



Minister for Transport; Planning

Our ref: 72-18125
Your ref: Petition No. 088

Hon Colin Holt MLC
Deputy Chairman
Standing Committee on Environment and Public Affairs
lcco@parliament.wa.gov.au

Dear Mr Holt

PETITION NO. 088 -TRANSPORT (ROAD PASSENGER SERVICES) BILL 2018

Thank you for your correspondence dated 14 March 2019 regarding Petition No. 088 related to the Transport (Road Passenger Services) Bill 2018.

The petition was tabled on 16 October 2018 following passage of the Bill through the Legislative Assembly. The principal petitioner, Mr Athan Tsirigotis, submitted a number of points related to the then proposed buyback scheme for owned Perth taxi plates and was seeking the Legislative Council's support for an inquiry into the scheme by the Standing Committee on Environment and Public Affairs.

Since submission of the petition, the *Transport (Road Passenger Services) Act 2018* has been proclaimed and regulations supporting the buyback scheme commenced on 28 February 2019.

The Act establishes the formulae that determine what each eligible owner(s) of an owned taxi plate will be offered to buy back the plate. Only people who currently own the taxi plate and held ownership interest in the plate(s) on 2 November 2017, when the State Government's commitment to a buyback scheme was first announced, are eligible for the buyback payment.

The legislation also recognises that people who until recently owned a taxi plate may have sold their plate during the time when there was uncertainty in the industry around the reforms and allows for a net loss payment to be made to these people as an eligible former owner.

The buyback/net loss payment for each owned Perth taxi plate is calculated with reference to:

- the plate purchase amount as recorded by the Department of Transport (DoT) or, if there is insufficient information to determine the purchase price paid by tender or transfer, the average value of plate purchase for the relevant year, excluding any duty paid or GST input tax credits claimed as part of the acquisition;

- in cases where there are two or more owners of the plate, any changes of ownership interest that have occurred over time;
- the net loss associated with the taxi plate(s), calculated using a formula which represents the approximate profits that could have been earned if the plate(s) had been leased by the owners to lessees willing to drive for hire from the time the owner purchased the plate;
- less any taxi plate administration fees that remain as an outstanding debt to DoT; and
- less any payment made to the owner as part of the Taxi Plate Owners' Hardship Fund, established by the Government for the industry in 2016.

The formulas for calculating the net loss amounts for conventional, peak period and area restricted plates are set out in Section 227 of the Act.

The legislation also allows for the payment of a floor or minimum amount for plates that were purchased before 1 January 2016. The floor amounts are:

- \$100,000 for each conventional or multi-purpose taxi plate;
- \$40,000 for each area restricted taxi plate; and
- \$28,000 for each peak period taxi plate.

For plates that have been sold between 1 January 2016 and 2 November 2017, the buyback payment (current owner) or net loss payment (former owner) can fall below the floor payment as the sale price of the taxi is deducted.

The substance of the petition is that the formulae used to calculate the buyback and net loss payment amounts is fundamentally flawed, the floor price of \$100,000 is unfair and unreasonable and that previous legislated buybacks have paid heed to the market price.

The Government, and ultimately Parliament, did not agree with this assessment. The scheme adopted is tailored to the individual ownership circumstances of each plate and the amounts offered reflect the potential return on investment that a plate owner could have received.

The scheme provides a higher offer to those plate owners who purchased their plates more recently at much higher cost than those that have held their taxi plates for many years. It recognises that these owners have not had the time to recoup the cost of their investment in the short period of ownership. It is more equitable than a one-size fits all scheme.

The use of monopoly profits reflects that ownership of the plates allowed the holder to extract an income from the plates in a controlled supply context. In a market where there was no fixed supply of taxi plates, an owner would only earn income from the plate by operating themselves as a driver. There would be no return on investment through leasing of the plate to a vehicle manager or leasing the plate and vehicle to a shift driver.

The controlled supply of taxi plates has therefore enabled monopoly profits to be realised from the investment. Similarly, the fixed supply of plates has allowed drivers of taxis to enjoy incomes from fares that are higher than in a fully competitive market, as identified by the Economic Regulation Authority in its 2014 Inquiry into Microeconomic Reform.

The net loss calculation established in the Act uses the shift lease rate that a plate owner was able to receive pre and post 1 January 2016 (\$355/wk and \$225/wk respectively) as a proxy for the income the taxi plate generated as a result of being in a monopoly market.

The petition submission also notes that the calculations do not take into account financing, administration and operating costs. The private lending arrangements involved in purchasing a plate should not be a consideration in any buyback scheme, nor the costs of operating the plate. The financing costs and operating expenses associated with a plate would have been offset against the income derived from the operation of that plate, with the annual income tax obligation to the Australian Taxation Office adjusted accordingly. It is also appropriate that the stamp duty and transfer fees that were applied to the asset purchase are not accounted for in the original taxi plate purchase price.

The petition claims there has been no consultation about the buyback or due consideration of alternative proposals that have been put forward by the Taxi Operators' Legal Defence (TOLD). This is not correct.

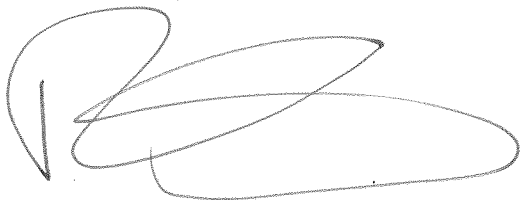
An On-demand Transport Advisory Group (OdTAG), established under the previous Government, was used as a mechanism for the exchange of information between stakeholders and DoT on early administrative and regulatory changes. Membership of OdTAG included representatives from across the on-demand transport industry and consumers, including taxi plate owners.

In March 2017, Dr Tony Buti MLA was appointed the On-demand Taxi and Charter Reform Coordinator and tasked with conducting a fresh round of consultation with industry. In total over 60 hours of consultation was undertaken by Dr Buti across the industry, including with many taxi plate owners. In addition, over 300 pieces of correspondence have since been received from people within the industry

Consideration was given to TOLD's proposal prepared by Ernst & Young that recommended a flat buyback amount of the average sale price of plates in 2014 (around \$295,000). For the reasons outlined above, a buyback amount that does not take into account individual circumstances of purchase and length of investment does not meet the fundamental principle of equity.

I trust this information assists the Committee's preliminary investigation into the issues raised in Petition 088.

Yours sincerely



HON RITA SAFFIOTI MLA
MINISTER FOR TRANSPORT

08 APR 2019