

SPECIAL LICENCE RELEASE EDITION

CEO's Welcome

This special edition of *Transmission* focuses on the recent invitation from Government for people to bid for one, or multiple, new taxi cab licences being released within the Greater Melbourne area over the next few months. In the days since the release of the application packs, the VTA has attempted to uncover as many of the intricacies and issues for consideration as possible in the application process. Over the coming months we will endeavour to keep the industry informed on the process and abreast of any new information, questions or concerns so that we can continue to help shed light on this matter.

As a background, the release of these additional licences was announced by the then Minister for Public Transport in November 2008. A further announcement was made in December 2009. Initially the licences were to be sold outright, however the process that was announced on 28 June has been somewhat altered since the first announcement in 2008.

The invitation, which was announced on 25 June and released on 28 June, first invites applicants to bid for 200 standard licences. In the second stage, commencing 16 August applicants will be able to bid for the 330 WAT licences. All 530 licenses have been allocated only for Metropolitan and outer suburban taxi zones with the majority, at least 510 if not all, of the licences being allotted to the Metropolitan zone.

Essentially, all 530 licences are stipulated as having a 10 year life span and will be leased from Government. They will not be assignable, thus once purchased they must be operated by the licence holder; however they will be able to be transferred to another licence holder/operator throughout the life of the 10 year lease. The different allocation arrangements and payment methods for the various types of licence will be explained further in this newsletter.

Although our stance on the release of these additional licenses is well known, the VTA again notes that it always

opposed the release of the 200 standard licences, with the only exception being the few licences specifically requested by Dandenong Taxis, an outer suburban player in a large growth area.

We also acknowledged the need for additional WAT licences, so that our industry can better service people with disabilities as well as provide for new taxi markets brought on by an aging population and an expanding group of transport isolated people due to an ever increasing urban sprawl.

Whilst Government states that the additional 200 licences are needed to service growth in demand, the VTA has failed to identify the existence of any growth in demand – quite the contrary, with the average occupancy of a metropolitan taxi sitting between 27 and 29 per cent.

The report prepared for the VTA by Dr. John Shannon and Professor Harry Clarke of La Trobe University on the potential impact of the proposed licences in 2008, specifically noted that driver and operator income will be impacted. The report went so far as to say that driver's income will be immediately impacted by around 13 per cent.

The VTA are already of the opinion that taxi fares need to be immediately increased by some 15.5 per cent, however with the imminent release of some 530 new additional licences, we believe this figure should now be increased by a minimum of 20 per cent.

So why the additional 200 standard licences? The 200 standard licences will create an immediate injection of revenue of between \$48m and \$64m*. The WAT licences will add an annual revenue stream for 10 years of somewhere around \$7m* pa. One must ask, is this really in aid of servicing our community or just a convenient way to raise Government revenue?

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The specific aspects of the licence release will be covered in other articles of Transmission, however I urge anyone contemplating applying for a licence to do the following:

- 1) Carefully and meticulously examine all the costs of running the taxi(s); and
- 2) Provide for a fair return for the drivers, as they will be the hardest hit.

In regard to the first point, take note of the comments contained in the overview document prepared by Price-waterhouseCoopers and make sure you check the costs.

As for the second point, every effort should be made to get back to a 50/50 sharing of the fare revenue.

I also urge you to read the documents issued by Government meticulously and seek outside advice, make sure you really understand what you are getting into should you wish to apply.

The next major step that Government needs to take is to address the structure and processes surrounding licence assignment. The VTA believe that this is critical if our industry is to continue to be both viable and sustainable in the future.

Neil Sach | VTA CEO

** Disclaimer: These figures are theoretical estimates only and cannot be used to determine a bid amount.*

Peak Service and the Licence Release

Within the fine details of the Greater Melbourne Taxi release information booklet there has been some light shed on the fate of the Peak Service taxi licences. The Government specifically states:

“From 2011 up to 50 peak service licence holders each year for six years may be provided with an opportunity to convert their licences to a new 24 hour licence. The offer may be made available to existing peak service licences holders commencing with those licence holders who were granted licences in 2003. The new licence will be a 10 year fixed-term licence and will be offered with a licence fee determined by a market process.”

The VTA has spoken with numerous peak service licences holders since the initial announcement of the 530 extra licences. Many believed it was unfair that peak service licence holders were not given the opportunity to convert their licences to 24 hours prior to the additional 530 being released.

One must also consider how Government plans on selecting 50 out of each 100 peak service licences holder groups. Will they too have to vie for a place in a bidding war?

WHAT ABOUT US?

In 2009, NSW taxis were awarded a fare rise – 4.2% metro/urban, 4.1% country. There was no fare rise in Victoria.

In 2010, NSW taxis have been awarded a fare rise – 3% metro/urban, 2.7% country.

Therefore over the two years 2009 and 2010, NSW taxi fares have increased by 7.3% metro/urban and 6.9% country. Victoria has seen no increase over this same period!

Word on the Street

Operator quotes

VTA staff member Paul Theobald took to the ranks and the street to find out what people really think of the Government's release of Licences.

“This won't make any difference; there will be no real impact on both customers trying to get a cab; especially at peak times or drivers being affected by less work or gaining access to ranks.”

“If the WAT release is due to the fact that there are not enough WAT vehicles, why is that with the new WAT licences operators will only be required to do 10 wheelchair jobs per twenty eight days to satisfy their quota?”

“I feel this is generally bad timing by the Government from both an economic and sustainability viewpoint, this is a quick fix”

“Why is the Government making this more complicated than it would be if they just sold the licences at a fixed price?”

Understanding the Application Process

A separate Application Process will be held for each of the two types of Fixed-Term Licence. Applications for Conventional Fixed-Term Licences will be received and assessed first, followed by Applications for WAT Fixed-Term Licences.

As the Application Processes will operate independently for Conventional Fixed-Term Licences and WAT Fixed-Term Licences, there are different application forms for the two Licence Types and different due dates. The VTA Urges anyone planning on applying to ensure they have the right application form and adhere to the correct dates for the licences they wish to apply for.

There are three phases in the Application Process for the Fixed-Term Licences:

Phase one: The Initial Application Process.

Applicants lodge their Application Form and are assessed against the Eligibility Criteria. It is important to read the eligibility criteria in Appendix C (page 47) of the Application Information Booklet as carefully as possible as there are many requirements that need to be met in order to even get through this initial stage. Applicants who meet the Eligibility Criteria immediately progress to phase two.

Phase two: The Tender Process.

The Bids made by Applicants are ranked highest to lowest based on their bid amount and the Licensing Authority will determine which bids are selected. The Bidding process is complicated to say the least so we again advise everyone to read the documents in their applications packs very carefully, and seek external advice, before entering a bid.

It is also important to note that applicants that have their bids selected, enabling them to move through to the next stage will

be required to pay the initial instalment on each Fixed-Term Licence in their selected bid. For Conventional licences this will be \$20,000 per licence, for WAT Licences it will be \$2000.

The actual licence fee for each of the licence types will be determined through the tender process set out in the application booklet with the amount of the licence fee being the same for each licence of the same type.

Phase three: Accreditation Process.

The Licensing Authority have stated quite clearly in the application booklet that it cannot grant a Fixed-Term Licence to an applicant unless the Applicant is accredited under the Transport Act as a Taxi-cab licence holder and operator and is the owner (or intending owner) of a Taxi-cab.

Applicants must demonstrate to the Licensing Authority that they satisfy these requirements and pay the entire amount of the determined Licence Fee, or the remainder of the first instalment of the Licence Fee in the case of WAT Fixed-Term Licences, within 90 days of paying the Initial Instalment.

If this process sounds laborious and confusing, well that is most likely because it is! However please do not hesitate to give the VTA a call or email if you wish to discuss the process in further detail.



Driver quotes

“I am not interested, it will be too expensive.”

“If licences are still transferable it will mean room for dodgy holders to buy up licences and resell at a higher price, possibly leading to under the table payments.”

“I thought this was originally done for mum and dad investors, why is it open for other investors other than individuals?”

“All it means is less money for us drivers at the end of the day.”

Customer quotes

“I must admit I am a bit sceptical, it's really about quality of service not quantity of taxis.”

“Maybe they should think about making it mandatory for any new licence holders to also drive the vehicle as that way they may have more pride in their service.”

“The issue is deeper than having enough taxis on the road, what about better trained drivers with greater knowledge of Melbourne and who can speak English.”

Things to remember and further information

Important

People considering applying, are encouraged to speak with their accountant and/or financial advisor. Also, talk with your lending institution as soon as possible if you need to use loaned money.

Further Information

Check the Questions and Answer section at www.taxi.gov.au/licencerelease. Or, call VTD on 1800 638 802 or email taxi.licence@transport.vic.gov.au.

Where to get your application pack

Hard copy application packs can be obtained from the Taxi Directorate at Level 23, 80 Collins Street or the taxi testing station at Melbourne Airport. They can also be downloaded from the VTD website noted above.

They can also be obtained from:

- Silver Top Taxis administration building in Fitzroy North
- 13CABS at North Melbourne, Preston and Oakleigh
- Frankston Radio Cabs, Seaford
- Dandenong Taxis, Dandenong
- The VTA office at Suite 2, 85 Salmon Street, Port Melbourne.

Operators Course

TITV hopes to increase the amount of operator's courses in coming months to assist with increased demand due to the release of licences. To find out more about when TITV is running courses please call (03) 9676 2635.

Important Dates

Conventional Fixed-Term Licences	DATE
Period for lodgement of applications opens and assistance for applications begins	28 June 2010
Assistance for applications ends	4:30pm on 23 July 2010
Due date for applications for conventional fixed-term licences	4:30pm on 26 July 2010
Expected notification of applicants who will progress to the accreditation process after paying an Instalment of the fixed-term licence subject to satisfying the requirements of the Transport Act	16 August 2010

WAT Fixed-Term Licences	DATE
Period for lodgement of applications opens and assistance for applications begins	16 August 2010
Assistance for applications ends	4:30pm on 10 September 2010
Due date for applications for WAT fixed-term licences	4:30pm on 13 September 2010
Expected notification of applicants who will progress to the accreditation process after paying an Instalment of the WAT fixed-term licence subject to satisfying the requirements of the Transport Act	28 September 2010



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