

# **Proposal for Industry Funded Voluntary Buy-Back Scheme of Perth Owned Taxi Plates**

## **Supplementary Decision Regulatory Impact Statement**



Department of Transport

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## **1. Introduction**

Western Australia's (WA) on-demand transport industry, consistent with trends occurring nationally and internationally, has been faced with a range of challenges in recent years. Changing consumer expectations, technological advances and the emergence of new providers within the industry is driving a need for reform.

Major reform of the on-demand transport industry is proposed with significant legislative change impacting on the drivers, vehicle owners and dispatchers delivering services to the community. The regulatory burden of these changes has been assessed by the Regulatory Gatekeeping Unit (Compliance Assessment Notice RG01269).

As part of the reform, Government proposes to offer Perth taxi plate owners the opportunity to sell their plates back to Government for an agreed amount, less transition assistance already paid. The voluntary buy-back scheme is to be funded through industry contributions.

This supplementary Decision Regulatory Impact Statement (DRIS) assesses the cost of compliance and regulatory burden associated with the collection of funds from industry to reimburse the cost of buy-back. The cost to industry of participating in the buy-back was assessed as part of DRIS RG01269.

## **2. Extent and Nature of the Problem**

### **Problem 1 – Special value in taxi plate ownership**

The taxi industry in Western Australia is highly regulated. Regulations administered by the Department of Transport (DoT) control the supply of taxis, the maximum metered fares that can be charged to passengers and the maximum amounts that may be charged by a plate owner for the leasing of a vehicle with taxi plates attached or for leasing the plates only. These restrictions serve to create an artificial market for taxi plates which is reflected in the values at which plates are transferred on the open market.

Furthermore, plate owners are not required by legislation to drive the taxi at any time and they can charge fees at a private rate (to a maximum set by Government) to others who wish to operate a taxi vehicle on their plates. Taxi plate ownership therefore holds special value above other taxi vehicle authorisation (currently achieved through leases).

Together with a general downturn in economic conditions since 2013, dramatic changes in the on-demand transport industry, brought about by a new type of taxi-like service, have impacted on the viability of existing taxi operators. Unlike taxi lessees who have had their departmental lease payments significantly reduced, Perth taxi plate owners have seen their earning ability reduced through a lack of potential taxi drivers looking to lease a plate.

Compounding this reduced earning capacity are the previously high market prices for taxi plates during the period immediately before the arrival of new market entrants (mid-2014). Plate values during 2013-2014 were as high as \$325,000, leaving recent plate investors and purchasers highly leveraged and unable to meet loan repayments.

The Government has a desire to remove the concept of taxi plate ownership and move all taxi and charter vehicle operators on to an equal and consistent footing. Managing the expectations of taxi plate owners in relation to the loss of this special value remains a challenge for Government.

## **Problem 2 – Mechanism for collecting funds for buy-back**

The proposal that is being put forward is for Government to buy-back Perth owned taxi plates and move all taxi vehicle operators to an annual vehicle authorisation, similar to what is proposed for charter vehicle operators.

In committing to a buy-back of plates, the funds expended on the buy-back scheme are to be recouped from taxi and charter industry contributions. The challenge for Government is therefore to ensure that any buy-back funds collection mechanism considers:

- whether it generates the funds required to meet the buy-back offers within an acceptable timeframe;
- the impact on on-demand transport demand;
- impact on on-demand transport fares to customers; and
- the cost of administration to collect the funds.

## **3. Objectives of the regulatory reform**

The objective of the reform is to remove the special value that an owned taxi Perth taxi plate has over other on-demand vehicle authorisations and to recoup the appropriated cost of any buyback of taxi plates, including administration. The proposed legislation is to allow for flexibility to extend the time period and/or amount of levy payable in order to achieve recoup the moneys expended.

## **4. Consultation**

As outlined in the DRIS RG01269, extensive stakeholder consultation on the broad policy direction of on-demand transport reforms has been undertaken. In addition to the Green Paper on Industry Reform, which generated over 5000 submissions, an On-demand Transport Advisory Group (OdTAG) was established to provide non-binding strategic advice and feedback to the Minister and DoT for on-demand transport reform issues, including those of regional Western Australia.

A series of workshops attended by a wide variety of relevant OdTAG stakeholders and experts were held between July and January 2016. A workshop with a group of people representing a diverse range of Perth taxi plate ownership structures was convened on 29 August 2016 to specifically discuss the need for adjustment assistance, additional to the Transition Assistance Package that had already been announced, and how any additional assistance would be funded. The plate owners in attendance were unanimous in calling for adequate compensation that reflects the loss in earnings and plate value that they had suffered since the arrival of competition in mid-2014.

Participants in the August 2016 plate owners' workshop discussed options for funding a buy-back of owned plates, including a flat levy on fares, increases in lease taxi plate fees and a flat fee on taxi and charter licences. The general expectation from industry is that any funding mechanism introduced would not unduly add to their costs as taxi operators or significantly impact on job revenues.

Since April 2017, Dr Tony Buti, Member for Armadale has been consulting widely with WA industry stakeholders to understand the implications of the current and proposed operating environment on the various industry sectors. Taxi industry representatives remain focused on financial matters and believe additional funding is required to compensate industry for the recent disruptions of both new entrants and changes imposed by the Government.

The charter vehicle industry in WA have not been consulted specifically about the need for taxi plate compensation and the mechanisms for funding, however, segments of the charter sector here have been vocal in their opposition to a levy on on-demand transport fares

generally and specifically in relation to proposals put forward in other States. Opposition to a WA on-demand transport industry levy have been recently re-expressed by the Motor Trades' Association, which represents the segments of the charter vehicle industry, as well as directly from ride-sourcing operators Shofer.

The views expressed echo sentiments expressed during public hearings of the Victorian Parliament's Legislative Council Inquiry into the Commercial Passenger Vehicle Industry Bill 2017, the state manager for Uber in Victoria and Tasmania reiterated his company's opposition to a proposed \$2 per trip levy, noting that it comprises a significant percentage of a single trip cost:

Furthermore, as part of the Victorian inquiry, other players in the charter and taxi sectors in that State outlined their concerns with payment of a ride levy, including the impact on short trips, the cost of levy collection that would be incurred by operators and the cost of compliance

## **5. Policy options considered and Options Impact Analysis**

### **Problem 1 – Special value in taxi plate ownership**

As outlined in Section 2, the challenge for Government is to remove the concept for taxi plate ownership and the special value it holds over other on-demand transport vehicle authorisations.

Options for removing this special value include:

1. Doing nothing and letting the value of owned plates fall to its own market level as a result of the reform;
2. Voluntary buy-back of taxi plates at a rate that seeks to recover the lost earning capacity of each individual plate and signals the intent for removal of all restrictions that give owned plates special value; and
3. Compulsory buy-back of all plates at a set price.

#### *Option 1 – Do Nothing*

The on-demand transport industry reform will see the ultimate removal of all restrictions that add to the market value of owned taxi plates. Under full reform, the Perth Taxi Control Area will be abolished, allowing free competition in the taxi market from country taxi-car vehicle operators, and the restrictions on hours and areas of operation applied to some Perth taxis will be removed.

In this more competitive taxi market, and the fact that any person with a roadworthy vehicle will be able to apply for an on-demand vehicle authorisation as either a taxi or charter vehicle, should theoretically see the market value for owned Perth taxi plates fall significantly.

Notwithstanding this expected fall in plate value, continuation of taxi plate ownership in a reformed environment is not likely to remove the special position that a plate owner holds within the sector. Plate owners will continue to have the perception that they are a privileged operator within the on-demand industry and that Government should maintain the value of their investment in plates due to the significant government regulation that was present at the time their investments were made.

This privileged position was evident in the views expressed at the 29 August 2016 OdTAG plate owners' workshop where statements that continued calls for compensation would be made if further changes to the taxi industry occurred. It is apparent that taxi plate owners will

continue to call for compensation at levels approaching \$300,000, regardless of individual plate purchase prices, while this privileged position is held.

In this regard, it is unlikely that the full reform will ever be truly realised as envisaged while this special category of vehicle operators exist.

#### *Option 2 - Voluntary taxi plate buy-back*

The Departments of Finance and Transport have examined a number of options to deliver the Government's intention for a voluntary buy-back scheme of Perth owned taxi plates that reflects individual circumstances. In doing so, the fundamental principle of equity has been applied to all options put forward for consideration. This principle requires Government to avoid undesirable wealth re-distribution and maintain 'horizontal equity' (ie those in similar circumstances receive similar treatment).

Critical to the application of the equity principle is consideration of economic rents, often referred to as monopoly profits. These are income above that required to attract the production of a good or service – income above the full cost of production (including normal profits). Rents often arise because of the fixed supply of goods or services.

As highlighted in the Economic Regulatory Authority's 2014 Microeconomic Reform report, payments to taxi plate owners from those wishing to lease the right to use a vehicle as a taxi represent economic rents – a payment received without any expenditure of effort, or service provided (beyond passing over the plate). The only reason a plate owner can derive a lease payment is the fixed supply of plates.

Government regulates the maximum private lease rates owners may charge; with the maximum rate for conventional taxi plates has remained unchanged at \$355/week since July 2004. With the entrance of new taxi-like service offerings, lease rates (or monopoly profits) began to fall, currently around \$225/week, but this is likely to fall further.

Application of the equity principle ensures that plate owners receive compensation that is tied to the unrecoverable value of their investment in their taxi plates, with recent plate holders most impacted by disruption in the industry receiving larger buy-back offers.

As outlined in the DRIS RG01269, a number of minimum buy-back payment amounts were considered that met the Government's intention for fair and equitable compensation under the monopoly profits model. These minimum buy-back payment amounts and the Government revenue needed to support offers of the various amounts are summarised in Table 2.

#### *Option 3 - Compulsory buy-back*

To remove the owned taxi plates from the market completely, the Government could compulsorily acquire all plates. This would require plate owners to be fully and fairly compensated for the loss of an "asset" with special value.

In August 2016, the Western Australian Taxi Operators' Legal Defence (TOLD) submitted to the then Government a proposal for compensation to Perth taxi plate owners as a result of the industry reform. The TOLD proposal indicated that a full compensation price of \$295,000 per plate would be acceptable to industry for those who wish to exit the industry. According to the industry, this figure represented the average recorded price of a single taxi plate prior to the introduction of new market entrants, Uber, in mid-2014.

Compulsory acquisition of 1035 plates, at \$295,000, would cost the Government \$305.3M plus administration.

## Problem 2 – Mechanism for collecting funds for buy-back

As part of the consideration of buy-back options, mechanisms for securing the funds to make payments were also assessed in consultation with the Department of Finance. Initial options considered for funding the buy-back scheme and the main impacts are described in Table 1:

**Table 1 Buy-back scheme funding options**

Option	Main impacts
Charter vehicle flat \$2 levy and Taxi annual fee	<ul style="list-style-type: none"><li>• 2.26 million fewer trips</li><li>• Punitive on short trips</li><li>• Costly to administer</li><li>• Industry lost revenue \$209.5M</li></ul>
All flat \$2 levy	<ul style="list-style-type: none"><li>• 1.86 million fewer trips</li><li>• Punitive on short trips</li><li>• Costly to administer</li><li>• Industry lost revenue \$153.2M</li></ul>
Charter vehicle 8% surcharge and Taxi annual fee	<ul style="list-style-type: none"><li>• 1.79 million fewer trips</li><li>• Industry lost revenue \$204.0M</li></ul>
All 8% surcharge	<ul style="list-style-type: none"><li>• 1.4 million fewer trips</li><li>• Better for short trips</li><li>• Lowest cost to administer</li><li>• Industry lost revenue \$168.0M</li></ul>

The particular nature of on-demand transport lends itself to a percentage surcharge because of the highly elastic demand for short trips. When compared with a flat fee on all trips, a percentage surcharge leads to a substantially smaller reduction in the number of short and low value trips. Applying a consistent funding model on all market participants, rather than a particular sub-group, aligns with efficient revenue collection principles because it doesn't encourage participants to act differently by investing or allocating resources in a certain way.

Table 2 overleaf further outlines the options that approach industry expectations considered for various minimum buy-back payments and the impacts of collecting the required revenue through an 8% levy on taxi and charter booking services. The options analysis undertaken includes consideration of the:

- change in customer demand due to underlying economic conditions (+/- 10%) and
- loss of levy revenue through the black economy (0 to 15% leakage).

The higher the assumed black economy leakage, the longer it will take to recover the revenue to recoup the buy-back funds at the 8% levy. Similarly, deterioration in economic conditions would reduce customer demand for taxi and charter services and extend the duration of the levy in order to recover the same amount of revenue.

It is probable that the 8% levied on booking service fare revenue would be passed on to consumers in the form of higher fares. The industry losses from trips foregone over the period of the levy, at an average fare of \$25.50 for taxis and \$20 for charter, range from \$141M - \$208M depending on the levy duration and amount of revenue to be recovered.

Introducing a fare revenue levy may also lead to an imbalance in the market supply and demand for taxi and charter services. This loss of market efficiency creates what in economics terms is called a deadweight loss. The deadweight loss for consumers associated with the proposed 8% levy has been measured at between \$119M and \$175M.

Appendix A outlines a range of buy-back floor payment options from between \$0 and \$180,000 and the sensitivity of changes in duration and consumer demand on the percentage levy required to collect the same revenue.

**Table 2 Minimum buy-back options and impact on industry and users of an 8% levy/surcharge**

<b>BUY BACK OPTIONS</b> <ul style="list-style-type: none"> <li>• First plate (by date of purchase) receives net loss or minimum payment.</li> <li>• Second and subsequent plates receive net loss.</li> </ul>	<b>Funding: 8% Surcharge</b>  <b>ANNUAL STATISTICS</b> <ul style="list-style-type: none"> <li>• Surcharge revenue: <b>\$20.6-29.6 million (average \$25.1 million)</b> <ul style="list-style-type: none"> <li>– Charter Surcharge: \$10.3-12.6 million</li> <li>– Taxi Surcharge: \$10.3-17.0 million</li> </ul> </li> <li>• Industry &amp; user losses: <b>\$55.7-68.0 million</b></li> <li>• Trips lost: <b>1.26-1.54 million (~10%)</b></li> </ul>
<b>Option 1: \$100k min additional payment for 1<sup>st</sup> plate or net loss</b> <ul style="list-style-type: none"> <li>• Cost: <b>\$113.2 million</b></li> </ul>	<b>3.8 – 5.5 years</b> <ul style="list-style-type: none"> <li>• Total losses: <b>\$260-306 million</b> <ul style="list-style-type: none"> <li>– Industry: \$141-166 million</li> <li>– Users: \$119-140 million</li> </ul> </li> <li>• Trips lost: <b>5.9-6.9 million</b></li> </ul>
<b>Option 2: \$125k min additional payment for 1<sup>st</sup> plate or net loss</b> <ul style="list-style-type: none"> <li>• Cost: <b>\$128.9 million</b></li> </ul>	<b>4.4 - 6.3 years</b> <ul style="list-style-type: none"> <li>• Total losses: <b>\$296-349 million</b> <ul style="list-style-type: none"> <li>– Industry: \$161-189 million</li> <li>– Users: \$135-159 million</li> </ul> </li> <li>• Trips lost: <b>6.7-7.9 million</b></li> </ul>
<b>Option 3: \$145k min additional payment for 1<sup>st</sup> plate or net loss</b> <ul style="list-style-type: none"> <li>• Cost: <b>\$141.5 million</b></li> </ul>	<b>4.8 - 6.9 years</b> <ul style="list-style-type: none"> <li>• Total losses: <b>\$325-383 million</b> <ul style="list-style-type: none"> <li>– Industry: \$177-208 million</li> <li>– Users: \$149-175 million</li> </ul> </li> <li>• Trips lost: <b>7.4-8.7 million</b></li> </ul>
<b>Buy back option notes:</b> <ul style="list-style-type: none"> <li>• <i>Net loss = price paid less monopoly profits and previous transition assistance.</i></li> <li>• Costs include Department of Transport buy back administration costs of \$900,000.</li> <li>• All payments are in addition to \$27.5 million Transition Assistance Package.</li> <li>• If a plate was transferred between 1/7/2016 and (date of buy back announcement), both the purchaser and the seller qualify for payments. The purchase price would be deducted from the payment made to the seller. Plates transferred as part of an estate are assessed at the original purchase date.</li> <li>• Owners must give up all owned plates to qualify for the buy back.</li> <li>• Sensitivity analysis: <u>change in demand (-10% to +10%), revenue leakage (15% to 0%)</u>.</li> <li>• Ownership assessed as at 31 March 2017.</li> </ul>	



## **6. Preferred option**

### **Problem 1 – Special value in taxi plate ownership**

The proposal that is to be recommended to Government represents a balance between the need to remove the special value and privilege associated with owned plates and managing industry expectations around compensation.

The recommended option is a voluntary buy-back that provides conventional plate owners a minimum payment of \$145,000, additional to the \$20,000 Transition Assistance Grant received, for the first plate purchased and payments equivalent to the unrecoverable loss in earnings for the second and subsequent plates. Peak Period and Area Restricted plates would be offered a minimum that is 28% and 40% respectively of the conventional plate floor price.

The minimum payment for conventional plate owners would therefore be \$165,000 including the Transition Assistance Grant already paid. This figure is in line with industry expectations, put forward by TOLD for a transitional compensation payment of \$162,500 for those looking to remain in the industry, and as such is likely to get a reasonable response.

The voluntary buy-back meets the Government's requirement for equity, taking into account the individual circumstances of each potential applicant and the monopoly rents they have received over time and the number of plates held. Buy-back offers are to take into account the individual's purchase price, the sum of average private lease rates since the owner purchased the plate and the payment of any previous transition assistance provided.

### **Problem 2 – Mechanism for collecting funds for buy-back**

A uniform percentage surcharge on all on-demand transport trips of 8% is the preferred option as it represents the most efficient and least distorting option for facilitating an industry funded buy-back. This is consistent with instruments such as value added taxes, which are widely accepted as relatively efficient means of raising revenue.

An 8% levy on the fares generated by all on-demand transport trips achieves the revenue needed to recoup the buy-back expenditure within an acceptable timeframe.

The proposed legislation would cater for levy collection through the following process:

- Levy would be imposed on the fare paid for each instance of a passenger service being undertaken by a driver affiliated with that booking service;
- Levy would be collected by DoT from dispatchers/booking services (approx. 3,000);
- All booking services would be required to be authorised by DoT and to report taxi and charter fare revenue to DoT;
- All drivers must be mandatorily affiliated or associated with a booking service for all jobs undertaken for the duration of the levy collection period;
- If the full fare is not kept by the booking service, the driver must report the fare paid for all jobs completed by them to the booking service;
- The liability for payment of the levy will lie with the booking service and not the driver to which the fare may be paid;
- The booking service can make arrangements with the driver to recover all or partial costs of the levy, if desired;
- The 8% levy on fares is to be calculated automatically on the reported fares with an EFT/ invoice transaction for payment to DoT;

- The powers for audit and non-compliance under the *Taxation Administration Act 2003* would be conferred on DoT by the legislation; and
- The Office of State Revenue would provide ongoing administrative and compliance advice to DoT.

#### *Industry costs of compliance*

The regulatory burden on individuals and businesses operating as booking services assumes that the fare revenue information needed to calculate the levy is already collected as part of the entity's tax obligations (income/company tax and GST). In this regard, the additional burden relates to providing this information in an approved form, together with physical payment of the levy.

It is envisaged that all levy collections will be transacted online through a self-assessment revenue portal similar to that currently utilised by the Office of State Revenue for the payment of payroll tax in Western Australia.

The cost of compliance by booking services will be dependent on the frequency of reporting and levy payment and the size and sophistication of their operations. Advice from the Office of State Revenue suggests that large booking service operators, with significant fare revenue and potential levy payments, should be required to report more frequently. Table 3 below shows the numbers of booking services expected to be authorised under the reform and the proposed frequency at which the 8% fare levy is to be reported and collected.

**Table 3. Expected numbers and frequency of levy collection by booking services**

<b>Business type</b>	<b>Expected Numbers</b>	<b>Proposed frequency of levy revenue collection</b>
<i>Booking and dispatchers</i>		
• Small booking/dispatchers	2936	Annual
• Medium booking/dispatchers	46	Quarterly
• Large booking/dispatchers	15	Monthly
<b>Total booking/dispatchers</b>	<b>2997</b>	

The most significant regulatory burden relates to the requirement for drivers of Perth taxi vehicles to report the fare paid by a passenger directly to them to the booking service for inclusion in the levy collection process. While the taxi vehicle booking service (dispatch) has visibility through the dispatch system and integrated meter, if installed, of jobs and fares paid for pre-booked work, fares paid directly to the driver for rank and hail trips will need to be conveyed back to the booking service at the end of the journey. It is understood that a driver can input the fare at the completion of the journey into the dispatch system, a process which has been estimated to take around 15 seconds per trip. A conservative estimate of 80% of 7.7 million Perth taxi jobs that require driver fare input has been assumed for this purpose.

There is no requirement for drivers of country taxi-cars or charter vehicles to advise the booking services of the fare amount as these typically operate on a fare sharing basis where the booking/dispatch service receives a set proportion of the fare paid, or the driver is employed directly by the booking service and paid a salary not related to fares.

Appendix B shows the cost of compliance by industry per annum and over the expected life of the levy (5-6 years), estimated at \$1.53M per annum for taxi drivers and \$594,270 per annum for booking services.

## Cost to Government in Administration

The Department of Transport will incur costs in the administration of the levy collection (Table 4).

While the FTE associated with the audit and collection of levy fees will largely be sourced from within existing staffing levels, additional resource is required through appropriation for specialist revenue compliance and audit.

An amount of \$510,000 has been requested as appropriation for the development and deployment of an online fare revenue reporting portal and levy payment process, as part of a larger business case to enhance IT systems for on-demand transport. This capital cost of development, test and deployment is a sunk cost for government. However, as part of the cost model developed for recovery of administration and compliance costs from industry under full reform, the ongoing management and maintenance of the IT systems built to deliver the system needed for levy collection will be recovered through the levy collection process.

The annual system maintenance cost post-IT build is based on 15% of the initial capital investment cost (\$76,500 per annum).

**Table 4 Departmental FTE costs associated with levy collection**

Position level	Estimated time	Role	Total annual salary including on-costs	Employee costs apportioned
Additional resource				
L3.1	1	Revenue Compliance Officer	\$84,432	\$84,432
External audit		Financial Audit	-	\$140,000
Systems maintenance				\$76,500
		Additional appropriation		\$300,932
Existing resource				
L5.4	0.3	Compliance Team Leader	\$107,765	\$32,330
L7.3	0.1	Compliance Manager	\$142,205	\$14,221
L7.3	0.1	Legal	\$142,205	\$14,221
L6.4	0.2	Audit and governance	\$125,528	\$25,106
L4.3	0.2	Accounting	\$97,092	\$19,418
		Existing appropriation		\$105,296
Total Cost				\$406,228

The total regulatory burden of the preferred option is summarised below in Table 5.

**Table 5. Regulatory Burden of Preferred Option**

<b>Justification for the preferred option</b>	An 8% levy on taxi and charter fares represents the most administratively efficient and least market distorting mechanism for recouping the funds expended on the recommended taxi plate buy-back scheme.
<b>Estimated impact of the proposal</b>	<b>Impacted parties</b> <ul style="list-style-type: none"> <li>• Taxi and charter booking services – \$594,270 direct cost of compliance with fare revenue reporting and levy payment</li> <li>• Taxi drivers doing rank and hail – \$1.53M direct cost of compliance for reporting fares to booking services</li> <li>• Taxi and charter industry and users – \$55.5M indirect cost through trips foregone and market inefficiency, assuming leakage of 15%</li> <li>• Government – \$442,000 cost of departmental FTE for levy audit and compliance and IT system maintenance</li> </ul>
	<b>Regulatory Burden Estimate</b>  The 8% levy on a \$145,000 minimum plate buy-back option imposes a \$58.03M per annum burden on government and industry.
	<b>Regulatory Offset (Voluntary)</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>Proposed Implementation and Review timeline</b>	Legislation will require that the levy ceases once the moneys expended by Government on buy-back payments to plate owners and the costs of administration are recouped. The levy mechanism will be part of the proposed On-demand Transport Act, which is subject to Parliamentary review after five years of commencement.

## 7. Implementation of the preferred option

Implementation of the buy-back scheme and the levy for recouping the funds expended cannot commence until the primary enabling legislation is proclaimed. A Bill with the appropriate provisions is expected to be introduced into Parliament by the end of 2017, with passage through both Houses due at the earliest in April 2018.

Delivery of the buy-back is a priority for Government and payments to plate owners opting into the scheme will be made as soon as possible following proclamation of the enabling Act. The collection of levy revenue from booking services cannot commence until the necessary IT system has been built and tested and the legislation is in place that allows for authorisation of booking services, notionally the beginning of 2019/20.

## Sensitivity analysis

Floor Payment	\$0	\$50,000	\$80,000	\$100,000	\$120,000	\$125,000	\$145,000	\$180,000
Buy-Back Cost	\$55,171,208	\$81,936,673	\$99,947,020	\$112,290,130	\$124,802,140	\$127,960,940	\$140,630,070	\$163,541,450
Total Cost	\$56,071,208	\$82,836,673	\$100,847,020	\$113,190,130	\$125,702,140	\$128,860,940	\$141,530,070	\$164,441,450
Scenarios	Duration of 8% Surcharge							
1: -10% demand	2.3-2.7	3.4-4	4.2-4.9	4.7-5.5	5.2-6.1	5.3-6.3	5.8-6.9	6.8-8
2: -5% demand	2.2-2.6	3.2-3.8	3.9-4.6	4.4-5.2	4.9-5.8	5-5.9	5.5-6.5	6.4-7.6
3: no change	2.1-2.5	3.1-3.6	3.7-4.4	4.2-5	4.7-5.5	4.8-5.6	5.3-6.2	6.1-7.2
4: +5% demand	2-2.3	2.9-3.5	3.6-4.2	4-4.7	4.5-5.2	4.6-5.4	5-5.9	5.8-6.8
5: +10% demand	1.9-2.2	2.8-3.3	3.4-4	3.8-4.5	4.2-5	4.4-5.1	4.8-5.6	5.6-6.5
Surcharge duration	1.9-2.7 years	2.8-4 years	3.4-4.9 years	3.8-5.5 years	4.2-6.1 years	4.4-6.3 years	4.8-6.9 years	5.6-8 years
Total losses	\$129-152M	\$190-224M	\$232-273M	\$260-306M	\$289-340M	\$296-349M	\$325-383M	\$378-445M
Industry loss	\$70-82M	\$103-122M	\$126-148M	\$141-166M	\$157-185M	\$161-189M	\$177-208M	\$205-242M
Consumer loss	\$59-69M	\$87-102M	\$106-125M	\$119-140M	\$132-155M	\$135-159M	\$149-175M	\$173-203M
Trips lost (narrow)	2.9-3.4M	4.3-5.1M	5.2-6.2M	5.9-6.9M	6.5-7.7M	6.7-7.9M	7.4-8.7M	8.6-10.1M
Trips lost (broad)	2.3-4.3M	3.4-6. M	4.1-7.8M	4.6-8.7M	5.2-9.7M	5.3-9.9M	5.8-10.9M	6.8-12.7M
Scenarios	Percentage surcharge required w 10% leakage – recover in 3 years							
	\$18,690,403	\$27,612,224	\$33,615,673	\$37,730,043	\$41,900,713	\$42,953,647	\$47,176,690	\$54,813,817
1: -10% demand	6.76%	10.46%	13.20%	15.23%	17.44%	18.03%	20.54%	25.94%
3: no change	6.03%	9.27%	11.64%	13.36%	15.22%	15.71%	17.75%	21.93%
5: +10% demand	5.44%	8.33%	10.41%	11.92%	13.52%	13.94%	15.68%	19.12%
Scenarios	Percentage surcharge required w 10% leakage – recover in 4 years							
	\$14,017,802	\$20,709,168	\$25,211,755	\$28,297,533	\$31,425,535	\$32,215,235	\$35,382,518	\$41,110,363
1: -10% demand	4.96%	7.56%	9.42%	10.76%	12.17%	12.54%	14.05%	17.00%
3: no change	4.43%	6.74%	8.37%	9.53%	10.75%	11.07%	12.37%	14.86%
5: +10% demand	4.01%	6.08%	7.53%	8.56%	9.64%	9.91%	11.05%	13.21%

NB. Total loss, industry loss, consumer loss and trips lost are all calculated on the basis of 8% surcharge.

## Cost of Industry Compliance with Buy Back Levy Collection

Entity	Type of cost	Time taken per job	Time Unit measure	Unit Cost	Unit measure	# times/pa per entity	Cost of inputting per entity per annum \$	Industry cost per annum \$	Industry cost over 5 yrs \$
Driver - Perth taxi	Advise booking service of fare at end of trip	0.004	hour	62	Default work-related labour cost per hour	1540	382	1,527,680	7,638,400
Small booking service	Collate fares, check and aggregate for reporting period (annual)	1	hour	62	Default work-related labour cost per hour	1	62	182,032	910,160
	Report fare aggregate and pay levy	2	hour	62	Default work-related labour cost per hour	1	124	364,064	1,820,320
Medium booking service	System collate fares, check and aggregate for reporting period (annual)	1	hour	62	Default work-related labour cost per hour	4	248	11,408	57,040
	Report fare aggregate and pay levy	2	hour	62	Default work-related labour cost per hour	4	496	22,816	114,080
Large booking service	System collate fares, check and aggregate for reporting period (quarterly)	0.25	hour	62	Default work-related labour cost per hour	12	186	2,790	13,950
	Report fare aggregate and pay levy	1	hour	62	Default work-related labour cost per hour	12	744	11,160	55,800
<b>TOTAL INDUSTRY COST</b>								<b>\$2,121,950</b>	<b>\$10,609,750</b>