

# Proposal to Fairly Compensate NSW Taxi Licence Owners

## Current Transport for NSW proposal to compensate Taxi Licence Owners is grossly inadequate

- In September 2021, Transport for NSW (TfNSW) proposed new **Taxi Licensing** and **Proposed Further Assistance** for NSW Taxi Licence Owners. As an example of the **Proposed Further Assistance**, TfNSW suggested compensation of \$50,000 capped at 2 licences.
- The given example created a lot of anxiety for licence owners who purchased licences as savings for their retirement, to create a small business or secure an income for their family.
- Additionally, this inadequate compensation will have a devastating impact on the Taxi industry including Regional Taxi Business' where many Operators own multiple licences as part of their fleet.
- It fails to acknowledge that Licence owners partnered with the NSW Government and paid a premium to operate in an exclusive area that is being taken away. Licence values were around \$350,000 when rideshare entered, after the proposed reforms they will be worth nothing (\$0).
- The indicative compensation is grossly inadequate compared to the loss of total value of NSW Taxi licences of some \$1.512B. Analysis on the total loss of value was conducted by an independent actuarial firm over the period from the introduction of rideshare through to the proposed 2021 Taxi Licensing reforms.
- Capping payments at 2 licences and paying nothing for other licences, then asking the operator to lease back from the NSW Government, is like the Government taking your house with no compensation and then asking you to rent it back off them.
- It is estimated that less than 15% of Taxi Licence owners are likely to be aware of the current inadequate consultation process by TfNSW.

## NSW Taxi Industry Proposal to Fairly Compensate Taxi Licence Owners

Getting fair compensation right, first, is central to a vibrant, viable Taxi industry and creating certainty for licence owners. The NSW Taxi Industry proposes that the Further Assistance Scheme:

- Provide full and fair compensation for the full value of the asset loss of Taxi Licences since 2015 (\$1.512B). Noting that Hire Car licences received full compensation when those licences were cancelled in 2015. The amount paid was calculated on what they paid for their Hire Car licence plus CPI to today's value or 10 times the annual lease fee.
- Buyback all eligible Taxi licences (not capped) as per Upper House Inquiry recommendation.
- Be provided in a way to Owners that does not create Social Security, Income Tax or Capital Gains liabilities.
- Is sufficient for anyone with a primary loan on the Taxi Licence that they are not left with net debt.

The NSW Taxi Industry proposal to fairly compensate Taxi Licence owners will be at **NO net cost to the NSW Government**:

- Utilise the existing PSL (Passenger Service Levy) to pay the compensation, so the NSW Government will not need to create a new funding mechanism.

The NSW Taxi Industry proposal is consistent with the bi-partisan recommendations of the NSW Upper House Committee in 2020.

## Timeline of value destruction

### Pre 2015:

The Taxi Industry consisted of 5,000 small business owners who partnered with the NSW Government in purchasing Taxi licences, working 7 days a week to pay them off, to build as an asset as a small business owner. Stamp duty was paid on all Taxi licence sales and the NSW Government rigorously enforced stamp duty being paid on the current market value for all Taxi licence sales.

## 2015:

A Taxi licence was worth around \$350K in 2015. This value came from the property right to operate in the rank, hail and booked markets.

NSW Government Legalised Rideshare. In doing this they cancelled the need for a licence to operate a booked service. Hire Car licence values went to \$0. Taxi licences values were significantly impacted because they too provide booked services and a large portion of their value was in providing booked services (Note in regional NSW booked services are up to 95% of their work).

The NSW Government bought back the Hire Car licences and paid full compensation. Taxi licences received \$20K income assistance (capped at 2 licences). This amount was taxed. No compensation has been paid to Taxi licence owners for loss of value, even though the values have been severely impacted due to the change in regulations in 2015.

## 2019:

The NSW Taxi industry submitted a petition with over 14,000 signatures requesting a buyback of Taxi licences in NSW that was debated in the NSW Parliament and the petition was unanimously accepted.

As a result, two reviews, a Point to Point Transport Independent review by Sue Baker-Finch and Upper House Inquiry through Portfolio Committee No. 6 were established. Portfolio Committee No. 6 included representatives of the Liberal Party, National Party, Labor Party, Greens and Shooters, Fishers and Farmers Party.

## 2020:

The Upper House Inquiry found that “at least 80% of the loss of value of Taxi Licences has been as a direct result of the NSW Government’s handling of the introduction of rideshare and subsequent regulation through the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*.” Also, ***the Committee unanimously supported a recommendation for a buyback of ordinary Taxi Licences.*** The NSW Government ignored the Upper House inquiry and gave preference to their own independent review, which will inadequately compensate Taxi licence owners.

## Examples of typical Licence Owners

A Taxi Licence owner took out a loan to purchase his Taxi licence with the intent to work and use his licence to retire at 75 years of age. At the age of 77, they have been forced to continue working because he still has a loan on his licence and he has lost the value in his licence and cannot sell it. They are now facing serious medical issues, cannot work and his number one worry is the burden he is going to leave to his family and he feels like he has failed them.

Another owner is married with two young children. He and his wife made the decision to purchase a Taxi Licence back in 2014 for over \$350,000. They were required to take out a loan in order to purchase the licence. He also Operates and drives his Taxi. He and his wife still have over \$250K still owing on their loan.

A further owner is a Taxi Licence Owner & Operator who partnered with the NSW Government when he paid \$400K for a 50 year licence. He is only 10 years into his 50 year lease and the NSW Government want him to surrender his licence for next to nothing. What about the remaining 40 years that he paid and went into agreement with the Government? Will the Government be pocketing and profiteering at the expense of his livelihood and trust he put into the NSW Government?

A Regional owner has up to 18 Licences to operate their Regional Taxi business. As at 2015, the total value of the Taxi licences would have been over \$4M. This value has been wiped out of the business because of the reforms in 2015.