

14th December 2018

Standing Committee on Environment and Public Affairs
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005



RE: PETITION No. 88 – TRANSPORT (ROAD PASSENGER SERVICES) BILL 2018

Dear Hon Matthew Swinbourn MLC,

We act on behalf of the Taxi Plate Owners regarding the issues raised in Petition No. 88, dated 11th October 2018. We acknowledge that the above Bill in question was given Royal Assent on the 30th October 2018, not long after the submission of our Petition. Despite this, we strongly believe that the process and methodology behind the derivation of the buyback figures is flawed. Matters which we believe are relevant to this issue are outlined below:

- Conventional Taxi plate values have steadily increased in value since they were released. For example, Department of Transport issued information sheets relating to this buyback state that in August 1996 taxi plates were being sold for \$145,500 and for \$310,000 in June 2013.
- The Department of Transport has monitored and recorded sales prices and has charged stamp duty on licence transfers according to the sale price
- The Government's current buyback offer proposes that 72% of taxi plate owners will receive \$100,000 while others will receive varying amounts up to a maximum of approximately \$255,000. This fails to acknowledge that each conventional taxi plate licence is exactly the same. Each conventional taxi licence allowed the owner to work in the same area, pick-up the same passengers and operate under the same conditions. Further, if the licence was leased to another driver, each conventional taxi licence generated the same amount of income. This can be contrasted with a government acquiring other types of property which can be distinguished by objective factors.
- The buyback offer does not take into consideration financing and borrowing costs, holding fees, administration fees, operating costs such as vehicle purchase, insurance, equipment and surveillance camera costs, all of which are formally required for a taxi plate to operate in compliance with the Taxi Act 1994.
- The buyback offer focuses on shift lease rates and "monopoly profits". This fails to take into account that many owners did not lease their licence out but were owner/drivers and that achieving 100% lease occupancy during taxi plate ownership is unrealistic. Further, the use of "monopoly profits" as a calculation tool is inappropriate and is simply an arbitrary measure to minimise the licence buyback price.
- Previous government taxi licence buybacks were based on owners being able to sell their licence at market price based on the average price paid in the preceding 12-month period. Relevantly, the average price paid in 2014 was \$290,000 which is almost triple the amount that most owners are being offered in the current buyback (See Taxi Amendment Bill 2005 Explanatory Memorandum regarding previous buyback).
- Multi-Purpose Taxi licences were bought back by the government in 2006 for \$108,000 which is more than the majority of conventional taxi plate owners are receiving for their plates in 2018
- Section 43 of the Taxi Act 1994, in relation to the surrender of taxi plates, specifically mentions that the market value of taxi plates needs to be taken into account.

- Peak-Period taxi licence owners were able to upgrade their licence to a conventional taxi licence upon the payment of an upgrade fee. A dated invoice from the Department of Planning and Infrastructure can be provided which shows that in 2008 one owner paid approximately \$192,000, which included \$17,000 GST, to facilitate the upgrade. The government has, in permitting the upgrade, directly influenced the market value of a taxi licence and in effect set a minimum floor level as to the price of a taxi licence.
- The present Government's approach is overly simplistic in dealing with an industry that has been highly regulated for over 40 years and the financial impost borne by those involved in the industry. Governments have promoted and actively encouraged investment in the taxi industry. Accordingly, it is unfair and unreasonable to take the current approach (See Taxi Amendment Bill 2007 Explanatory Memorandum).
- In 2016, when Shadow Minister for Transport, the current Minister for Transport is recorded in Hansard on 8 September proposing that conventional taxi licence owners be offered \$162,500 whilst also being able to keep their taxi plate when issues regarding the taxi industry were being discussed. This is a significant departure from what is presently offered.
- The buyback has been termed "voluntary", however, it's our understanding that if the buyback offer is not accepted by the licence owner the licence will be revoked regardless.
- Taxi licence owners will be financially devastated if the present buyback offer remains unchanged and will exacerbate the mental and psychological distress they have had to endure during this protracted process.

The Legislative Council has the responsibility to review and scrutinise government legislation, however, the issues raised in our petition and discussed above remain unresolved.

We also request that the committee provides a formal response to the following items:

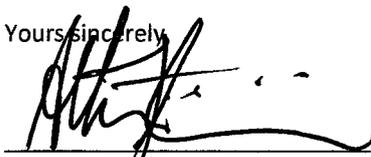
- 1) Provide supporting evidence to demonstrate how the Legislative Council came to the conclusion that the buyback offer was a reasonable and acceptable figure? How did the Legislative Council validate and quantify the figures presented in Part 9 of the Transport Bill?
- 2) Did the Legislative Council review the Ernest & Young report dated 5th April 2018 (refer attached) during the examination and critique of the proposed buy back offer? How does the Legislative Council justify the large discrepancy in buy back offer presented by the government and the derivation undertaken by Ernest & Young (i.e. \$100K vs 290K)?

On the basis of the above, we formally request the Standing Committee on Environment and Public Affairs commission an inquiry into an adequate and appropriate buyback amount.

We also advise that a complaint to the Parliamentary Commissioner for Administrative Investigations (Ombudsman) has not been submitted.

We thank you for your time and look forward to hearing from you.

Yours sincerely



Athan Tsirigotis
TOLD Group Pty Ltd

Taxi Amendment Bill 2005

Explanatory Memorandum

Introduction

Under the present industry structure, the cost of plates and the cost of running a Multi-Purpose Taxi have made it economically tough for operators. The owners of the 56 transferable MPT plates have approached Government asking to have their plates bought back. The repurchase of MPT plates will remove the speculative value from operator costs and provide an opportunity for the MPT industry to be restructured for growth in the future.

Consistent with this Government's policies, the changes proposed in this Bill will provide the owners of transferable MPT plates with an opportunity to reduce their costs by selling their plates to Government. After the buy-back is completed, owner-drivers, who have a direct interest in service delivery and industry viability, will be delivering the MPT service.

The "Report on Review of the Taxi Industry Regulatory Structure in the Perth Metropolitan Area", which came from the review conducted by Hon Graham Giffard MLC in 2003, recommended the Government institute a voluntary buyback of taxi plates. The plate owners are to be offered the option of selling their plates at market price based on the average price paid in the preceding 12-month period.

Applying this principle to transferable MPT plates arrives at a market value of \$108,000 per set of plates. To address issues of fairness and equity, plate owners who have paid more than \$108,000 for their plates will receive the purchase price paid. Recognising that the impact of applying the GST to the purchase price reduces the net return to the plate owner, the Government has agreed to pay the GST costs. The buy back of all 56 transferable MPT plates will cost Government \$6.2million.

This Bill also contains three groups of amendments that are of a more technical nature. The first of these amendments enables plate lessees to submit an application to lease plates before their current lease comes to an end or to apply to lease a different type of plate during the term of their current lease. The Bill also provides the Director General of the Department for Planning and Infrastructure the facility to define eligibility criteria in the invitation to apply for lease plates.

The second amendments clarify the distinction between plates leased from Government and taxi plates leased from a plate owner under a private leasing arrangement. This is clarified by inserting a definition of a "plate owner's lease" into the Act.

The third amendment extends the responsibility for ensuring that a taxi operates in accordance with its operating conditions to a driver who does not own the plates or the vehicle. There are a number of taxis that are being driven by shift drivers who fall into this category each day.

TAXI AMENDMENT BILL 2007

Explanatory Notes

This Bill amends the *Taxi Act 1994* in three important ways that achieve the Government's objective of enabling the taxi industry to provide a timely and efficient taxi service to consumers, and ongoing viability for taxi operators.

Firstly we are improving the enforceability of conditions. When the Taxi Act was first drafted, it was not envisaged that taxi plates would, for long periods of time, not be affixed to vehicles being operated as a taxi. By not affixing a plate to a taxi, operators have been able to circumvent the effect of conditions imposed by the Director General on the operation of the taxi.

The Director General's ability to require taxi operators to operate is an essential feature of the legislative scheme to ensure that the public receives an efficient taxi service. This ability is compromised in situations where taxi plates are not affixed to a vehicle.

Secondly we are providing greater flexibility to issue more plates in response to demand for taxi services.

The proposed amendments will change the permitted percentage of the fleet that can be leased plates. The cap will now apply only to conventional or fulltime non – restricted cabs and will be set at 40%. This will allow the Government to more quickly respond to increases in taxi demand as well as offering more taxi operators a low-cost option for participating in the taxi industry. At the same time it will ensure that the owners of transferable plates do not lose value of their investment

These changes on the cap will also free up the release of new peak period plates. This policy may affect the value of peak period plate prices and therefore raises issues of equity.

Thirdly, a new Division 4 within Part 3 of the Act will provide an opportunity for the owners of transferable restricted hours taxi plates to upgrade their plates to owned conventional plates on terms to be approved by the Minister. The upgrade will be facilitated through agreements that the Director General may enter into with owner of restricted hours taxi plate owners.

Clause 1 – Short Title

A formal clause titling the Act.

Clause 2 - Commencement

The Act commences the day after the day on which the Act receives the Royal Assent.



MINISTER FOR PLANNING AND INFRASTRUCTURE

HON ALANNAH MacTIERNAN
BA LLB BJuris JP MLA

Our Ref: [REDACTED]

- 2 MAY 2007

[REDACTED]

Dear [REDACTED]

**VOLUNTARY UPGRADE OF 70 TRANSFERABLE PEAK PERIOD TAXI
PLATES TO UNRESTRICTED TAXI PLATES**

Thank you for your letter and proposal on behalf of the Peak Period Tax Operator Group (PPTOG) dated 8 February 2007, regarding a voluntary upgrade of 70 transferable peak period plates to fully transferable conventional plates.

I have considered the PPTOG's proposal and its terms. The general approach you have adopted has merit and I am persuaded by the argument for a 20 per cent discount. However, the proposal for establishing base plate values is not consistent with the established methodology used to determine the plate price as set out in the Giffard Report 2003.

As you will recall, the Giffard model (2003) determines taxi plate values by calculating the average transacted price of plates sold over the past 12 months. This model was used to determine plate values for the MPT plate buy-back and is appropriate for use in the current circumstances. There would have to be a particularly compelling reason for it not to be used.

The table below shows how the upgrade price was calculated using the Giffard model and factoring in a 20% discount:

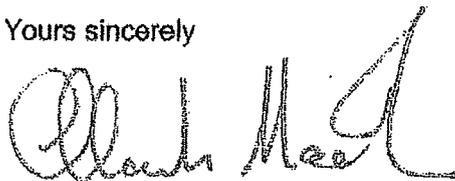
Average price of 46 conventional plates traded between 1 March 2006 and 1 March 2007	\$231,461
Minus average price of 8 fully transferable peak period plates traded between 1 March 2006 and 1 March 2007	- \$42,500
Minus 20% discount	- \$46,292
Total upgrade payment	\$142,669

As you are aware, legislation is currently before State Parliament that will allow the Director General to enter into agreements with Peak Period operators. I expect that if the legislation passes, the Director General will make an offer to each of your group members to enable them to upgrade their peak period plates to conventional plates. In the light of what I have said above, I expect that the price to upgrade to conventional plates will, in each instance, be \$142,669.

I note that the PPTOG has requested an interest free loan arrangement to finance the upgrade. The State Government will not be offering a finance option to peak period plate owners to upgrade their plates.

I look forward to the PPTOG's full support of the Taxi Amendment Bill 2007.

Yours sincerely



ALANNAH MacTIERNAN, MLA
MINISTER FOR PLANNING AND INFRASTRUCTURE



Government of Western Australia
Department of Transport

TAX INVOICE

ABN 27 285 643 255
Fremantle Office
1 Essex Street
PO Box 402 Fremantle
Western Australia 6959
Phone: (08) 9216 8999
Facsimile: (08) 9216 8903

Invoice No. [REDACTED]

Invoice Sent To: [REDACTED]

Customer Code: [REDACTED]

Invoice Date: 21/12/10

Line	Details	Amount
1	Att: [REDACTED] RHT Plate; [REDACTED] Part payment for issue of Conventional Taxi Plates; [REDACTED]	174773.28
2	GST on above item at standard rate	17477.33
Due Date [REDACTED] 22/12/10		Total Amount Payable 192250.61

IF RECEIPT REQUIRED SUBMIT INVOICE INTACT

Please return this portion with payment.

PAYMENT ADVICE



Government of Western Australia
Department of Transport

Customer Code		Invoice No.	Invoice Date	PO Box 402 Fremantle WA 6959
[REDACTED]		[REDACTED]	21/12/10	
Line No.	Account Code	Line Amount	Payments	Outstanding Amount
1	T HOTM RHTBUY	174773.28		174773.28
2	T DOT GST	17477.33		17477.33
Total Amount Payable				192250.61

See over for payment types & locations.



Ownership Certificate

This is to certify that

owns taxi plate number

CONVENTIONAL TAXI

The right to Taxi Plate Ownership shall not be sold or transferred without prior approval of the Department for Planning and Infrastructure's Passenger Services Business Unit.

This Taxi Ownership is financially encumbered.

The taxi plates attached to the Taxi Plate Ownership must operate in accordance with the conditions of ownership which are contained in a separate document.

Shelley Smith

Licensing & Subsidies Coordinator
1 August 2008



Department for Planning and Infrastructure
Government of Western Australia

TAX INVOICE

ABN 40 996 710 314
Fremantle Office
1 Essex Street
PO Box 402 Fremantle
Western Australia 6959
Phone: (08) 9216 8999
Facsimile: (08) 9216 8903

Invoice No. [REDACTED]

Invoice Sent To:

[REDACTED]

Customer Code: [REDACTED]

Invoice Date: 31/07/08

Line	Details	Amount
1	ATT: [REDACTED] RHT Plate [REDACTED] Part payment for issue of Conventional Taxi Plates - [REDACTED]	174773.28
2	GST on above item at standard rate	17477.33
Due Date [REDACTED] 1/08/08		Total Amount Payable 192250.61

IF RECEIPT REQUIRED SUBMIT INVOICE INTACT

Please return this portion with payment

PAYMENT ADVICE



Department for Planning and Infrastructure
Government of Western Australia

Customer Code	Invoice No.	Invoice Date	PO Box 402 Fremantle WA 6959	
[REDACTED]	[REDACTED]	31/07/08		
Line No.	Account Code	Line Amount	Payments	Outstanding Amount
1	16000231432610509331052540	174773.28		174773.28
2	01000009960700300000000000	17477.33		17477.33
Total Amount Payable				192250.61

See over for payment types & locations.

5 April 2018

Our Ref: 3TAX / 2004 4718
Daniel Fry / Chris King

Athan Tsirigotis
Taxi Operators Legal Defence Fund Pty Ltd
6 Invicta Place
GWELUP WA 6018

Dear Athan

TAXI PLATE BUY-BACK SCHEME – PROPOSED GOVERNMENT FORMULA

1. You have instructed us to reduce to writing your position regarding the formula which the Western Australian Government (**'Government'**) has proposed to use to calculate the compensation the Government may pay to a taxi plate owner for the buy-back of a taxi plate.
2. The views which are expressed in this letter are solely the views of Taxi Operators Legal Defence Fund Pty Ltd ('TOLD'). Ernst & Young does not express any view in relation to the issues the subject of this letter and has not independently verified the accuracy of those views.
3. We **attach**:
 - (a) extract from the Department of Transport website (**Annexure A**);
 - (b) Department of Transport document titled '*Forward Notice: Important Notice to the Taxi Industry*' (**'Forward Notice'**) (**Annexure B**);
 - (c) letter (undated) from the Department of Transport to Hedayat Noormohammady (**Annexure C**);
 - (d) report dated June 2003 from the Honorable Graham Giffard titled '*Report on Review of the Taxi Industry Regulatory Structure in the Perth Metropolitan Area*' (**Annexure D**);
 - (e) Statement dated 5 June 2002 by the Governor of the Reserve Bank of Australia (**Annexure E**);
 - (f) article dated June 2015 from the Australian Stock Exchange titled '*What return can you expect in this market?*' (**Annexure F**);
 - (g) news article dated 9 August 2016 from The Australian Financial Review titled '*Rental yields at record lows in Sydney and Melbourne*' (**Annexure G**);
 - (h) news article dated 22 May 2014 from WA Today titled '*Perth Uber launch surprises Dean Nalder*' (**Annexure H**);
 - (i) email dated 25 July 2016 from Paula Tomkins from the Department of Transport to Athan Tsirigotis (**Annexure I**); and

- (j) news article dated 9 April 2017 from PerthNow titled 'Taxi plates buyout could cost McGowan Government up to \$300m' (**Annexure J**).

PROPOSED GOVERNMENT FORMULA

Market Value of Plates

4. In or around May 2014, Uber started to provide on-demand transport services in Western Australia (refer to **Annexure H**).
5. Between 2014 and July 2016 the average sale price for conventional metropolitan taxi plates was as follows:
- (a) 2014 - approximately \$290,000;
 - (b) 2015 - approximately \$234,000; and
 - (c) January to July 2016 - \$91,667,
- (refer to **Annexure I**).
6. As at April 2017, PerthNow reported that the market price for a conventional metropolitan taxi plate was approximately \$70,000 (refer to **Annexure J**).

Proposed buy-back scheme

7. TOLD understands that the Government has proposed to use the following formula to calculate compensation payments that it may make to taxi plate owners as part the Government's proposed taxi plate buy back scheme:

PURCHASE PRICE – PROFIT – GRANTS = ESTIMATED BUYBACK AMOUNT

where:

Purchase price means the amount originally paid for the taxi plate(s);

Profit means profit earned under a controlled market; and

Grants means payments already made to the plate owners by the Government in 2016 to 2017 (refer to section 30M of the *Taxi Act 1994 (WA)* ('**Taxi Act**')),

(refer to **Annexures A** and **B**).

8. In relation to 'Profit', the Government's proposed formula is the estimated profit that the Government calculated could have been earned by a plate owner while they owned their plates based on the taxi plate lease rates. It is calculated as follows:

(Number of weeks from purchase date to 31 December 2015 x \$355) + (Number of weeks from 1 January 2016 to 2 November 2017 x \$255).

(Refer to **Annexure A**)

9. The Government's example calculations in the Forward Notice, which appear to apply the above formula, refer to the taxi plate owner's estimated 'monopoly profits' based on the taxi plate lease rates. The Forward Notice states the following:

'Monopoly profits are the estimated profits that the Government calculates could have been earned in a protected market while you owned your taxi plate. Calculation of monopoly profits are based on the shift lease rate.'

(Refer to **Annexure B**)

10. The Government's proposed buy-back scheme provides for the following minimum buy-back amounts:
- (a) \$100,000 for each Conventional or Multi-Purpose taxi plate;
 - (b) \$40,000 for each Area Restricted Plate; and
 - (c) \$28,000 for each Peak Period Plate,
- (refer to **Annexures A and B**).
11. TOLD considers that the Government's proposed formula is inappropriate for the reasons discussed below.

Problems with the Formula

Item One: 'Purchase Price'

12. TOLD considers that it is inappropriate for the original '*purchase price*' of a taxi plate to be the basis of a formula to calculate a buy-back amount for taxi plates.
13. The focus on the original '*purchase price*' fails to take into account the rise in value of taxi plates experienced by many taxi plate owners over a number of years prior to their subsequent fall in value caused by the entry of Uber into the on-demand transport market.
14. Further, the Government's buy-back offer only takes into account the '*Recorded purchase price*' (refer to **Annexure C**). It does not take into account any transfer (stamp) duty or Goods and Services Tax ('**GST**') that was paid by the purchaser on the acquisition of a taxi plate.
15. TOLD considers that if the original '*purchase price*' is an appropriate basis for a formula for the calculation of a buy-back to be paid to taxi plate owners (which it does not accept), then the '*purchase price*' should include any transfer (stamp) duty or GST paid by the purchaser of the taxi plate.

Item Two: 'Monopoly Profits'

16. Broadly, a 'monopoly profit' exists where a lack of competition in a given industry allows the supplier to enjoy an economic profit which is significantly higher than the normal profit that is typically found in a perfectly competitive industry.
17. TOLD considers that it is inappropriate for the Government's proposed formula to include a reduction for the 'monopoly profits' earned by taxi plate owners for the following reasons:

- (a) historically taxi plate owners have **not** derived profits from the ownership of taxi plates which are significantly higher than normal (refer to paragraphs 18 to 25 below); and
- (b) a reduction for 'monopoly profits' appears to be an arbitrary measure that has been included simply to reduce the compensation that will be paid to taxi plate owners.

Is there a 'monopoly profit'?

Yield on Investment

18. The 'yield' is the income return on an investment, such as the interest or dividends received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost.

19. The yield can be calculated using the following formula:

$$\text{Yield} = (\text{Income from Investment} / \text{Cost of Investment}) \times 100$$

where:

Income from investment means the revenue derived from the investment; and

Cost of Investment means the purchase price paid of the investment.

20. The yield on an investment tends to increase with the level of risk associated with a particular investment.

21. The yield on a conventional metropolitan taxi plate in 2002 was approximately 9.4 per cent per annum (that is, [approximately \$18,000 divided by approximately \$192,000] x 100) (refer to **Annexure D**).

22. By way of comparison, in June 2002 the Reserve Bank of Australia's official cash rate was 4.75 per cent per annum (refer to **Annexure E**). This represents the return on a 'risk-free' investment.

23. By 2014, the yield on a conventional metropolitan taxi plate had fallen to approximately 6.4 per cent annum (that is, [approximately \$18,000 divided by approximately \$192,000] x 100) (refer to paragraph 21 above).

24. By way of comparison, at around June 2015 the dividend yields on Australian shares were approximately 6 per cent per annum (refer to page 5 of **Annexure F**) and in April 2014 the average rental yield in Perth were approximately 4 per cent per annum (refer to the table in **Annexure G**).

25. Given the yields available on alternate benchmark investments, TOLD considers that taxi-plate owners have not been enjoying 'monopoly profits' which are significantly higher than those which could have been made by investing in other medium to long term asset classes.

26. Accordingly, TOLD considers that it is inappropriate to reduce any payment to taxi plate owners under the proposed buy-back by any perceived 'monopoly profits' that they have received.

27. Further, TOLD considers that if it is acceptable for a formula for the calculation of a buy-back payment to include a deduction for 'monopoly profits' (which TOLD does not accept), then the

deduction should be limited to the amount that the yields on a taxi plate exceeded the yields on an alternative benchmark investment (for example, the dividend yield on Australian shares).

'Profit'

28. TOLD considers that if it is acceptable to reduce any buy-back payment by the 'monopoly profits' earned by the taxi plate owners (which TOLD does not accept), then it is inappropriate to calculate those 'profits' by simply multiplying the weekly lease amount by the number of weeks that the taxi plate was owned (refer to paragraph 8 above).
29. Firstly, this assumes that a taxi plate was leased, and that it was leased for 100 per cent of the time of ownership. TOLD understands that this was often not the case.
30. Secondly, the calculation described at paragraph 28 above represents 'gross revenue' rather than net profit. The distinction is that the gross revenue derived by leasing a taxi plate does not take into account the costs associated with owning the taxi plate. Such costs may include:
 - (a) interest repayments on money borrowed to purchase the plate;
 - (b) mortgage insurance;
 - (c) administration fees and charges; and
 - (d) other operating costs.
31. This means that under the Government's proposed formula, the buy-back payment for a taxi plate owner will be reduced by the gross revenue received from leasing the taxi plate, and not the net profit derived from leasing the taxi plate (which takes into account expenses incurred by the taxi plate owner). TOLD considers that this is an inappropriate approach.
32. Further, if a taxi plate owner did make a net profit (that is, revenue less expenditure), then the taxi plate owner would have had to pay income tax on that profit. This means that under the Government's proposed formula, a taxi plate owner's buy-back payment will be reduced by the gross revenue received from leasing the taxi plates, and not by an amount that takes into account the income tax that the taxi plate owner may have already had to pay. Again, TOLD considers that this is an inappropriate approach.

Item Three: Grants

33. TOLD agrees that the formula for the calculation of a buy-back amount should include a deduction for any 'Grant' amount already received by a taxi plate owner.

Minimum Buy-back

34. TOLD does not agree with the minimum amounts proposed by the Government (refer to paragraph 10 above).
35. TOLD considers that the minimum buy-back amounts proposed by the Government fail to recognise the long-term investment made by some taxi plate owners. Some taxi plate owners had experienced a significant appreciation in the value of their taxi plates, which was then decimated by the entrance of Uber into the on-demand transport market.

Effect on Taxi Plate Owners

36. TOLD considers that the entry of Uber into the on-demand transport industry has had a severe negative financial impact upon taxi plate owners, whose taxi plates are now effectively worthless.
37. TOLD considers that the compensation being offered via the Government's proposed buy-back formula fails to address the severe financial hardship that many taxi plate owners now face.
38. In particular:
- (a) many taxi plate owners have seen a large portion of their net wealth destroyed as a result of the catastrophic decline in the value of their taxi plates;
 - (b) taxi plate owners who held their taxi plates in their superannuation funds for retirement have watched the value of, and the income from, their retirement nest-egg disappear; and
 - (c) many taxi plate owners have borrowed money to purchase their taxi plates, and the proposed buy-back amounts will not be sufficient to cover their debts.
39. TOLD therefore considers that the Government's proposed formula fails to adequately compensate taxi plate owners, and will lead to severe financial hardship in many instances.

ALTERNATIVE APPROACH TO COMPENSATION

Proposed Alternative Formula

40. TOLD considers that the Government should undertake a voluntary buy-back of taxi plates for an amount which is calculated based on the average sale price of taxi plates in 2014 (immediately prior to Uber's entry into the market), less any payments that have already been made to taxi plate owners.
41. TOLD considers that the Government should calculate payments to taxi plate owners using the following formula:

$$\text{Market Value} - \text{Grants} = \text{Estimated Buyback Amount}$$

where:

Market Value means the average sale price of a taxi plate in 2014; and

Grants has the same meaning as in the Government's proposed formula (refer to paragraph 8).

42. TOLD considers that the above formula is more appropriate than the formula that the Government has proposed for the following reasons:
- (a) it is consistent with the Government's previous taxi buy back scheme (see below); and
 - (b) it does not include any arbitrary deductions for perceived 'monopoly profits'.

Previous Buy-Back Scheme

43. The taxi industry has previously been subject to a buy-back scheme. Section 43(1) of the Taxi Act states as follows:

'43. Some deemed plate holders may surrender plates

(1) A person who is deemed to be a plate holder by virtue of section 47(2)(a) may, if invited to do so by the Minister, surrender his or her taxi plates to the Minister and where he or she does so, the Minister shall pay to that person an amount that the Minister determines to be reasonable having regard to the premium paid by that person under the repealed Act and the market value of those taxi plates.'

44. Section 47(2)(a) of the Taxi Act states as follows:

'(2) On the commencement day, by virtue of this section —

(a) the holder of a taxi car licence, including a private taxi car licence, issued under the repealed Act is deemed to be a plate holder under this Act;

...'

45. Section 43 of the Taxi Act does not directly apply to the Government's proposed buy-back scheme. However, it demonstrates that in the past the Government has considered it necessary to compensate taxi plate owners on a reasonable basis when Government actions have affected the taxi industry.

46. TOLD considers that the amount paid to taxi plate owners as part of the Government's proposed buy back scheme should be calculated on a similar basis to section 43 of the Taxi Act.

47. TOLD therefore considers that it is appropriate for taxi plate owners to receive an amount which takes into account the following:

(a) the purchase price paid by the taxi plate owner (without a reduction for 'monopoly profits'); and

(b) the average market value of those taxi plates in 2014.

48. If you have any queries, please contact us.

Yours sincerely



Daniel Fry
Partner
EY