

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Subcommittee

Inquiry into ride sourcing services

Melbourne — 7 September 2016

Members

Mr Joshua Morris — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Nazih Elasmr

Mr Bernie Finn

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Participating member

Ms Samantha Dunn

Staff

Secretary: Ms Lilian Topic

Witness

Mr George Kapnias, managing director, Southern Cross.

The CHAIR — I reopen the Standing Committee on the Economy and Infrastructure public hearing and welcome everyone present today. We are hearing evidence in relation to the inquiry into ride sourcing. The evidence today is being recorded. All evidence taken today is protected by parliamentary privilege. Therefore you are protected for what you say here today, but if you go outside and repeat those same things, those comments may not be protected by the same privilege.

Welcome, and at this juncture I might hand over to you to introduce yourself and to give us an idea about the organisation you are representing and then move to any introductory comments. We will follow with some questions from the committee. Over to you.

Mr KAPNIAS — Terrific. I understand that I have about 10 or so minutes to present an opening remark —

The CHAIR — Indeed.

Mr KAPNIAS — and then I am happy to have an open dialogue and answer questions.

The CHAIR — Great.

Mr KAPNIAS — Thanks very much, firstly, for inviting me to the inquiry today and for offering me the opportunity to address the inquiry. Let me begin by declaring my biases. I am a second generation hire car operator. My father, Theodore Kapnias, started driving taxis for my godfather in 1960 and was a career owner-driver of both taxis and hire cars for over 50 years. I personally obtained my DC — driver certificate — in 1989, owned and operated a wheelchair cab or London-style cab for five years and, in 1996 I founded Southern Cross Chauffeur Drive.

Southern Cross now operates 32 VHA-registered sedans and people movers; four are company owned and the balance of the vehicles — 28 vehicles — are owned by full-time owner-drivers who work exclusively through Southern Cross. The company services approximately 50 000 bookings per annum, employs six full-time and two part-time staff in the office and is the primary, and in many cases the sole, source of income for 45 career drivers. I am 48 years of age. I have been in the industry for 27 continuous years, and I propose to be in the industry for another 20.

We have been operating in an industry which for the past 25 years has been living with the periodic threat of deregulation hanging over our heads like the sword of Damocles. Just over the past 15 years we have had the KPMG Peat Marwick review, the Rob McQuillan review, the Essential Services Commission review, more recently the Allan Fels review, the ministerial forum and now this inquiry, to name but a few. All along, however, a precondition to one's involvement within the industry has always been the capital cost of compliance and the largest single item has been the cost of purchasing a taxi or hire car licence — an MH licence. This has always been the case, whether you go back to 1963, when my father bought his first taxi licence for £4000, or when Southern Cross bought its first MH licence in 1998 for \$78 000. The cost of buying an MH licence has always been made with one eye over one's shoulder, operators not knowing when the musical chairs would stop.

So when the industry became aware that this government had finally overcome its prevarications of the past two years and announced a parliamentary inquiry we were hopeful that the inquiry would conduct a thorough process of due diligence. We assumed the inquiry would conduct its deliberations, receive submissions, hold hearings as it is today and, in turn, make recommendations to government upon which the government would thereafter make a decision. Unfortunately it seems that even this has proven to be presumptuous, because after two years the government suddenly made its own announcement irrespective, it would seem, of the inquiry's eventual recommendations.

That being said, the advent of ridesharing has offered this government, I believe, an ideal opportunity to establish an overarching industry architecture that can be designed to serve the travelling public of Victoria well into the future, and, after all, that is who it is all about — the travelling public of Victoria. We are of the view that if the reforms are favourable to the travelling public, our customers, they will invariably be good for the long-term industry participants such as Southern Cross.

As I stated in my submission, we welcome a decision that will: ensure the travelling public has a broad choice of operators, including ridesharing services — and I believe Uber is but the first; secondly, ensure the security

of the travelling public by mandating basic minimum standards, such as police and health checks for drivers, commercial passenger vehicle insurance, maximum age limit of vehicles and roadworthy condition of all cars; thirdly and probably most importantly, ensure a level playing field is created for all operators within the industry and eliminate the existing dichotomy where one part of the industry has onerous capital and compliance costs and the other has virtually no costs — and also a decision that would ensure that existing operators who have invested in good faith in government-issued licences over an extended period of time are fairly compensated.

In addressing the committee, I will assume the committee is familiar with my submission, and I will talk to my submission in light of the government's recent announcements. There are two broad issues. The first part is those announcements with which we agree. Southern Cross welcomes large parts of the announcement, including the establishment of a level playing field by making available, as I understand, commercial passenger vehicle licences in the state of Victoria to all industry participants at the same low cost regardless of how those operators wish to source their bookings; the removal of unnecessary red tape, including mandating car standards — that is something that each operator can determine depending on which market they wish to service; and the removal of the current confusing and convoluted mandatory driver certificate system.

As I stated in my submission, these matters are best left to industry operators to administer just as is the case in so many other industries. Southern Cross, as an example, currently recruits, trains and manages drivers to a standard that is independent of and well above the standards required to obtain a DC. We will continue to enforce these standards and improve on these standards, irrespective of the minimum government criteria, and only by doing so can we hope to stay competitive and prosper. This also applies to our vehicle standards. So Southern Cross wants to impose more stringent vehicle standards and high levels of driver training. It wants to impose working with children checks and to enforce a strict uniform policy, as we currently do. The market will respond accordingly and reward those operators who do so well and with diligence. These parts of the proposed reforms are good for the travelling public as the costs to business are minimised and those costs that do apply are applied evenly so that all operators can compete equally. I encourage the inquiry to support these proposals.

The second part brings me to the part with which we do not agree, and that is the issue of compensation to existing licence holders. Over the past 12 years the government has been selling hire car licences, initially for \$66 000, then for \$55 000 and since the Fels review, for \$40 000. As I understand, the government sold approximately 650 licences over this period, which equates to about \$35 million from industry participants, largely mum-and-dad investors who have either paid cash for their licences or borrowed money and secured that loan against their family home. But in all cases these payments have been made in full, up-front and in advance. Had those same conditions been applied to the company for which Mr Allan Fels now advocates, the 11 000 drivers on the uberX network would have had to have paid \$40 000 each, a total of approximately \$450 million. In order to be able to charge lower fares, Uber has been allowed almost a half-billion-dollar free kick.

The government proposes to pay only \$25 000 for the first MH licence, \$12 500 for a second MH licence and nothing for any subsequent licences. To rub salt into the wound, it is proposed to make these payments over eight years. In my case, for a lifetime of compliance and a lifetime of savings, working hard to buy permission to operate hire cars, Southern Cross, which owns four licenses, will receive \$37 500 over eight years. I put it to the inquiry that this is mean spirited and a miserable proposal. To put it in perspective, this is from a government which currently enjoys a \$3 billion operating surplus, spends tens of billions of dollars on every other form of public transport, found itself able to compensate east-west \$850 million in its first weeks of government. It has allowed Uber a half-billion-dollar leg-up, yet this is a government that, whilst in opposition, lambasted the previous Liberal government for unilateral determinations that were against the interests of licensees.

As I put to the inquiry in my submission, it would cost approximately \$48 million to buy out existing commercial passenger vehicle licences that are not taxis across the entire state of Victoria. I would have thought in the scheme of things this would be eminently achievable. Unlike every other form of public transport, the hire car industry does not and has never enjoyed any government subsidies whatsoever and has no access to subsidised taxi schemes. Since 2004, when the government decided to sell licences, the industry has operated in an open and competitive market and each additional licence has been bought from the government. The government has already banked that money. The industry has earned every dollar by generally providing an

excellent customer service and winning the confidence of its clientele — that is not just Southern Cross but across the industry as a whole — and the government has charged us for that privilege up-front.

In my submission I did not argue for the \$78 000 that I paid in 1998 and indexed for inflation by way of compensation, but for the \$40 000 that the government has legislated as the current cost of compliance. MH licences were never an investment like a taxi licence. They were not able to ever be leased, and for 12 years there has been no limit on the number of licences permitted to be issued. So just as it is good enough for the government to demand its pound of flesh up-front, it should now compensate existing licensees in the same format — in one lump-sum payment. There is a saying that I use, ‘What’s good for the goose is good for the gander’.

The final point I would like to make is about the proposed \$2 levy. The \$2 levy is not dissimilar to my proposal of a \$100 per month licence fee plus a \$1 levy per booking. As proposed, the government wants to start imposing the \$2 levy from 2017 and start making payments to industry from 2018. In other words, the government is asking our clients to fund its compensation obligations to the hire car industry.

I will probably reinforce the perception of me being an atypical thinker in the industry, but I actually have no problem with the concept of the levy in itself. In fact when I met with my local member, Mr Robert Clark, and Mr Guy, the Leader of the Opposition, 15 months ago in this building and when I have met with the transport minister’s own adviser, I actually put it to them that it would be fiscally delinquent of the government not to deal itself in on the industry and extract an annuity for the benefit of the state and the benefit of Victorians.

I think everyone knows that eight years is effectively forever, and let us not try to hide behind our finger. As with our tolls, I believe that the levy will be extended in perpetuity. At least, though, the levy that is proposed is applied evenly and across the board. There is a bit of sensationalist reporting about the fact that the levy is a brand-new tax on the travelling public. My response is that those opinions are naive in the extreme. The travelling public have had to pay increased taxi and hire car fees to operators in order to fund expensive government licences for a very long time. However, I do not agree that the levy should be indexed over time, as has been reported recently, and I believe it will raise well in excess of \$44 million annually.

As the population of Victoria grows and people of means continue to outsource driving duties, the industry will grow and, as a result, government revenues will grow. The government should practise some of what it preaches and support the industry to grow in itself and achieve increases in revenue through productivity increases rather than increasing the levy over time. I do wonder as to how the government proposes to administer the collection of the levy without establishing a mini ATO-style bureaucracy that will cost the government half its revenues.

In summary, the announcements are generally welcome but I believe the proposal to compensate licensees over eight years is not. The proposal to compensate only the first two licences, when each and every licence has been paid for in full, is certainly not welcome. It seems that the government can give an 11 000-licence head start to Uber but cannot bring itself to compensate hardworking, compliant, taxpaying citizens such as myself and the owner-drivers at Southern Cross for the licences and the permission to trade that we have rightfully paid for. Our clients do not want to be charged for these licences again, knowing full well the government has already banked the payment once. Thanks very much for hearing me out.

The CHAIR — Thank you, Mr Kapnias. We might move on to some questions. The first one I want to ask is just a point of understanding: exactly what are the different licence types? There is the MH, the CH and the SV. What are the differences between those three licences?

Mr KAPNIAS — Okay. The metropolitan hire car licence is commonly referred to as a VHA licence. It is a licence which permits someone to operate a modern, luxury car and to perform any sort of booking, other than pick up at the kerbside. So we are effectively a pre-booked cab. We can provide weddings, tours — do any sort of work — and to buy an MH licence we have had to source that from the government over the last 12 years at a cost. The CH licence is a country hire car licence, and those are the licences that are operated by hire car operators in Bendigo and Ballarat and across regional Victoria.

An SV licence is a special vehicle licence. If we go back some time, if I wanted to operate something that is unusual — a modern, luxury Lincoln limousine — and I did not want to do all sorts of hire car work but particularly wanted to concentrate on doing weddings and tours, I could obtain an SV licence, and the cost of

obtaining those was always far less. Theoretically you were not permitted to have a broad gamut. You were not able to do general hire car work; you had to do what your licence specified, which was either weddings or tours or that sort of thing. But it is very, very hard to police these things, and there has been lots of cross-pollination between drivers who say, 'Well, I don't want a stretch Lincoln now; I'll have a sedan Lincoln. Then I'll convert my sedan Lincoln to a sedan Ford', and they are effectively a hire car.

I am not of the view that there are separate markets. There is one market, and that market is called the travelling public of Victoria. There should be one licence, and it should be left up to operators to choose which market they service by the way they market their service, the standards they impose, the fees they charge et cetera. But they are the three broad classifications.

The other classification is the RH licences, which I have not put there because they are basically available for free. The RH is a 'right of hire'. If I have got a 1957 Cadillac, I can pay a small administrative fee and operate commercially. So more than 25 years old, I think, is the current — —

The CHAIR — Okay, a significant vintage. So in terms of the issue price that has been paid for these licences, am I correct in assuming the government is not going to be providing any compensation for the hire car industry?

Mr KAPNIAS — No. The proposal, as I understand it, is that licensees who own one licence will receive \$25 000 in compensation for the first licence, \$12 500 for the second licence and nothing for any licences held thereafter. In the example of Southern Cross there are 32 licensees at Southern Cross, 28 of whom are owner-drivers, and they own one licence each. The only one who owns more than one licence is the company, myself. I own four licences. As recently as December 2015, I bought a hire car licence off one of the retiring owners for the full value of \$36 000 plus GST, because there was no decision being made and I wanted to continue employing the drivers that were on that vehicle and to do so I had to pay for that licence in full — as recently as 12 months ago, knowing full well that that was just a permission to trade. That is what hire car licences have been, as distinct from taxi licences, which have been bought as an investment and you can then say, 'Well, Mr Smith, you can have my bit of paper and pay me \$2500 a month for your permission to trade'. We have not been able to do that with hire cars.

The CHAIR — So the \$25 000 of compensation, is that equally going to be available to those who are operating a country licence that in effect was a — —

Mr KAPNIAS — No, I think the country licence compensation fees are less — \$10 000 if I am not mistaken; I cannot be sure.

The CHAIR — Yes, so it does drop down from there. What impact do you see the current levels of compensation having on either yourself or others in the industry?

Mr KAPNIAS — Okay. Let me give you a small example: John Jessup. John Jessup is 70 years of age. He is one of the owner-drivers at Southern Cross. He has been operating a hire car for the last five years. He has done everything right. He has worked hard, he has got up at 4 in the morning to service bookings at 5 in the morning out to the airport. He has worked consistently five and six-day weeks. He is planning to retire in October; he is retiring in October. He is being offered compensation, as proposed, of \$25 000, with the payments starting in 2018, for eight years. So he will receive his last payment in 2026. That is \$3000 a year from 2018. He will receive his last payment when he is 80 years of age. John is typical of many operators out there in that he has bought a licence which has enabled him to operate a hire car. He has had to operate that hire car himself, and to suggest that it is fair and equitable for him to wait 10 years to receive a trickle of \$3000 a year is, I think, stretching reasonableness.

In the case of Southern Cross, I have paid \$78 000, I have paid \$36 000 — I have paid for every licence that I operate — and I will receive \$37 500 over eight years, for which, mind you, we will have to impose the proposed \$2 levy. Again, I do not have a problem with the concept of a levy, but the government is not going to be charging a licence fee; if the government is extracting a fee of sorts out of this industry, I think it would be a missed opportunity for the government. The government has got so many expenses. The government is under so much pressure to fund budgets and to fund hospitals and schools. So imposing a levy I understand, but I do not think that in the case of the hire car industry, where the hire car industry has actually paid for these licences — the government has banked the money — it should be termed a levy to compensate hire car

licences. In the clear light of day, if you speak to any taxi owner out there — and I empathise with taxi owners; I am related to many taxi owners because I have grown up in this industry — I do not think any of them would say to you, ‘I anticipate that when compensation does come, the government will do so in one lump sum payment’. I think every one of those people, on a one-to-one basis, would acknowledge, ‘Yes, we will probably get a payment over time’.

So to impose a levy over time, as I propose in my submission, that will go some way towards compensating taxi operators, I accept that. But in a situation where the hire car industry has already paid for its licences, paid for a permission to trade — because it is not a licence of a cab nature — and that money has been banked, I think the government, particularly when the sums are not so huge, is well within its resources to say, ‘Mr Hire Car Industry, thanks for your performance over time, but the rules have changed. Here you go. As of 2017, it’s an open arrangement’.

Mr LEANE — Thanks, George, for making the time and for telling the committee about the hire car industry, which we have not had a great deal of information from. It has been really helpful. I have a couple of questions. In your business have you sort of built up a loyal clientele? Obviously you go over and above now —

Mr KAPNIAS — Well and truly. Yes, and our business is a little bit atypical. Our business over the last 12 months has actually grown marginally. But again it is not because of a lack of effort or a lack of diligence. It is because we have in fact kept our rates steady. We provide a far superior service, if you like, to that which can be expected from other options out there — UberX, taxis et cetera. Yes, we have a very loyal client base which we have built up over 20 years. We are a commonwealth government-approved supplier. We service large corporations. But more and more we are servicing just mum-and-dad travellers wanting a reliable service to get to their annual holidays, who want a car with a baby seat, who want a driver who has got basic compliance, and who want to receive a text the night before so they know that — —

Mr LEANE — That you are coming.

Mr KAPNIAS — That we are coming. They receive an email confirmation when it has been booked. I am automating my booking processes, and I anticipate that I will have an app of sorts within 12 months. But I do not argue that because I have got an app and other people do not, I should have a different licence category and different cost privileges.

Mr LEANE — I appreciate what you are saying. You are arguing clearly for a level playing field in that area. As you say, if people want to go over and above, like your company has, and build a certain clientele — —

Mr KAPNIAS — And lots of companies do.

Mr LEANE — And that is a commercial decision.

Mr KAPNIAS — That is right.

Mr LEANE — So getting to commercial decisions, your submission is in line with a lot of other submissions around the commercial passenger vehicle licence and the importance of that being part of the level playing field. Why would that be your submission? I am not arguing against you. We are trying to get our heads around the difference between a share driver, like, say, me — 5 per cent of the time I am an Uber driver, and I go out and pick up passengers, or whatever I do, and I have just got regular vehicle insurance with any insurance company compared to commercial insurance.

Mr KAPNIAS — I would argue that every person who is operating for commercial benefit should absolutely have commercial passenger vehicle insurance. If nothing else is mandated, that should be. The travelling public should have the confidence — and I am batting for the opposition here — to be able to order a car regardless of how they choose to order their car, via phone, email or an app, knowing full well that that car has basic safety procedures in place: the driver has had a police and health check; if there is an incident, they have got commercial passenger vehicle insurance; and if they choose to operate only — —

Mr LEANE — Five per cent of the time, yes.

Mr KAPNIAS — Ten hours a week. Fifty per cent of UberX drivers are reported to operate less than 10 hours a week. That is fine. They will pay less in the form of a levy. They will pay less costs. But for me to have to come up with a capital requirement that is onerous means I have to charge a lot more to get that back, and I cannot compete. And the success of Uber has been the fact that they have not had to come up with half a million dollars in capital, as the poor — and I will use this term — Indian owner-driver, because largely the Greeks who dominated the industry have moved out of the industry and more recently it has been the more recently arrived immigrants and they have a huge capital cost to come up with.

Let us work on the Fels reforms. They have imposed an \$18 000, if I am not mistaken, lease amount for cabbies. Now, if an average cabbie performs about 600 bookings a month, that is about 7000 bookings a year, so he has been charging a least \$2.50 per booking to make that \$18 000 lease that he has got to pay to the government. I think those costs should be levelled out so that we can compete on a level playing field for our clients.

Mr LEANE — I understand that is your submission. Now, there have been write-ups in certain papers, there has been talkback, there has been radio, and even with some political parties we are not too sure what their position is. How do you combat the argument that there should be no compensation for taxidriviers and for hire car drivers?

Mr KAPNIAS — Well, in the case of the hire car industry, I will give you an example, and I know you have had probably lots of right-wing think tanks that march through here and espouse the scorched earth policy — —

The CHAIR — I think they are coming tomorrow.

Mr KAPNIAS — They are coming tomorrow, okay. In the case of New South Wales in 2000, Australia was privileged to host the Olympics, and at the time and New South Wales government saw that it needed its hire car industry on side, but also it needed to increase the number of hire cars on issue. So what the New South Wales government did was it said, 'Look, as of tomorrow we are going to start leasing licences to hire car operators so that there is more of them out there. And it is not a closed shop, so anyone who wants to lease a hire car licence from the state of New South Wales can pay \$8800 a year, and there will be an unlimited number of licences issued'. At the same time the existing licences were worth around about \$150 000. I do not know the exact details, but they were able to either continue operating or, if they chose to bail out, they could have chosen to be compensated by being given a taxi licence, which at the time was worth twice as much as a hire car licence.

I have not in my proposal argued, 'Give me twice as much as what I paid', but in that case I venture to suggest that the government actually needed the industry, it needed them on side, because it was on show, and to do so it came up with a solution which bought a lot of goodwill. Now, I have been in the industry for 27 years — the better part of 21 years operating Southern Cross — and every time the government has made a decision, I feel I have been burnt. Our licences, firstly, were mandated to be 66, then 55, then 40 — unilaterally. I was not consulted, the industry was not consulted, but that was the determination of the time, and we have not been operating in a monopolised environment. We have been operating in a commercial, open economy, so the permit which we have purchased has been simply a permit to operate. It is not a licence. It has not been an asset, and everyone knew it was not an asset. People knew it was not an asset; it was a permit to trade.

Now, you are taking away that permit to trade. That is fine. You are opening up the market. That is fine; I suggest it is actually good. If you do so, do so at one low cost for all. In my submission I argued for all operators that are pre-booked. I did draw a distinction between the pre-booked market and the taxi market, but the government's recommendations or announcements go further than that. Given that that permission is going to be made available to everybody who is interested, I think it is fair and reasonable that the government compensate existing licensees the money that they have paid or at least the legislated value of that permission, as per the rules that were passed by the previous Liberal government on 1 July 2014.

Ms DUNN — Thank you, George, for speaking to us today. Following on from Shaun's questioning, in relation to the issue of compensation, do you think that factored into that issue is that the purchase of that licence has enabled you to generate income for yourself — —

Mr KAPNIAS — Absolutely.

Ms DUNN — Do you think that the generation of income should be a factor in determining the level of compensation?

Mr KAPNIAS — Sorry, you will have to explain that to me. I am a basic hire car operator.

Ms DUNN — That is quite all right. So you have spent your money purchasing a licence.

Mr KAPNIAS — Yes.

Ms DUNN — You have made money operating as a hire car.

Mr KAPNIAS — Yes, earned an income.

Ms DUNN — So you have earned an income. Potentially you may have earned a very good income over a time span.

Mr KAPNIAS — Possibly.

Ms DUNN — Possibly. So do you think the level of that income should play a part in calculating the value of compensation, or do you think it should only be about the face value of the licence and not the fact that you have been able to generate income from that licence?

Mr KAPNIAS — Does the inquiry have any statistics as to what hire car operators earn?

Ms DUNN — We would love them, George!

Mr BOURMAN — No, but you can help us with that.

Mr KAPNIAS — I am happy to put you that since we have introduced our booking system in 2001, last year we broke the 1 million booking mark, so I can probably account to you for the bulk of the 1 050 000 bookings we have on our booking system.

I will speak for myself. I started in the industry in 1989, and I took my first three consecutive weeks off in 2010. For those 21 years, and since, I have worked six and seven day weeks, 12 hours a day or more. The industry is unforgiving. You hear the reports about the Uber drivers now who are starting and are realising there is no holiday pay, there is no one form of employee entitlement et cetera. Well, this is the market in which we have had to operate. Hire car drivers typically work five or six-day weeks, typically are available for a 12-hour day, generate \$100 000 or \$120 000 in income, 45 per cent of which is costs, so they earn a \$60 000 salary. They are working far and above a 40-hour week. They have capital which is exposed; they have risk. They do not have holiday pay; they do not have mandated other employee benefits.

So if there is an argument out there from other operators that somehow we have been working in a protected environment and have been able to charge exorbitant fares and make handsome profits, I would like to see the proof of that. I would argue and I would contest and am happy after leaving this inquiry to forward to you the sorts of revenues that are earned and the time spent on the road by the drivers associated with Southern Cross, who I would argue are some of the higher earning drivers in the industry.

Ms DUNN — Thank you, George, that actually gives us a very good insight in terms of the week-to-week life of a hire car driver.

Mr KAPNIAS — Yes.

Ms DUNN — I do not know whether you have particularly looked at this, but the government's intention is, and it has announced, that it wants to introduce two sets of legislation.

Mr KAPNIAS — I have not, but I am happy to be informed.

Ms DUNN — My question is more around if you have any comments about whether it should be one lot of legislation that covers off on everything or the two sets that were announced. But if you have not looked at it, that is fine.

Mr KAPNIAS — What are the two sets of legislation broadly?

Ms DUNN — The first set really seeks to create a very open market and does not look at compensation arrangements in it.

Mr KAPNIAS — Right.

Ms DUNN — The second set of legislation looks at the compensation arrangements.

Mr KAPNIAS — Okay.

Ms DUNN — That is it in a nutshell.

The CHAIR — I think that is right.

Ms DUNN — Do you reckon I did pretty well? I am not a government member, so hence I am trying to choose my words very carefully.

Mr KAPNIAS — Yes, fair enough.

The CHAIR — No, I think that is pretty close to what we have seen.

Ms DUNN — But if you have not examined it, you do not need to comment on that. The only other question I have is: are you aware of any hire car drivers who may also be driving for Uber?

Mr KAPNIAS — Yes, of course.

Ms DUNN — And the extent or how much that might affect — —

Mr KAPNIAS — Cross-pollination. There is probably lots of it. I mean, Uber started in Victoria. It was the Trojan Horse, getting people familiar with their technology, offering the technology to hire car operators and calling it Uber Black. Drivers sourced bookings between other bookings, during their downtime, or exclusively doing Uber Black bookings. And that is fantastic. That is called innovation within the law. But once people got familiar with the technology, Uber said, 'We'll jack up the rates of Uber Black by 20 per cent', which it did one day, and then a few weeks later they put them up by 20 per cent again. At the same time they introduced UberX. You swiped one way for Uber Black and the other way for UberX. UberX has a huge cost advantage over existing operators, and very quickly what we have seen, and what Uber tells its clients when it goes out and meets with them, is, 'Well, Uber Black is just — what we are really focused on is UberX'.

So innovation is welcome, and if they have got a better rat-trap than the rest of us, congratulations to them, and that should not be hampered in any way, but what needs to happen for the rest of us to be able to compete is for us to have the same cost basis to do business. Had we had access to the capital that we have invested in our permits to trade we would probably be able to develop a pretty sexy app ourselves.

Ms DUNN — It gets back to that level playing field.

Mr KAPNIAS — Absolutely, it does. I think at the very least the government should have one level playing field for anyone who wishes to service a pre-booking. I know there are people out there that argue that even that is becoming hazy because the response time of UberX is equivalent to walking up to a rank, so perhaps even that, as I have put in my submission, is outdated.

Mr BOURMAN — Thank you, George. We talk about compensation and we talk about buybacks and buyouts and all that sort of thing. At least in your estimation, in the hire car industry how many people actually want to call it a day as a result of this impending landing of ridesharing?

Mr KAPNIAS — None — none associated with Southern Cross. More broadly across the industry? I will just talk about the drivers at Southern Cross because, I am sorry, I am working pretty hard in my own little business to stay afloat in times of impending peril, like that facing Genghis Khan at the border basically. If we achieved a compensation package equal to the legislated amount of the licence, which is \$40 000, not one of the drivers at Southern Cross would say, 'That's it, I'm hanging up my hat' as a result of that. They may do because

they are reaching retirement age, but at the time when they are earning \$50 000 or \$60 000 a year, it would be, 'Well, okay, it will afford me an extra holiday down the track'.

So, perhaps unlike the taxi operators, who have a hell of a lot more capital invested in the licence, who may be saying, 'Bail me out; this is becoming too hard', the drivers at Southern Cross are there predominantly to drive, because they are career drivers. This is what we do, this is what we know, this is what we are good at, and in order to be able to service pre-bookings, in order to have permission to do that, we have had to buy a licence. So more broadly across the industry I am not in a position to answer that, but I do not think it would be a big portion of the operators out there.

Mr BOURMAN — So you are not going to expect mass walkouts or mass quitting to go to another line of work or something like that?

Mr KAPNIAS — No, particularly as generally drivers in the industry who are driving a hire car are doing it because, frankly, they got sick of driving a cab. They thought, 'I can do this a little bit better; and I would like to be well dressed, well spoken to and a little bit safer. I do not want to have the threat of having a Coke bottle put through the back of my head every night. And one way I can do this and continue doing what I know, which is being a career driver, is to operate a hire car'. And that is what they do. Generally the drivers who are driving hire cars are not university educated; they are not highly qualified people.

Mr BOURMAN — I am a fan of hire cars myself. Years ago I started catching them as opposed to a normal taxi. I will not go into the reasons why, but I stick with it for exactly the reasons you said. Anyway, I am not sure if I got my figures right, but I believe you said that compensation was looking at around about \$48 million?

Mr KAPNIAS — That is right.

Mr BOURMAN — And that with that \$2 levy it would be roughly \$44 million a year or something like that?

Mr KAPNIAS — Okay, well — —

Mr BOURMAN — I am not going to try and trap you with the figures; I am just coming up with a concept here. I just want to make sure at least I am in the ballpark. Do you think it would be fair, at least, to have a time limit on that levy, because clearly if the compensation goes through at \$48 million a year, after a year and a number of months that has been paid back, for want of a better term.

Mr KAPNIAS — You have got your figures — you are cross-pollinating. So \$48 million is a figure that I have come up with as a pretty accurate figure to compensate all commercial passenger vehicle licences across the state of Victoria that are not taxis. The government has reported that the levy imposed on the industry as a whole — hire cars, taxis and ridesharing combined — would raise \$44 million, and the bulk of that would be used to compensate the taxi industry, which is a heftier payout.

Mr BOURMAN — So obviously the taxi industry would have a much larger amount of compensation because it is a larger sector.

Mr KAPNIAS — That is right.

Mr BOURMAN — Okay. I just wanted to sort that out. I was not entirely sure. It just seemed to me like it would look too good to be true that you could —

Mr KAPNIAS — Good ROI!

Mr BOURMAN — pay it off, for want of a better term, after a year, and then we all go back. But curses, no!

The CHAIR — Thank you very much, Mr Kapnias, for coming along and providing evidence to us today. You will be provided with a copy of the transcript of today's evidence for proofreading, and that will ultimately make its way onto the committee's website. Once again, thank you for your attendance today.

Mr KAPNIAS — Thanks very much for having me.

Witness withdrew.