

# TRANSCRIPT

## STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

### Subcommittee

### Inquiry into ride sourcing services

Melbourne — 8 September 2016

#### Members

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Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

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Mr Bernie Finn

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

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Ms Samantha Dunn

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#### Witness

Mr David Holmes, chief executive officer, GoCatch.

**The CHAIR** — I declare reopen the Standing Committee on the Economy and Infrastructure public hearing, and thank you for your attendance today. Today the committee is hearing evidence in relation to our inquiry into ride sourcing. Today's evidence is being recorded. All evidence taken today is protected by parliamentary privilege, and therefore you are protected for what you say in here today, but if you go outside and repeat those same things, those comments may not be protected by this same privilege. Once again thank you, Mr Holmes, for your presence here today.

**Mr HOLMES** — My pleasure.

**The CHAIR** — If you would not mind stating your name and the organisation you are attached to and then going into any introductory comments, we will follow up with some questions.

**Mr HOLMES** — Fantastic. Thank you for having me. My name is David Holmes, and I am the CEO of GoCatch. Very briefly — and mostly it is about an open forum to give you access — many people will not know who GoCatch is. GoCatch is an Australian organisation formed in 2011 to bring technology to the transportation industry, basically using technology to facilitate the improvements of efficiency in and around technology. The vast majority of that is on handheld devices or apps, but it also transfers into web-based technologies as well. Primarily in taxis is where we started, and our approach has always been that that would merge into other things, but only once those things became legal. Right now we operate taxi and ridesharing services in Sydney and Brisbane, and we are about to be in Canberra and Adelaide. Once it is legal we will move into those marketplaces, so we are looking at where things are in Victoria with interest.

I guess that gives us a unique perspective on the world. We are not linear in looking at taxis bad, rideshare good or vice versa — we believe there is a dichotomy in this marketplace — but certainly the reforms that this committee has been working on and flowing through into the announcements we have seen over the last few weeks, the Victorian reforms in draft seem to be the most far-reaching. We would certainly applaud that, unlike many other states which have legalised ridesharing as a first phase — or ride sourcing, as you call it — and then said, 'Okay, later on we'll get to deregulating the taxi industry'. What we have experienced is that that has significantly hurt the taxi industry and unfairly benefited the ridesharing industry. Certainly our feedback would be that tackling it head on as an end — deregulation plus reregulation of ridesharing — we applaud the government for looking at that side of things.

Our view of the continued role of government, looking at the best of breed from around the world but also from the different states, is that we would strongly advise to stay the course on safety accreditation and open data. In some jurisdictions the onus of driver licensing and background checks et cetera has fallen on the corporates. Our policy and our viewpoint is that that is not necessarily a good use of corporates, because it is open to abuse, and that is where governments would play a fantastic role in terms of making sure that that is there. In other jurisdictions we have seen that that has been looked after by the government, but then there is no open data, so how do I know that someone has not potentially lost their accreditation the day after I have actually cited a licence? So where you have a flow of both accreditation by the government and then open data sources, hopefully on a daily basis we can make sure that we are not allowing the wrong people to be on the road who are unaccredited. It seems like, on reading, that is the similar vision of this panel and also the government.

We see the role of the operators such as us as being in and around safety and adhering to those checks that are set by the government and in improving service quality and more importantly transparency of that service and quality, so we do not see that one category of vehicle is better than the other. In fact we do believe that the best taxidriver who work tirelessly should still have a role in the industry and that they will have as long as we can show that they know their job and they are exceptionally good at what they do. Likewise, at the other end of the spectrum the bottom 5 to 10 per cent — if you can actually have a system, which we have, that shows that — the customers can actively choose with their wallets not to select those. We see that that is where the whole mean of the industry will step up. So I think we are in alignment on those three things.

The cost of transition is a really interesting one. We do not profess to be social engineers, but the technologies we are bringing and others are bringing to the market are re-engineering society at a very rapid pace, so we are concerned about that. We are here to help if we can, and we have got some ideas in and around how that might be paid for and who might pay for that, because obviously that has been pushed down the road a bit. That seems to be the big unknown at the moment — who will get paid what and how that will be paid — but in terms of those other reforms I think we are pretty much there.

That is pretty much all I wanted to put on the record. Outside of that, again we have spent a lot of time with taxis. We have seen industries and markets all behave differently when ridesharing has entered. So I guess hopefully that might give you an opportunity to ask as candid questions as you can. Like I said, we are an Australian business. We are happy to share data, and in fact with New South Wales and with Queensland we are sharing data so that they can actually see pockets and how that is actually working.

**The CHAIR** — Thank you, Mr Holmes. I am interested just to understand what GoCatch looks like within the taxi industry. So obviously your app, your platform and the like was used in the taxi industry. Did it look similar to what the Uber app might look like, where you can track where the car is that you have ordered?

**Mr HOLMES** — It looks very similar, so you can book, you can track and you can pay in app. In taxi it is slightly different in that we do allow you to pay outside app, which is different to Uber. So we do allow you to pay with cash, pay with card or pay via the app or card via the app if you would like to as well. It is about that flexibility, so very similar. Slight tweaks on how we actually align that, and we are constantly changing.

There are some design changes at the moment that are actually about choice, so providing more information on that first screen where you can actually see there is a rideshare vehicle, there is a limousine, there is a taxi, there is a maxi taxi. That one is 5 minutes away, and the estimated cost is 20 bucks; that one is 10 minutes away, and the estimated cost is 15 bucks. So we are providing a lot more choice to the customer in that first screen, rather than pushing them to any particular vehicle because we make more money off one particular vehicle than the other. We do not really care as long as we are facilitating that journey.

**The CHAIR** — The Victorian government have announced in their media release a \$2 levy on each and every trip, whether it be in a rideshare car, a taxi or any other vehicle as well. I am wondering what your particular view is, considering you have seen in other states the way this has been implemented? I am wondering what a \$2 levy on each and every trip looks like. What is your view on it?

**Mr HOLMES** — I think that there will be quite a lot of negative feedback and backlash from the end users, because that is where it will get effectively passed on to. In terms of collecting and paying that on behalf of drivers, whether it be CTP, whether it be a \$1 or a \$2 levy, whether it be GST, we are very keen to assist in doing that. Our position — again, being an Australian business — on GST is that it is probably smart for it to be legislated that GST is actually collected by the operator and paid on behalf of the drivers. The reason for that is these are small businesses. Many of them, particularly in ridesharing, are new businesses or new to business, and they are struggling with their GST responsibilities.

We are very clear. We show them: ‘We’ve given you this and the GST is this, so you should actually put that aside and pay it when your next BAS comes up’. Unfortunately we cannot do that for them, because they are independent contractors. Our advice is unless it was mandated by government it would look like they are employees, which they are not. We are very encouraging of them not just sitting on GoCatch but sitting on other services, because certainly there would not be a full livelihood of working just off our service at this stage. That may change in the future, but that is where we are at.

In terms of that \$2 and who pays, we have a fairly aggressive stance on our American counterpart, and it is pretty much where we are very diametrically opposed. On our numbers, and effectively supported by some of the submissions from Uber, we believe that those fines should have been paid up to date. And on their numbers — and our estimates were a little bit lower than this — that is circa \$750 million to \$900 million in fines if you actually add that by ride at the \$1673 fee. Obviously the police have tried, but that is not what we would be saying. We would be saying, ‘Well, actually, potentially the DPP wants to have a little look at the records’. The records are there, you can actually see the geographies of all of those, and they have absolutely clearly been facilitated by Uber.

Our view on that would be, whether it is the full amount or another amount, I think that that would be seen as fairer by the population, as in, ‘Okay, well, Uber came in and they got market share, but they have paid a fine’. Right now they have paid very light fines because of the way that we have collected them from a government perspective, so I think there is a win-win there. Yes, Uber will not like that, but it would not damage them out of existence, but it would also see them pay for the five or six years that they have been operating outside the law. That is probably the only area where we would say that we would be strongly suggesting there needs to be more rigorous retrospective penalties for those that have clearly breached the rules.

**The CHAIR** — So you are contending that potentially Uber could be liable for in the vicinity of \$750 000 to \$900 000 worth of — —

**Mr HOLMES** — No. That is \$750 million.

**The CHAIR** — \$750 million?

**Mr HOLMES** — Yes. For each infringement the maximum penalty is \$1673 or thereabouts. You will be able to find that actual number, but that is our understanding. And likewise we would expect it if we had done it, and we have paid fines in the past as an operator, as a taxi. We operated with a few things when we did not actually have our documentation correct. We paid those fines; they were tiny, and we moved on, and we made sure that we were accredited. So we do understand those responsibilities. We do not have anywhere near that sort of liability, but those are the numbers. Based on the 500 000-odd rides, as they have subscribed and actually provided to the inquiry, that is pretty much it. Like I said, we thought that was a little bit lower, but if it is half a million rides, you are looking at those sorts of numbers. Our proposition would be that it is not very hard to actually prove, and the advice that we have had is that the DPP in relative states could actually very clearly make a case, should it want to.

**The CHAIR** — So I have been aware — and I am not an expert in any of these rulings either — that there have been a few precedents that have been set in courts here in Victoria about Uber and about whether or not they are legal. We have seen a variety of headlines in different papers saying that ‘Uber is now illegal’ and ‘Uber is now legal’ and the like. I certainly have not gone into the detail of those particular rulings, but are you aware as to whether or not these rulings would impact upon that view of the fact that Uber may have liability of \$750 million in fines?

**Mr HOLMES** — The viewpoint is that Uber strictly speaking has not broken the law; it has facilitated people to break the law, which in itself is breaking the law. So when those cases have looked at it, they have looked at: strictly speaking, what has Uber done? Does that app actually break the law? No, it does not. However — and again, I am not a QC or an SC, but I do have some experience in these areas — if it is systematic, which it was, if it is clear that you have encouraged people to systematically break the law on numerous occasions, and you have done it knowingly, that in itself is also — —

And it depends on the severity of that criminality as to how far the DPP might actually go after them. But it is not an insignificant amount of money that you could actually be going after. That is our viewpoint on it, and again there are much more educated legal minds than ours. We have looked at whether we could look at that, but we have not really suffered any loss. Yes, we could say that we could have come into the market earlier. It is not for us to be saying that, but here, particularly in this market, where it is an aggressive compensation package for drivers, we think that that is potentially an avenue for funding.

**The CHAIR** — So looking at that compensation package, or the cost to transition, as some may term it — \$100 000 for the first taxi licence people own and then \$50 000 for a subsequent licence and then nothing for further licences — I am imagining you have had a look at some of the other transition schemes across Australia and across the world. What is your take on what the proposed Victorian transition looks like?

**Mr HOLMES** — I do not feel qualified, again, to work out who is going to get that. I think it seems fair and reasonable. I do not think it is the public’s responsibility to pay for commercial change, and that is a personal opinion; I am a free-market economist. That is my background. I do believe the market speaks, and it is not like this was not obvious that it was coming through. That being said, these are licences and there are protections, and those protections have not been in place, so some compensation seems fair. Then there is the social justice side of things. How do you actually help people with social change? That is no different to mounting a package for an exit of an automotive manufacturer as it is to the taxi industry.

So I applaud any government that is looking at that. It is just all about who and how much. Who pays, who gets it and how much they get is difficult to quantify. What is fair and reasonable? Everyone will have their own opinion, I am sure. If you bought at the top of the market, you will not feel \$100 000 is fair, but where do you set it? So we do not really have a formula — a magic bullet — on that one, but again we would say there has to be some sort of compensation package. But again, how do you do that? That money has got to come from somewhere.

**The CHAIR** — Indeed. Thank you.

**Mr BOURMAN** — Thank you, David. You have got 35 000 drivers across Australia.

**Mr HOLMES** — Thirty-seven-ish.

**Mr BOURMAN** — But that is GoCatch, not taxis that you may be able to use the GoCatch app with.

**Mr HOLMES** — No, they are mostly taxis. The majority of our drivers are taxis. We have got circa 4000 rideshare drivers. We have only been doing rideshare since February this year. It was legalised in New South Wales in December, so it took us a few months to get ready. We are obviously a lot faster at getting ready now, so our policy now is that on day 1 of it being legal that we will be live on day 1, so on 5 September we were live the day it was legalised in Queensland, but not a day earlier, unless given an exemption. Again, we have asked to see if there is an exception until a date is known in Melbourne, but we do not have that at this stage.

**Mr BOURMAN** — So is it safe to assume that you do not have a driver in Victoria at the moment?

**Mr HOLMES** — We have multiple drivers, but they are not operating. So we have got effectively registered drivers that are not allowed to use the app. So effectively the app is turned off from a geographical perspective.

**Mr BOURMAN** — So you are waiting for that day.

**Mr HOLMES** — We are waiting for that day.

**Mr BOURMAN** — One of the things that has come up a little bit is insurance. With the taxis, you get commercial insurance. With your personal car, you get personal insurance, for want of a better term. Given that most ridesharing people do not use their car as a ridesharing car all the time but it does on occasion get used for commercial purposes, there seems to me to be potential for problems. I know it has only been going since February in Sydney and other places. Are you aware of anyone having problems with their insurance because of this sort of issue?

**Mr HOLMES** — We are not aware of any incidents where that is an issue, but we are very aware that both the government and the insurers are trying to work it out. So there is one provider of rideshare CTP or special comprehensive in New South Wales at the moment, and there are plans for that to be aggregated and then put onto the operators. We have been working with the government to try and show them that that is not actually going to work, and the actuaries, I think, concur with that. We know who is driving; we do not know the exact car that they are in every time they get in it. Now, they obviously profess to that, and if we get feedback based on the licence plate being different, we will do something about it. But from an insurance perspective, they work in points-of-a-percentile error, not percentages of error, so it is open to issues around that.

Potentially there could be an open register that is looking at your quantum, and I think there is possibly a solution in the whole data play which will help with GST, will help with tax and will help with CTP in terms of quantifying how many rideshare drives that you are actually did in a year — the average of those. Therefore, what should your CTP policy actually look like, because you also did that, and should that go up? On the flip side, as the taxi industry seems to be contracting, you would be hoping that the \$9000-odd average in CTP — I am just talking CTP at the moment, but this goes to pretty much all insurances — would also come down to make it fairer as well because they are doing fewer paid rides as the industry transitions.

So the big area here is again about data and how you track it. We have been working pretty openly with the New South Wales government, and we think their way of doing it is too far down the track. It looks good, but the technology really is not there for us from an insurance perspective and effectively an actuarial perspective to say, 'I know that guy drove 2.5 kilometres in that particular car', and I certainly do not know when he is looking for a job. He is still working and is still effectively in a rideshare vehicle, but he is not in a job. Trying to do user pays per kilometre in job does not really cover all the nuances of it, so we would be encouraging other models that might be looking at, 'Hang on a minute. You earned this much income and therefore the insurers are happy based on income and based on the car that you have nominated as your primary rideshare vehicle, and therefore the CTP goes up by X'. But in principle, user pays makes a lot of sense to us. It is just: how do you actually implement that?

**Mr BOURMAN** — So it is a work in progress really, the whole thing.

**Mr HOLMES** — Yes.

**Mr BOURMAN** — You guys have now had a little bit of experience in operating in a legal environment here and there. How do you see the role of government regulation? Because you mentioned something about the operators and that it is not really up to them — and I am paraphrasing here — to do all the regulation. What sort of regulation do you think would actually allow it to happen and give a relatively level playing field but not stifle the innovation?

**Mr HOLMES** — So our view would be licensing and accreditation is really where government should play. That is everything from ensuring relevant background checks, and the government is in a very good position there, because obviously with police systems all being integrated you are in control of data that is more readily available to government. That can be not made public but can affect the licence being current or non-current. So that is where we really think government reforms should start and finish. That is the most efficient way, and then the market can set the other criteria, whether it be market pricing or market supply and demand.

What the government may also be looking for are some checks in and around quality and service. In some jurisdictions it is mandated that there will be some sort of rating of the vehicle and the driver. Now, we have not had that mandated. We have it in the system because it makes sense, but whether that is mandated or not we do not really mind, because we will be doing it anyway. There are some jurisdictions looking at trying to gauge quality of service. My belief on that is that supply and demand is a better creator of that, and those that provide a greater service in a deregulated environment will get the lion's share of the industry, and therefore the drivers can differentiate based on service rather than there needing to be some sort of mandated minimum.

That being said, the protection of kids and the protection of other people on the road — all of these — are going to be increasingly interesting if you throw in autonomous vehicles and all the other problems we are going to have in the next five years from a legislative perspective. The safety of those using the road or those using public vehicles — and these are public vehicles — we believe is where government is best suited. I would not leave that to corporations.

**Mr BOURMAN** — What would you say about things like vehicle standards — roadworthies or something like that? Would that be something that the company should do or the operator should do, or should it be something for the government to mandate? Maybe not necessarily yearly; maybe none or six-monthly or yearly or whatever. Vehicle standards, to me, seem to be one of those things that is quite important. I have used Uber in America. The cars were fairly new; there were no real issues.

**Mr HOLMES** — That will change.

**Mr BOURMAN** — Yes, that will change. I know of someone here who caught Uber, not me, and the car was quite old. It was about 12 years old. It was in good enough condition, but they said it was not what they were expecting. It brings up the fact that older cars and maybe cars in not so good repair may end up being used.

**Mr HOLMES** — Yes. Commercially speaking, I believe Uber runs a policy of nine years. We run a policy of seven. Again, not just focusing on rideshare vehicles, the deregulation or semi-deregulation of the taxi industry means that the age of taxis is now no longer mandatory. It used to be six years; now it can be as long as it needs to be. We would be saying that for us we cannot actually identify the age of taxis like we can with the traditional vehicle without getting access to the VIN. Obviously with public registrations we are fine, so we can actually check whether they are seven years or younger. We would be encouraging open data again on the taxi industry so that we can balance that out. There are a lot of old cars that we know are going on the road, and we rely on feedback from users saying, 'The car stank, the car squeaked, the car whatever else', and we will feed that back to the driver and say, 'That car is out of circulation until you can prove that it is roadworthy', and it still might have a roadworthy certificate.

In terms of mandates, I think roadworthiness on vehicles should be very similar to what it is with private vehicles so that you are not needing checks if it is two years, three years old — I think it is four years in New South Wales — and outside that it needs a yearly check. That would make sense.

**Mr BOURMAN** — In Victoria, when you buy the car you get a roadworthy. That is it. So it is different from state to state.

**Mr HOLMES** — It would be different from state to state, yes. In New South Wales I think that is all you really need. You are effectively getting your green slip — pink slip as they used to be — when you get your licence and also when you reregister the vehicle. I would have said something similar is enough if it exists. But as you said, in Victoria that does not exist. Given that it is not just your own life that is at risk, maybe we need to introduce something that is similar.

In terms of making sure that we sight that, I think it is on the operators. I think the legislators set it, and the operators must sight it. The main thing there is clarity, so literally, 'It's fine. Great, we can put that in. We need your rego, we know the age of your car, we know your registration of your car. By the way your car now just tipped over, can you please upload your roadworthy certificate?'. That is something that we can very clearly do if it is very clearly mandated.

**The CHAIR** — I was just hoping to ask about the accreditation of your drivers in GoCatch. I am assuming that when taxidrivers are driving as taxidrivers using your app they have their appropriate accreditation, but for those who are outside of that taxi framework, what do they need to abide by? Working with children checks? Are there other types of checks?

**Mr HOLMES** — It is based on jurisdiction. We have minimums, but those minimums are exactly the same as what are being adopted by the governments anyway, with the exception of South Australia, which has added working with children checks. That is kind of an interesting one because if you are going to get banned on a working with children check you would flag a police check. A police check is kind of a higher level than a working with children check anyway from that perspective. It is an interesting addition that the South Australian government has added.

Our view was, before it was quite nailed down, that a police check, a driver five-year history check and you had your licence for X number of years were the standard background checks. Those are now pretty much legislated as the minimums anyway. We prefer where there is a driver authority card or driver authority. Originally rideshare came in without that. 'Oh, you might need the right authority card, you might not need the authority card'. It is now, 'Yes, you need the authority card'. At the moment in Queensland it is, 'Yes, you need an authority card that is the same as the taxi. and then we'll be creating a new category called rideshare'. It is the same price, same details, same background checks. They added a health check, so theirs is very similar to taxi by adding the health check. In each jurisdiction it is slightly different.

The health check is an interesting one as well, as to whether that is required. Does that cut in at a certain age bracket? Because you are also doing sight checks with your licence, what health checks are you actually looking for? That is not really specified, although there is some work in and around what that health check might need to check, so there is a form that the government provides that says, 'Give that to your GP, and he'll tick off the right boxes'. That is probably the only grey area from that perspective. But again we would say setting that in stone and making it part of the category for getting your drivers authority or driver authority card is really important.

There has been a lot of ambiguity and misunderstanding as to whether you need to carry your driver authority card. Our suggestion to all our guys is you should absolutely have it at all times so that you can prove that you have gone through those checks if police need to verify that on the spot. But it has not been very well communicated in other jurisdictions that, 'No, you've been given a DA. You must carry it whenever you are driving as a rideshare driver'. We would be very strongly of the opinion that that should be the way it happens. It makes it a lot easier for the police to go, 'Right. Got it. You're a rideshare driver. I get it. What is your DA?'. So that would be our position.

**The CHAIR** — Sure. Did I hear you correctly before say that it costs about \$9000 to insure a cab in New South Wales?

**Mr HOLMES** — That is CTP, yes — \$7000 to \$9000 — so it is a long way from \$300 to \$600 that a personal vehicle is getting.

**The CHAIR** — Yes, I was actually quite surprised. We heard from the RACV yesterday saying that so long as a vehicle was in the majority used for private use —

**Mr BOURMAN** — Predominantly.

**The CHAIR** — predominantly, was it? — it would be insured under standard insurance. I was actually quite surprised by that. When you see the disparity between the insurance numbers there you can understand that there is a competitive disadvantage and advantage, in certain ways, with regard to that insurance.

**Mr HOLMES** — And you will find operators like us cover gap insurance that is effectively the umbrella for any gaps, particularly as it relates to third parties. As it relates to the owner-operator, there are less available options. Most of our coverage is for passengers, third-party property and third-party personal but very little in and around the actual driver, which raises the question of workers comp and how that is being paid for. They should probably be paying for that themselves as the owner-operator. How does that actually work? That is, again, in the to-do box for most jurisdictions.

**The CHAIR** — Indeed. Fabulous. Mr Holmes, thank you very much for your attendance today. You will receive a copy of the transcript of today's evidence for proofreading, and that will ultimately be made available on the committee's website. Once again, thank you very much for your contribution to our inquiry today.

**Mr HOLMES** — It was our pleasure, and thank you.

**Witness withdrew.**