis out there. Some consumers would say that the service and the cost would improve. What do you say about that?

**Mr O'Brien:** I've got no doubt that some people would say that. There are actually people with university degrees that say that, despite the empirical evidence to the contrary.

**MRS CROSS:** I didn't ask for their qualifications, but deregulation has shown—

**Mr O'Brien:** No, but I'm just making a point. That's not an unusual reaction. People might expect that to occur, yes.

**MRS CROSS:** You don't believe that it will. You don't believe that, because of the competition, the service will improve and there will be more cost competition.

**Mr O'Brien:** There is no capacity for cost competition. I've given a section in here on the construction of fares and what they ought to include.

**MRS CROSS:** We heard otherwise this morning from your own industry that the fare in the taxi is the maximum fare that can be charged. but that a driver can use his or her discretion if someone says, "Look, I want to go there. How much will you charge me?"

**Mr O'Brien:** Sure, yes.

**MRS CROSS:** That contradicts what you just said.

**Mr O'Brien:** That's been the case for the last 50 years.

**MRS CROSS:** But you just said that there is no room for competition. Obviously, there is room for competition.

**Mr O'Brien:** No, not room for competition, but there's no room for what you might call sustained price reductions rather, because the costs are not something that the taxi industry can influence. When you have a look at what the costs of providing a taxi service are, those costs are outside the ability of the taxi industry or the taxi operator to influence. If you have a driver who consistently prices himself below the real cost of providing the service, he won't be driving the taxi for long, I can assure you.

**THE CHAIR:** What are the costs that are outside the power of the taxi industry to do anything about?

**Mr O'Brien:** You could look at the registration costs, the cost of the vehicle, the cost of the meter, the cost of the electronic equipment in the vehicle, the cost of the spare parts to maintain that vehicle, the cost of the fuel that went into that vehicle, the cost of the tyres that run the vehicle, the cost of the workers compensation insurance, which is not compulsory but absolutely essential if you want to stay in business. None of those costs are able to be directly influenced by any individual taxi operator or the taxi industry generally.

**MR HARGREAVES:** You make some comments about the lack of validity, if you like, of the NCC's approach. For example, you have mentioned to me on a number of occasions the lack of public benefit testing that has gone on with those sorts of issues. The statement is that if you have more cabs out there the price will go down, so the consumer will benefit. That is a statement which is challengeable, I believe, and that's what you're saying.

**Mr O'Brien:** Can I address that?

**MR HARGREAVES:** In a tick. It seems to me that if, in fact, the industry or the marketplace doesn't set the price, you have no influence over the rise or fall of that fee and, while ever we've got a single statutory body like the ICRC setting the price, you can have as many reforms as you like to your industry, but it is nonetheless subject to the definitions that the ICRC apply. If I read your stuff correctly, you're saying that the definition that the ICRC applies to the setting of the fares is suspect.

**Mr O'Brien:** I think you should treat it with some circumspection.

**MR HARGREAVES:** If, in fact, the ICRC is the price setter, we can never truly satisfy the NCC's drive for a competitive marketplace, can we, because it's not the marketplace setting the fee; it's the ICRC setting the fee?

**Mr O'Brien:** That's probably a valid statement, but I probably need to emphasise here that part of this deregulation push, the deregulation of taxi numbers, is also accompanied by the proposed deregulation of the fares regime. So it's certainly intended that fares will be deregulated. The ICRC has made that clear in its last two reports.

**MR HARGREAVES:** My reading of it is that the ICRC would like to see themselves backing out of the game, but there is not necessarily anything on the horizon.

**Mr O'Brien:** No, my understanding is that the ICRC sees the deregulation as a package deal.

**MR HARGREAVES:** Does the industry see it as a package deal?

**Mr O'Brien:** The industry? I can only talk from my perception of the industry view. Certainly, I see that that's the ICRC position. I don't see any benefit in that position. I draw you again to the empirical evidence that shows that that hasn't worked anywhere else.

**MRS CROSS:** Being the devil's advocate, aren't they basing their position on economic theory? Economic theory suggests that, if you deregulate, prices will go down because people compete against each other. That's a global application. What do you say to that?

**Mr O'Brien:** I'm quite happy with the Dempsey view of it that there's a collision between theory and reality and that the taxi industry—in fact, I wouldn't even limit it to the taxi industry. I'd be fairly confident to say that very few industries actually comply with the theory of free market economics.

**MRS CROSS:** The airline industry probably would argue against you on that one because it was cheaper for us to travel in the 1990s than it was in the 1970s.

**Mr O'Brien:** Yes, you've got no argument there. For a while, we ended up with one airline as well.

**MR HARGREAVES:** How many airlines went bust in that period?

**MS DUNDAS:** With limited choice.

**Mr O'Brien:** That's what I'm trying to say. There is no difficulty in reducing the costs. It's easy; you can cut them tomorrow by 10 per cent, 50 per cent, 60 per cent or 80 per cent; it's not a problem; you can do it. It's a question of how quickly you want to go broke. If you price your service below the cost of the production of that service you will go broke. How far you price it below the cost of production determines how long it will take you to go broke.

**MS DUNDAS:** We have briefly talked about how the fares are structured and the role of the ICRC. You mention in your submission the Taxi Industry Advisory Committee and the role it used to have in terms of plate numbers. If we move the ICRC out of fare fixing, to use one phrase as opposed to any other—

**Mr O'Brien:** Yes, it's a good phrase; I like it.

**MS DUNDAS:** What do you think should replace it? I like the certainty of getting into a taxi cab in Canberra and knowing that my price is set within a range and that if I'm going to go this far it shouldn't cost me any more than this because that's what has been set. I've been in taxis in other parts of the world where that's just not a given and you have no idea how much you're going to have to pay.

**Mr O'Brien:** Yes.

**MS DUNDAS:** Do you think that we need to change the formula the ICRC is using, maybe have a discussion with the Taxi Industry Advisory Committee and bring it into the discussion, or should we just leave it open? What's your solution?

**Mr O'Brien:** I've had those discussions with the ICRC, interminable discussions with the ICRC. I'm not a supporter of the current methodology for setting fares or of the one that immediately preceded it. There was a change within the ICRC to the way that they wanted to view the construction of fares which occurred the year after the introduction of the GST, 2001. Before that, I think the ICRC had been involved in fares from about 1998 and had used a pretty time-worn regime which was an index which hadn't been updated, so when the ICRC talked about doing a benchmarking exercise and looking at a different way of assessing fares I was quite supportive of that because I thought that fares and real costs had got out of kilter because there are a lot of dynamics in the taxi industry and an index cannot catch a lot of the dynamics over time. Unfortunately, over a period of two years, the ICRC reverted to an index, but quite a different index to what we had before and one that, by the ICRC's own admission, does not address actual taxi operating costs. I think that's unfortunate. It's producing disappointing outcomes.

**MS DUNDAS:** How would you like the fare system to be structured?

**Mr O'Brien:** I actually think the ICRC has a role in this, but I don't think—

**MS DUNDAS:** But with a much better formula.

**Mr O'Brien:** Can I talk about the taxi industry generally? I have a difficulty with the ICRC being the decision maker in any aspects of the taxi industry because the ICRC, by its very nature, is an advocate of a free market economic theory. It's not an objective evaluator of perhaps opposing arguments. I think the ICRC has a legitimate place as a contributor to the development of policies, fares, plate numbers and any other related aspects of the taxi industry, but I think it's misplaced as the final decision maker in the process.

In answer to the first part of your question, about would I see something like a TIAC again, I think that would be beneficial to all concerned. I haven't given it much thought about how it would be structured and who should be on it, but I am aware that the original TIAC had quite a large range of representatives of most of the areas of the community. There was, in fact, a consumer representative on it, plus government, plus taxi. I can't remember; it's too long ago.

**MRS CROSS:** Mr O'Brien, most of the contributions today have followed along a similar line. In December the minister, Bill Wood, sent out a press release saying that, following a long period of uncertainty for the taxi and hire car industry, the Stanhope government had developed a balanced package of reforms that delivers certainty to licence owners and operators. It says here that the government has listened to industry and developed a set of reforms. I won't go on. This seems to contradict most of the people who have come before us today in that they say that they've listened but it seems that they haven't listened because what has come from their response to the ICRC's recommendations is in conflict with what the industry has said. Where do you stand there? Did you have a say? Did you contribute to the government's response to the ICRC report?

**Mr O'Brien:** I didn't contribute to the government's response. Maybe I did; I certainly spoke with people that were in a position to make decisions or influence decisions, I've no difficulty with that. But when I saw the media release, I fell out of the chair.

**THE CHAIR:** I'd like to go back to the issue which seems to be one of the burning issues of how to deal with perpetual licences. Do you own or lease a licence, Mr O'Brien?

**Mr O'Brien:** Neither. I'm in the process of becoming the owner of a taxi licence. I've got a silent partner, called a bank manager, and I prefer that he stays that way. So eventually, if circumstances permit, I expect to own a taxi, yes.

**THE CHAIR:** Do you, speaking from your position as being involved in the taxi industry for some time, see that there is a problem with the issue of having perpetual licences and the varying entry fee and what appears to be a negative capital gain over a period of time, especially the last six or eight years?

**Mr O'Brien:** Yes.

**THE CHAIR:** If you see that there is a problem, can you see a solution to the problem?

**Mr O'Brien:** I see no difficulty whatsoever with the concept of perpetual taxi licences—freehold taxi licences I suppose is the best way to refer to them—no problem at all. In fact, I am extremely happy that they exist because it gives me an opportunity to work 80 hours a week to acquire an asset which will provide some assistance to me later on in my life, because I don't have any superannuation. So I look forward to having that asset, and if it grows that will be a bonus. I don't see a problem with it.

I bought a taxi. I borrowed all the money to buy that taxi. I knew I would have to work hard for a long time. I haven't yet become the owner of that taxi, but I still work hard. I see it as a form of forced savings which I would not be able to undertake in any other occupation. So I don't have a problem with it as a concept.

The problem of diminishing capital value is a serious problem, absolutely. It is a phenomenon which I hadn't experienced up until, I guess, 1999 or 2000. Over the 10 years that I've been buying the taxi it has gained in capital value in fits and starts, depending on what's driving the price of plates. The biggest rise, I think, occurred when there was a major shedding of public service positions and the 40-year-old public servants who didn't want to try and sell their house in a climate where house prices had deteriorated so significantly, as they had, decided that they'd stay in Canberra and continue to work.

I had an acquaintance who was in a job placement agency and she was dealing with very competent and highly paid people who were all confident that they would be able to get the job that they'd go for. What she remarked to me was that there were no jobs. So these people had to make decisions about what they would do for their and their families' futures and I know that some of them converted their payouts into the acquisition of taxi plates and they paid top dollar for them. That was when there was a quite significant jump in taxi plate prices. The driver for that was a combination of people having access to significant amounts of money and very dismal job prospects.

**MRS CROSS:** We have had a number of constituents come to us saying, "I own a business, Helen, and no-one has given me any guarantees for my business and part of the investment I made in that was part of my husband's superannuation." This does happen.

**Mr O'Brien:** I have no problem with that. I also know people in other businesses. I don't know; what do you say to those people? I guess it's a question of whether you see a benefit in having a regulated taxi industry or you don't. That's what it comes down to. There has been a premium to access that regulated industry and a major beneficiary of that premium has been the government through the auction process that it introduced in 1990 or 1991.

**MR HARGREAVES:** Do you, Denis, concur with the view put to us earlier that the answer to the question from Mrs Cross would be the further question that the taxi is the same as an investment property and if that investment property has a 99-year lease and

the government unilaterally converts it to a five-year lease the instant loss of capital value, firstly, is a bit rude and, secondly, ought to be subject to compensation.

**THE CHAIR:** Or even if they convert it to a 20-year lease.

**Mr O'Brien:** I am very reluctant, as a matter of principle, to try and explain my position through using comparisons with other things that I'm not fully on top of. I have no problem with the proposition, but it's not an area that I really feel comfortable with.

**MR HARGREAVES:** Would it be true to say that your investment over time, over 10 years, was on the basis that you were in a competitive marketplace and were hoping that the value of your asset would go up over time, which would be a bonus and you would accept that, but at least the value of your asset at the end of the day would be the same as when you put in money, if not a little bit higher than that, but the change to that would have been driven by the marketplace? The difference between that concept and what we're facing here is that the government is going to go clunk and you can guarantee that over the next five to 10 years you will see a steady erosion of that value and we can predict it.

**Mr O'Brien:** I think that's true. In fact, I'd take it a step further, and I was about to get on to that, about the declining capital value of taxi plates only occurred from about the year 2000 and it has deteriorated more or less fairly rapidly till about this year where it seems to have stabilised. But the reason for that decline primarily was the uncertainty created by the Freehill review of the future of the taxi industry, which recommended deregulation. That recommendation unravelled the taxi capital values straightaway.

**MR HARGREAVES:** The auction system proposed almost guarantees that if there is not a take-up you're going to get a 10 per cent decline each year from that point. Is that right?

**Mr O'Brien:** Probably. I wouldn't be that confident that there won't be takers. There are people that invest money in Nigerian bank schemes; they think they're a pretty good idea. People invest money all over the place. I don't like to generalise, but there's an old adage that a fool and his money are pretty quickly parted. There are greedy people with money—with lots of money, by the way; I'm not just talking about the value of a taxi plate as they have multiple times the value of a taxi plate—who might decide to park a bit of their money in a taxi plate, and that's not unusual.

I don't expect that there would be any difficulty in the government flogging all the taxi plates they put on at auction simply for two reasons: there are those people and, secondly, there is an inherent trust that people have in enterprises promoted by government. Telstra is a good example. I don't think there'd be any difficulty in flogging those plates at all. What that does, of course, is it adds 20 taxis a year to the taxi fleet and produces about a 10 per cent reduction in workload every year, compounding year after year after year. After eight years your income is halved.

**MRS CROSS:** That's if the population remains stagnant.

**Mr O'Brien:** And the demand, yes.



**THE CHAIR:** And the fools constantly part with their money.

**Mr O'Brien:** But it's not going to increase by 10 per cent a year. It might increase by one or two.

**MR HARGREAVES:** Did you say 8 per cent just then, Dennis?

**Mr O'Brien:** Eight years, 10 per cent a year.

**MR HARGREAVES:** The population is projected to grow at 1.6 per cent.

**Mr O'Brien:** Yes, that's right.

**MR HARGREAVES:** There is a bit of a difference.

**Mr O'Brien:** But let me explain to you the impact of a 10 per cent reduction in turnover. It's not a 10 per cent reduction in earnings. If I take out the cost of my labour to drive my cab and I look at the profit component, it's almost negative at the moment, but only because I can't get drivers. But I know that the taxi operators who don't drive—they're the fleet operators—work their taxis to the maximum. They have to. They're a high volume, low margin business. Their profit represents something like 5 per cent of turnover, 5 to 10 per cent of turnover. A 10 per cent reduction in turnover sends them break even or backwards.

There was an interesting case of a person who had been in the industry for lots of years and owned a taxi and got out of it because he has another occupation. This only happened last year; it could have been earlier this year. He decided to come back into the taxi industry as a non-driving operator and acquired a number of leases—I think half a dozen at one stage. He had a driver who put in a workers compensation claim for an alleged injury sustained, which hasn't been concluded yet by the way. As a result of that and with the normal escalation in the price of workers compensation, he found that his workers compensation sent him into negative territory. He shed all six taxis and he no longer has any involvement in the taxi industry in the space of a year.

That's how tight the margins are. So a 10 per cent reduction in turnover is catastrophic for a non-driving operator. For a driving operator, it's not so catastrophic because he has the capacity to work more hours to absorb that reduction in turnover. All you do is you work more hours to tread water. That's what's happening in a lot of the taxi businesses at the moment.

**THE CHAIR:** On a safety issue, as with the trucking industry, are there limitations on the amount of time a driver can drive?

**Mr O'Brien:** There are no statutory limitations that I'm aware of.

**THE CHAIR:** Okay. Anything else? Thank you very much.

**MRS CROSS:** Thank you for a very good submission. It is very comprehensive.

**MR HARGREAVES:** Thank you, Denis. Incidentally, while you were talking about other questions, our secretary had a quick look through the legislation and couldn't find anything which removes the ICRC's powers.

**Mr O'Brien:** You can't.

**MR HARGREAVES:** You know how there was supposed to be a double barrel. It would appear as though the legislation doesn't actually address that particular part of it.

**Mr O'Brien:** Could I emphasise what I see as the solution to this problem? I think there's an ideological problem here, but the culprit that has been used or the item that has been used to give some credibility to this ideological position is that the value of taxi plates has an impact on fares and produces an unreasonable distribution at the moment from the taxi travelling public to the taxi owner or the taxi operator. The solution to overcome it is quite simple. You legislate to prevent the value of taxi plates being incorporated into the fares structure. There's nothing difficult about it whatsoever.

**THE CHAIR:** But why would you do that?

**Mr O'Brien:** It's not there now. There is a perception that the value of taxi plates inflates the value of fares. It doesn't. But to address that perception in a decisive way, the best solution is to legislate to prevent the ICRC or anybody else from incorporating taxi plate values in any way, shape or form into the fare structure.

**MR HARGREAVES:** That includes the cost of acquiring the capital to purchase the plate.

**Mr O'Brien:** Absolutely. It has never been in there and it's not right to be in there, because all you're doing, as I explained earlier, is that I work longer hours to acquire an asset. It's an asset; it's not a cost. A taxi plate is not a cost; it's an asset. I see the taxi plate incorporating not only the initial face value cost of the plate but also the cost of the acquisition of the finance for that and for the opportunity cost of tied up capital. That's how I see it, so I expect there to be a capital gain in that taxi plate over time because there are add-on costs to it. But I don't think it's correct and I don't think it's right that that be transferred into the fare-setting process. That's an asset that I acquire, not the person who sits his bum in my passenger seat. He acquires nothing out of that, so he shouldn't be required to pay for it.

**THE CHAIR:** What happens if you don't acquire a capital gain in the figures?

**Mr O'Brien:** In that respect, I'm the same as everybody else in business.

**THE CHAIR:** You've just taken a business risk.

**Mr O'Brien:** Yes.

**THE CHAIR:** Thank you.

**GABRY BORZATTI** and

**IAN BARRASS**

were called.

**THE CHAIR:** You should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections but also certain responsibilities. It means that you are protected from legal action, such as being sued for defamation for what you say at this public hearing. It also means that you have the responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

Welcome to the hearings of the Planning and Environment Standing Committee into the Road Transport (Public Passenger Services) Amendment Bill 2003. Thank you for coming. Would you like to make an opening presentation, Ms Borzatti?

**Ms Borzatti:** My name is Gabry Borzatti. This is my husband, Ian Barrass. We are investors in the taxi industry. I've got a history in the taxi industry; it has been a family business for many years. But I really come to you today from more of an investment sort of perspective than on operational type technical issues.

I understand that you have read the submission, so I'm not going to speak to it. I've just got a couple of points and some salient points that I would like to get across about the way my husband and I are feeling at the moment about what is happening. I have put the time and effort into putting in a submission and appearing here today, because this affects three generations of my family and we stand to lose a lot if the government's reform package is implemented the way that it currently stands.

I think the package obviously spells out a de facto deregulation plan for the ACT taxi industry. From the information that I've gathered from what I've read and from what I've heard from people in the industry, it's a plan that I think is doomed to failure, on evidence from both within our shores and internationally. It's a plan that seems to be founded on some misguided belief that Canberra Cabs is a collective monopoly. That may have been the case in the past, but we've got Queanbeyan Cabs competing with us now.

**MR HARGREAVES:** You've also got CBD limousine hire as well.

**Ms Borzatti:** That's right.

**MS DUNDAS:** Not that the committee's making a judgment on that, everybody. That is a neutral statement.

**Ms Borzatti:** It's a plan that, from what I understand, ignores demand for taxi services and it fails to appreciate the complexity of forces that operate on an investment market, including the tax benefits of negative gearing. Negative gearing is all well and good if you can afford it. But being asset rich—and there's a big question over the value of any

asset at the moment in the taxi industry—is not going to put food on the table on a daily basis.

I don't see how the plan can possibly form the basis of a sustainable transport policy if the public can't benefit. The result, from the evidence that we have seen from the Northern Territory in particular, will be substandard taxis and ad hoc taxi services. The plan seems to be aimed solely at getting your hands on national competition policy funding from the Commonwealth government and avoiding a \$1.5 million penalty. The \$1.5 million may not be such a big deal if we think of it in terms of the expected budget surplus or the compensation that the government may have to pay to the taxi industry if this plan is implemented as it stands.

The ACT has a history of the government supporting licences being released on the basis of a demand for taxi services in the community. Mr O'Brien has already raised the issue, and it's in my submission, about the Transport Industry Advisory Committee and how that operated. That had broad community representation, so it really provided some valid information on the need for taxi services.

When the government switched to the accreditation system some years ago, there was an understanding that there had to be benchmark response times and there was a suggestion that, if those response times weren't met, more taxis might be necessary in the community. Since the introduction of accreditation, response times have been met and there have been no new licences issued. There is a history of the government in the ACT responding to true market forces and making decisions upon which entrants into this industry have been able to rely and make sound investment decisions.

My husband and I aren't here looking for any guarantees that our business is going to thrive. We're just looking for some sort of guarantee that the government is not going to manipulate the market forces and ensure our failure. A good business that is based on quality service should attract customers and should attract workers. It should expand in line with customer requirements, it should return rewards that are directly related to costs and it should appreciate or depreciate in value under its own steam.

I don't propose to take you through the legislation; you can all read that. Suffice it to say that it does manipulate the market forces. The legislation takes power away from an accountable minister and places it in the hands of public servants, who really can hide from public scrutiny and accountability. From what I've seen in the submissions made by the department, I think the credibility of some of these public servants has already been called into question.

**MS DUNDAS:** Can I jump in and ask a question at this point? You're pointing out everything that's wrong with what the government has put forward. Do you think that there is actually anything that needs to be done to the taxi industry? We have had a conversation already today about deregulation for national competition policy sake; but, besides that, do you think the industry is working fine and that we should, if at all possible, just walk away from it and let it go the way that it is operating?

**Mr Barrass:** I'm Ian Barrass. I was a scientist in Victoria; I now work for the quarantine service here. I was involved in research for 13 years and made a decision to leave Victoria when superannuation in Victoria was removed by the then government, or the

conditions for contribution changed. I took the money I had in superannuation from Victoria and invested it, when I came to Canberra, in a taxi. That investment was made after some years of working for the quarantine service and using taxis all around Australia as I went to visit our operations. I considered it a good industry. Gabry's family has a background in it. I take taxis in every capital city of Australia. In Hobart, in winter, I frequently have trouble getting a cab because the cabs go off the road because the tourists aren't there. In the Northern Territory and in Sydney, where there's an oversupply of taxis, I end up in what might be politely described as buckets.

The industry in Canberra works better than in any other city I visit, and I visit major cities and towns and export centres and import centres all around Australia. It is because of this view of the industry that I was comfortable going into it. So I don't see that there is a great deal wrong with the industry. Obviously it's not healthy, because people can't attract drivers; if you can't get people involved as workers in an industry, there are problems. But, in comparison with others, it's a strong industry with many things in its favour.

**MS DUNDAS:** Do you think the problems that have been reported, about people having difficulty attracting drivers, relates specifically to the current unease about the entire taxi industry based on the number of reviews that have happened, or is it something else?

**Mr Barrass:** I think there is a whole suite of issues. People are uneasy about entering the industry. People were concerned about the intervention of government on a number of levels. Gabry is probably in a better position to answer those sort of questions than I am, but I can give you a yardstick of how we compare to other cities, because of the number of times I travel.

**Ms Borzatti:** I suppose I can speak from our recent experience of having to find a new lessee for our taxi. Our previous lessee basically said, "It's just not viable for me to keep going, with the uncertainty at the moment." We spoke to, I think, 12 people who were offering lease fees and basically they were scared and didn't know if they could stay in it for the long haul. People have been trying to put clauses into contracts such that, if deregulation occurs, they have an out. There is a lot of uncertainty out there and a lot of discomfort because people just don't know.

**Mr Barrass:** Similarly, when we negotiated this we were presented with groups that came to us with a position of strength from the fleet owners or had experience with fleet owners and who said "We want a contract for three years, with absolutely no increase in the payments." So, if bank rates went up—and we're on a fine margin—there would have been no compensation for us at all had we accepted those conditions. So at the moment, because there is an oversupply of taxis in relation to the people who want to run a taxi, the value of the plates has been driven down.

**THE CHAIR:** What do you think—feel free, either of you, to jump in on this—are the factors in the oversupply?

**Mr Barrass:** Canberra is in a unique position compared to most towns that have generally long cycles of people coming that need taxis and cycles that tend to follow climate. It is seasonal in places like Hobart; it is busy in the summer because of the tourist season. The same applies all the way up to Queensland to the towns I visit. In

Canberra, we have an unusual situation of having very heavy demand when federal parliament sits. Those of you who have tried to get a taxi when it is raining late on a Friday afternoon would probably be aware of that. However, people in the industry have to make a living for the rest of the year. We know how hard it is over summer, or if there is an election late in the year, which has happened previously. That effectively means that there are no—

**THE CHAIR:** Canberra closes down.

**Mr Barrass:** Yes, it closes down for maybe four months, and so does the industry. It is very dependent on parliament sitting. It is very dependent on the tourist industry, which we all know has backed off a little bit over the last couple of years. All of these things have affected the industry. Even if the figures seem preserved, as much as anything it is about the perception. I come from a marketing background and I am looking into some studies at CSU. The more I look at it—even in terms of quarantine and international trade, which we follow—perception is the truth. It doesn't matter what the truth is; what really matters is how people perceive the future. And at the moment the perception about the future of the industry and making a profit out of it is that it is pretty dismal, unfortunately.

**THE CHAIR:** If we decided to go down the path of doing away with the perpetual licences, are you aware of the funding proposal put forward by the Macquarie Bank?

**Ms Borzatti:** Not the details of it. I have a vague understanding that they have spoken to various governments about some acquisition and a lease-back type arrangement, I think.

**THE CHAIR:** The shorthand version is that, if somebody wants to—

*On 11 November 2003, after a private meeting of the committee on 7 November 2003, the committee directed the Hansard Office to delete "a section of the transcript that referred to evidence previously given in camera".*

**MR HARGREAVES:** Can I go down a bit of a track there. The proposal, as I understand it, absolutely affects people like you who have something that has come down through the family. It is like having a house handed down in a family; you're looking at it as a sort of security for your family and possibly something you can hand down to your kids in exactly the same way. That is why you do it, isn't it? You don't get a liveable income out of it; it's just sitting there.

As I understand it, the idea is that you put the plate on the market and, if there's not the right taker, they will put some more plates on the market at a reserve price of 90 per cent of that one. Then, if the take-up for that still isn't huge, they will do it again at 90 per cent. So am I correct in saying that you're looking at this with the potential of it reducing itself, compounding, going down by 10 per cent a year? It is not the marketplace that is doing that; it is one decision by government—and that is what has really got up your nose?

**Mr Barrass:** Well, we're not certain of what the future holds for us. We are certainly afraid about it and this is—

**MS DUNDAS:** This is probably the worst-case scenario—

**Mr Barrass:** We bought at the absolute peak of the market; we did so after being concerned about what the future might be and we sought advice from people that we met, from both political parties, as to what they thought the future might be. We researched it carefully with both groups and both groups assured us that we had no concerns—not on the table and not in writing, but when we bumped into them around town no-one had a problem in reassuring us that we were safe. So we are now very concerned about what our future holds. From my perspective, I saw this as superannuation for when I retire. My family are all smarter than I am; they became accountants. I was stupid enough to become a research entomologist. I understand, from my background in population ecology, the stats and the numbers. This was going to be my superannuation because, when the superannuation conditions in Victoria were changed, I effectively wasn't earning enough to ever retire. This was my hope.

**MS DUNDAS:** Mr Hargreaves has put forward what he said was the worst-case scenario. But one way of looking at the worst-case scenario is that no plates are sold at auction; they're all handed back in, even at 90 per cent reserve, so basically the value of your plate is zero?

**Mr Barrass:** The worst-case scenario for us is that our plate is worth minus \$80,000. If we can't do anything about it and were to pass it on at current market value, if we were able to sell it, that would still leave us with an \$80,000 debt.

**MS DUNDAS:** And that is what would happen. If nobody is buying plates at auction and nobody wants a plate—

**Mr Barrass:** I felt really distressed in Victoria when after 13 years in research my superannuation was only \$34,000. But now my superannuation looks like being turned around to become minus \$80,000.

**MR HARGREAVES:** Did you say that you bought the plate with, say, \$30,000-odd; that you borrowed the rest of the dough privately?

**Mr Barrass:** We found money from other sources that we had as well.

**Mr HARGREAVES:** Maybe you can't answer this and maybe we'll have to get someone else who's much more expert than either of us. You borrowed money from financial institutions, to supplement some other money, to go and buy a plate like this. But, if a good look at it means that there's going to be a deteriorating value of that asset over time, there's going to be a progressive reluctance on the part of a financial institution to lend money to someone to buy it even back from you.

**Ms Borzatti:** The problem with the financial institutions at the moment is that they won't lend against a taxi plate. We've secured our taxi with our home and with an investment property; that's what we stand to lose, plus remaining in debt because we can't—

**MR HARGREAVES:** So I'm correct in hearing you say that, whilst that taxi plate is an asset as far as you are concerned, because it has a nominal value on it that you've paid for it, as far as the bank is concerned, it's not an asset?

**Ms Borzatti:** It's not an asset. That was one of the things that I raised in one of my original letters to Mr Wood. If there was a title type registration system to cover titles on taxi plates, so that the government and banks could keep track of transfers, there may be some argument for banks to say, "Okay, we can even give it a nominal value but take it as some security." But at the moment it just doesn't provide security——

**MR HARGREAVES:** So, even if you had borrowed the money to buy this plate or got it from somewhere else, and you wanted to buy another one, you couldn't trot into the bank and say, "Look, I've paid this taxi off; it's my cab, my plate. I want to put it up for security to get another one." They would just say, "Bad luck. Go away and come back with a mortgage docket."

**Ms Borzatti:** That's right.

**MRS CROSS:** Have you tried that?

**Ms Borzatti:** Yes, we tried it. We spoke to about five banks and there was only one bank that was prepared to consider, possibly, about 40 per cent, I think, of the value that we were looking at to secure it.

**MR HARGREAVES:** It smells of the milk industry to me.

**THE CHAIR:** Let's not go there, Mr Hargreaves—not today. There are a couple of issues about this. You come here as investors, as owners, not as owner-operators.

**Mr Barrass:** Yes.

**THE CHAIR:** As someone in that investment position, are you interested in the notion of doing away with the concept of perpetual licences and being compensated for it, or would you rather continue as an investor in the industry?

**Ms Borzatti:** I have a history in the industry: my father bought a taxi in 1975 and he still has it; he's here today. We made the decision that it was a good investment. I would prefer to always have it there as something to fall back on. We've done this to try to secure our future and the future of our children so that we don't have to rely on government handouts. It's one of the few investments that you get that has no outgoings as a pure investor. We've got an investment property as well. At the moment that is tied up in the taxi too. So we stand to lose quite a bit if things go the way it appears they would go if the legislation came in the way the government wants it to.

**MR HARGREAVES:** So you have an investment property for the sake of your kids, and you run the risk of having a mortgage on that place for a worthless asset?

**Ms Borzatti:** And our own home. We borrowed around \$307,000 to buy TX5.



**MR HARGREAVES:** How widespread do you reckon that is in the industry? You have been in the industry in effect for so long.

**Ms Borzatti:** For the people who bought at the top of the market, I think that's probably quite a reasonable position.

**Mr Barrass:** It's an unusual industry in that, because of the changes and regulations over the years, many people have held onto the plates as part of their superannuation. It has been their form of superannuation once they were no longer able to drive. Because of our connection to the industry, we felt comfortable that this would be a good way to compensate for the super I lost in Victoria and for the fact that Gabry is no longer working; that this would be how we would support ourselves after I retire.

**MRS CROSS:** Can I ask you the same question I have asked other people who have come before us today? Say someone uses their superannuation and mortgages their house to buy a business. In fact, I've got someone working in my vicinity who's done that and they are in debt—very high debt. They have a business that they bought not just for themselves but for their children to work in. There's no guarantee that that business will always make a profit. There is also no guarantee that there will always be office buildings in the vicinity of this business. What happens if that falls down? It was for their children as well; it is nice for families to pass things down. I understand that. But there isn't a guarantee. There is a risk we take when we go into a business. I know that; I've done it. Why is your investment and your business—I'm only asking you this because I'm asked this by a lot of other people—any different from that of any other person who invests money in a business?

**Ms Borzatti:** That is why I said at the very beginning that we're not looking for guarantees that the business is going to thrive; what we're looking for is a guarantee that the government isn't going to contrive the situation and create circumstances that have an inevitable result.

**MS DUNDAS:** To manipulate the market in a negative way, as opposed to just leaving the market alone.

**Ms Borzatti:** Yes, that's right.

**MRS CROSS:** And do you feel that's what the government is doing?

**Ms Borzatti:** Yes, I think that the legislation spells out that that is the plan.

**Mr Barrass:** From my discipline area in science as a population ecologist, I can tell you what happens if you allow immigration at 10 per cent into a population—what that does to the dynamics of the population and the natural resources. What you see here is equally as predictable by population ecology as, interestingly enough, takeaway food shops. Takeaway food shops, in terms of where they locate and how they behave in the market, can also be predicted very well by the same predictive mathematics as for animals.

The future is quite plain. If we allow an extra 10 per cent of plates a year and we continue on with what is being proposed, the population will collapse. It is that plain.

We're not adding resources into our population. We're not providing extra food. We're not providing extra water. The population will collapse.

**MR HARGREAVES:** As a population ecologist, do you also agree that the rise and fall of takeaway food shops follows the rise and fall of population increase/decrease? Then, of course, the marketing of that particular product has an influence; but, predominantly, the more people there are around, the more takeaway food shops you're going to get in your little local centre. But that's the population driving that; it's not government policy driving that.

**Mr Barrass:** The difference is that populations grow until they're limited by natural resources. Taxi plates in Canberra grew until they were limited by natural resources: the number of fares they can pick up. Takeaway food shops are limited by the number of meals they can sell; they tend to clump in groups of between five and seven and each has a different type of food. You can go out and have a look at them. You'll see that there's a different type of takeaway food shop in a cluster of about five to seven. That's because they serve a market niche.

When an area is known to serve a need, it attracts people to it, to satisfy the people's needs and wants. Here, the taxi industry is in a similar position. People go to places where they can find taxis. But, if there isn't enough in the way of fares, it will collapse. No matter what is the example that you want to say can be predicted, the effect will be the same. You cannot have this kind of growth and support the population. It is the same as when I was working in orchards. It's very unpredictable, unfortunately.

**MRS CROSS:** You note on page 6 that this bill and the regulations "set the scene for a compensation claim". What precedent are you aware of that exists for such compensation and how does this bill set the scene for compensation?

**Ms Borzatti:** In my view—I suppose I am drawing on my legal experience; I was a lawyer before I became a mum—essentially property rights are being taken away. There is a transfer of wealth away and the transfer of value to other people by a government decision, and I think that forms the basis of a compensation claim for just terms.

**THE CHAIR:** You can at least have the argument. Thank you. Is there anything else that you would like to add?

**Ms Borzatti:** Yes. As much as I hope that we've helped, there was really just one message that I wanted to get across—not as an operator, but just to try to sum up what this business means to us. For me, it's not about politics and it's not about party lines; it's about real life and real people. It's about my dad, who's here with me today. He emigrated to Australia when his family lost everything at the hands of the Yugoslav government. His homeland was invaded. It's about my dad, who came from an affluent European family and who worked in the steelworks and as a washing machine mechanic, in the hope that one day he would realise his dream and own his own business so that he wouldn't have to rely on government handouts. It's about my dad, who's now been in the taxi industry for 28 years here in Canberra. It's about mum and dad, who have endured many night shifts and many double shifts in order to pay for their investment. It's about my husband, Ian, who trusted my judgment and my experience in the industry, and who

did contribute to the business what was left of his superannuation after the Kennett government reformed the Victorian superannuation scheme. It's about us trying to plan a future for ourselves and for our children, and it's about our 2½-year-old daughter, who's at home with her grandma at the moment, probably sleeping innocently, in perhaps the naive belief that mummy and daddy are always going to look after her.

This is about a government reform package that is about to shatter three generations worth of dreams. My family has already lost everything to one government—and I'm going to fight to make sure it never happens again.

**MR HARGREAVES:** Well said.

**THE CHAIR:** Thank you very much, Ms Borzatti and Mr Barrass.

That brings the scheduled part of the hearings to a conclusion. We could have a discussion, but the standing orders don't allow for us to do that. However, before we conclude formally the hearings today, I'd like to reinforce the comment that I made a moment ago. The figures that were related in the course of the hearing and that relate to the Macquarie Bank proposal, as yet unpublished, were received by this committee in camera and in confidence. They should not have been discussed in open hearing, and I apologise to members present and people in the gallery that that happened. I must impress upon members present and people in the gallery that to discuss those figures any further is outside of the standing orders of the committee and may be a breach of privilege of the Assembly and a contempt of the Assembly, which is a serious matter. Those figures must not be discussed.

The committee is yet to deliberate on whether or not those figures will be published and in what form. If and until that happens, those figures must remain confidential, and I have to rely on all the people present here to honour that confidentiality. I apologise for your being put in this invidious position—and it is an invidious position—but it would be a breach of privilege and of standing order 243 of the Legislative Assembly.

**The committee adjourned at 3.33 pm.**