



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
2021/2022 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

Robert Gabor, Q.C. - Board Chairperson

I Hamilton, Q.C. - Panel Chair

C. Hainsworth - Board Member

(by Teleconference)

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

October 29, 2020

Pages 1929 to 2161

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

Kathleen McCandless (by phone)) Board Counsel
Robert Watchman) Board Counsel
Steve Scarfone) Manitoba Public
Anthony Guerra) Insurance
Byron Williams) CAC (Manitoba)
Charlotte Meek (by phone)) CMMG
Antoine Hacault) Taxicab Coalition

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	1932
4		
5	RESUMED:	
6	MPI PANEL NO. 9 re Ratemaking/Vehicles For Hire	
7		
8	LUKE JOHNSTON, Previously Affirmed	
9		
10	Cross-Examination by Dr. Byron Williams	1946
11	Re-Direct Examination by Mr. Steve Scarfone	1985
12		
13	TAXI COALITION PANEL:	
14	PATRICK BOWMAN, Affirmed	
15	JEFF CROZIER, Affirmed	
16		
17	Examination-in-Chief by Mr. Antoine Hacault	2014
18	Cross-examination by Mr. Anthony Guerra	2059
19	Cross-examination by Mr. Robert Watchman	2103
20	Cross-examination by Dr. Byron Williams	2128
21	Re-direct Examination by Mr. Antoine Hacault	2151
22		
23	Certificate of Transcript	2161
24		
25		

1	LIST OF EXHIBITS		
2	EXHIBIT NO.	DESCRIPTION	PAGE NO.
3	TC-4.1	TC's main evidence to include minor	
4		revisions or corrections	2014
5	TC-5	Revisions to MPI Interrogatory 1-2	2014
6	TC-6	Interrogatory response to PUB-4 with a	
7		minor revision	2015
8	TC-7	Revised Response to PUB IR-7	2015
9	TC-8	TC Presentation	2015
10	MPI-63	MPI's response to Undertaking	
11		No. 28	2160
12	MPI-64	MPI's response to Undertaking	
13		No. 38.1	2160
14	MPI-65	MPI's response to Undertaking	
15		No. 17	2160
16	MPI-66	MPI's response to Undertaking	
17		No. 43	2160
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:05 a.m.

2

3 THE PANEL CHAIRPERSON: Good morning,
4 everyone. We are continuing with the Ratemaking/
5 Vehicles for Hire Panel. But before we do that, I
6 understand there have been some discussions with
7 regard to what will occur in the balance of the day.

8 Mr. Watchman...?

9 MR. ROBERT WATCHMAN: Yes. Thank you,
10 Madam Chair. So the discussion concerns the most
11 efficient way of proceeding. The Taxi Coalition have
12 advised that they would be prepared to present this
13 afternoon after lunch starting at one o'clock.

14 The expectation is that the completion
15 of the evidence on Ratemaking and Vehicles for Hire
16 will not take the entire morning this morning, so if
17 we don't continue this afternoon, that time will be
18 lost.

19 The question arises as to questions
20 that might arise from the responses to the
21 undertakings that were given. There are still a fair
22 number of undertakings that have not yet been
23 answered.

24 And so in the normal course, we might
25 ask those questions immediately at the conclusion of

1 MPI's evidence this morning, but given that so many
2 are -- so many undertakings are not yet answered, it
3 may make more sense to postpone any questions until
4 Friday or possibly Monday. But I'm -- I'm not sure
5 that we have consensus on whether or not the Taxi
6 Coalition should be proceeding this afternoon.

7 THE PANEL CHAIRPERSON: Thank you.

8 Mr. Hacault, your witnesses would be
9 available this afternoon?

10 MR. ANTOINE HACAULT: Yes, Madam
11 Chair, but I -- I also understand that Mr. Scarfone
12 has some comments with respect to the undertaking
13 matters. So probably those comments need to be taken
14 into account.

15 I've advised -- I asked yesterday
16 whether they could be available, and they responded
17 affirmatively, which I circulated last night. And
18 they're on standby as to whether or not we need to --
19 to be here at one o'clock or whether we start at nine
20 o'clock tomorrow.

21 THE PANEL CHAIRPERSON: Okay. So we
22 should get that resolved now.

23 Mr. Scarfone...?

24 MR. STEVE SCARFONE: Thank you, Madam
25 Chair. Yes, so just a couple of comments concerning

1 that. I -- I have shared with Mr. Watchman and -- and
2 my other learned friends a couple of observations, one
3 of which was, until yesterday when Madam Chairperson
4 made her comments, MPIC wasn't anticipating the return
5 of witnesses to answer questions on undertakings.

6 That I expect is partly my fault
7 because in years past, at least as I've been part of
8 this, that's never before occurred, but I'm told it's
9 not uncommon for witnesses to have to come back and
10 answer questions on undertakings.

11 From a procedural perspective -- and --
12 and the Board, of course, sets its own procedure -- it
13 seems different than I might have expected largely
14 because it's -- it's an undertaking given during the
15 course of a hearing, not during the discovery phase
16 where you might then expect cross-examination would be
17 reserved with the right to finish questions subject to
18 the undertakings.

19 That's not, in fact, what we're doing
20 here. It's a hearing where the witness is presented,
21 is put up for cross-examination, answers questions, in
22 the course of that cross-examination may give an
23 undertaking or two (2).

24 The Corporation, as it has at least in
25 the past couple or three (3) years, provides that

1 answer as a supplementary evidence -- in the form of
2 supplementary evidence, and that is -- is where it
3 ends.

4 To -- to have the witnesses come back
5 is a little cumbersome. We're fortunate this year
6 that it's Mr. Johnston that's doing most of the
7 testifying, but you can imagine that we would go
8 through all of the undertakings, which we haven't yet
9 done, find out which of them need to be -- have
10 follow-up questions done, identify which witnesses
11 need to come back and answer those questions, find out
12 about the availability of those particular witnesses,
13 so, for example, if there's an investments one, okay,
14 when is Mr. Bunston coming back and make sure he's
15 available.

16 None of this was -- was arranged. And,
17 again, that may be my fault, but that's -- that's why
18 we thought that these answers would be provided, and
19 that would be the end of that and, hopefully, the --
20 the response to that undertaking didn't give rise to
21 any further questions.

22 Now, I understand My Learned Friends'
23 positions that, well, yeah, but then the cross-
24 examination isn't really complete because we've got
25 more questions on the undertakings.

1 So, that I will leave with the Board
2 because, as I've said, that's the Board's decision and
3 it can make its own procedure.

4 But that kind of threw our schedule
5 into a bit of flux partly because, internally, when
6 these undertakings are given, the response is provided
7 by the business unit. But then it takes some time for
8 those particular undertakings to be what we call work
9 flowed.

10 So, Mr. Johnston reviews them all, most
11 of them. I review them before they're circulated, and
12 so we need some time to allow that to happen. So, Mr.
13 Johnston has indicated to me, you know, he -- he wants
14 to spend some time reviewing the undertakings, which
15 he hasn't had an opportunity to do.

16 I can tell you that we have before us a
17 list of about ten (10) or twelve (12) that have just
18 gone out to the business units, and -- and we're
19 hoping to get them back.

20 There's some that are now in that
21 circulation that I spoke of where, you know, they --
22 they need to be reviewed by myself, by Mr. Johnston
23 and others.

24 So, we don't know when that might
25 happen. We're hopeful that by the end of tomorrow all

1 of them can be done and -- and reviewed, but we would
2 need some time to have that done.

3 And then it would -- it might mean
4 calling all those witnesses back on Monday once all
5 the counsel have taken a look at them and let us know,
6 okay, we need this witness to come back and answer
7 this particular undertaking. And then we can arrange
8 for that, obviously, to happen if the Board is so
9 inclined.

10 DR. BYRON WILLIAMS: Madam Chair, if -
11 - if I might?

12 THE PANEL CHAIRPERSON: Mr.
13 Williams...?

14 DR. BYRON WILLIAMS: Yeah. We'll
15 speak to, I guess, three (3) things. First of all,
16 obviously, the Board makes its own rules, and we'll
17 respect -- we'll respect them.

18 In terms of undertakings, certainly
19 from our clients' perspective, we see them as part of
20 cross-examination. They're for convenience sake
21 rather than having to adjourn. We -- we get a written
22 response. And then there may be some natural cross
23 flowing from it.

24 So, I would say, analytically, our
25 clients would submit that it is a natural part of

1 cross-examination which adds in the efficiency of the
2 process and is also something that the Board -- is a
3 long straggling -- standing tradition of -- of the Board.
4 Obviously, it can vary that but, from our clients'
5 perspective, we would -- we would recommend that we
6 maintain that process.

7 We -- mindful of My Learned Friend's
8 comments, from our perspective, we know -- I
9 indicated, for example, that there were four (4)
10 undertakings we might have some questions on. There's
11 one (1) definitely that we will have some questions
12 on. We will try to moderate it from our perspective,
13 focussing on Mr. Johnston, which are the ones we're
14 most interested in, quite -- quite honestly.

15 The second issue is, if there are going
16 to be cross-examination on undertakings, what's the
17 appropriate -- appropriate time; again, that's the
18 Board's decision.

19 I'll just say, in the past, in -- in
20 our experience with multiple different Crown
21 monopolies, sometimes it's been at the close of the --
22 of the case of the Utility, which would -- or would
23 make the most sense, but sometimes it's just been
24 right before closing argument. We've seen that
25 happen, as well, as long as it wasn't felt to -- to

1 prejudice parties.

2 So, from our client's perspective, we
3 don't mind kind of putting the taxicab folks first
4 before MPI's case is closed, but MPI may be
5 uncomfortable with that, or others. But from our
6 clients' perspective, we have no reservations about
7 proceeding with the taxicabs this afternoon.

8 THE PANEL CHAIRPERSON: Thank you, Mr.
9 Williams. I -- I believe that it is appropriate to
10 have cross-examination with regard to the undertakings
11 because, as Mr. Williams points out, it's an
12 alternative to adjourning the Hearing. And certainly,
13 there are some that are indicated will require some
14 cross-examination. One (1) moment, please.

15

16 (BRIEF PAUSE)

17

18 THE PANEL CHAIRPERSON: So, Mr.
19 Scarfone, I guess the question with regard to today,
20 and then we'll deal with the -- the undertaking issue,
21 is do you have a concern with the taxi witnesses going
22 this afternoon and, like --

23 MR. STEVE SCARFONE: No.

24 THE PANEL CHAIRPERSON: -- apart from
25 the undertaking issue?

1 MR. STEVE SCARFONE: No. So, the only
2 concern I had, and it was -- it wasn't for myself
3 because Mr. Guerra is going to come in and -- and do
4 the cross-examination, so -- so I had said, oh, by the
5 way, you're doing your cross tomorrow, right, so it
6 was just a preparation thing.

7 But he -- he assures me that he --
8 because he's -- he's better prepared than I ever will
9 be, he's ready to go.

10 THE PANEL CHAIRPERSON: Okay.

11 MR. STEVE SCARFONE: So, that kind of
12 fits nicely in that it would allow myself -- and I
13 don't think Mr. Johnston anticipates being here
14 either, we can go and work away on some of the
15 undertakings --

16 THE PANEL CHAIRPERSON: Okay. So,
17 then the question --

18 MR. STEVE SCARFONE: -- if we do that.

19 THE PANEL CHAIRPERSON: -- with regard
20 to the undertakings is: At what point do you think
21 that they may all be finished? Because, at that
22 point, if counsel have the responses, we would ask
23 that they review those, determine which undertakings
24 require further questions and --

25 MR. STEVE SCARFONE: Right.

1 THE PANEL CHAIRPERSON: -- to which
2 witness --

3 MR. STEVE SCARFONE: Which witnesses,
4 yes.

5 THE PANEL CHAIRPERSON: -- so that
6 you're not wondering what you need to do in order to
7 organize for the time that it takes to have the cross-
8 examination on those undertakings.

9 MR. STEVE SCARFONE: Yes. So --

10 THE PANEL CHAIRPERSON: So, then the
11 question is: Can that be done tomorrow or are we
12 talking about Monday now?

13 MR. STEVE SCARFONE: I -- I -- so Mr.
14 Johnston's team just got a note here that they -- they
15 have to pay attention to the proceeding here now, so
16 some of them aren't being answered right now while Mr.
17 Johnston is -- is testifying because they're his back
18 row support.

19 And then they will turn their attention
20 to those undertakings as soon as we're done here.
21 Right now, there's ten (10) of forty-two (42) that are
22 outstanding, I'm told.

23 So, I'm optimistic that by tomorrow
24 afternoon we can have them ready and circulated.

25

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Mr. Scarfone, if I
4 could comment. I'm -- I'm a little concerned with the
5 statement of, "We're hoping that they will all be done
6 by the end of tomorrow."

7 What -- what I would suggest to you,
8 because I -- I understand your concern in the sense of
9 you have no idea what -- what questions are going to
10 be asked or who you're going to have to bring.

11 What I would suggest to you is, the
12 focus needs to be on getting the individual
13 undertakings back to Intervener counsel rather than
14 holding them and dumping them as a group and that we
15 set a time frame that Intervener counsel needs to
16 advise you if they have questions on the undertakings,
17 the nature of the questions, not necessarily -- but
18 the area that they want questioned and who they would
19 like to see so at an early stage you know so that we
20 have this process going --

21 MR. STEVE SCARFONE: Yeah.

22 THE CHAIRPERSON: -- throughout today
23 and maybe tomorrow morning. We may not have questions
24 on every undertaking. There may only be a few of
25 them.

1 I mean, I understand the concern of
2 MPI, which is, right now you're -- you're looking at
3 the abyss, sort of going, we may have questions on
4 every single undertaking and we don't know who the
5 questions are going to be made to.

6 So what we -- I think what we need to
7 do is focus it so that MPI needs to focus where the
8 undertakings are at, try and complete as many today as
9 possible after Mr. Hacault's got his witnesses on the
10 stand.

11 And then maybe tomorrow morning we can
12 reconvene, see what's available, see what's been sent
13 out to counsel, find out from counsel if they have
14 questions for any witnesses and then -- and then move
15 it forward in that way.

16 I agree with your comment in the sense
17 of Mr. Johnston's been on so many panels that it may
18 be him. There could be a case where it's, you know,
19 Mr. Wennberg or Mr. Giesbrecht or whatever, but we
20 won't know until counsel have had an opportunity to
21 look at the responses.

22 MR. STEVE SCARFONE: Okay, very good.
23 Yeah, and Mr. Johnston just indicated some of the
24 bigger ones that we're working on now are the ones
25 that Ms. Meek asked of us on the CMMG side.

1 But yeah, so we will take that away and
2 -- and by tomorrow morning we'll be in a better
3 position to know.

4 THE BOARD CHAIRPERSON: And I'm
5 certainly -- you know, I have a lot of confidence in
6 the Interveners' counsel that they will ask the
7 necessary questions and there won't be fishing
8 expeditions or anything like that.

9 So it'll be -- you know, it'll be clear
10 what areas need to be -- need to be addressed.

11 THE PANEL CHAIRPERSON: Okay, thank
12 you very much.

13 So Mr. Hacault, if you could advise
14 your witnesses that we would be happy to have them
15 here today at one o'clock.

16 And we will then proceed with the rate
17 making Vehicles for Hire panel with Mr. Williams'
18 cross-examination.

19 DR. BYRON WILLIAMS: Yes, and I -- I
20 won't be that long. And -- and just in -- in fairness
21 to Manitoba Public Insurance, I'll just say that we've
22 actually received quite a few of the undertakings
23 already. I think we're close to number 60, and so we
24 certainly have taken the opportunity to go through
25 those already and address our minds to which ones we

1 would have questions on.

2 So we're appreciative of the effort of
3 the -- of their staff.

4 THE PANEL CHAIRPERSON: Thank you, Mr.
5 Williams.

6 MR. ROBERT WATCHMAN: Madam Chair,
7 just before Mr. Williams begins, just one (1) point
8 for clarification of the record.

9 It appears that there may be a double
10 count of undertaking numbers. And we believe that the
11 last undertaking given on the -- at the end of the day
12 on Tuesday, the 27th, was marked 38, undertaking 38.

13 And then the first undertaking
14 yesterday was marked 38 as well. So perhaps we'll
15 just, you know, number them 38.1 and 38.2.

16 THE PANEL CHAIRPERSON: Okay, thank
17 you Mr. Watchman. Mr. Williams...?

18 DR. BYRON WILLIAMS: Yes, thank you.

19

20 RESUMED:

21 MPI PANEL NO. 9 re Ratemaking/Vehicles For Hire

22

23 LUKE JOHNSTON, Previously Affirmed

24

25 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

1 DR. BYRON WILLIAMS: And good morning,
2 Madam Chair and members of the Panel, Mr. Johnston,
3 constituting a panel of one.

4 Leaving aside the commuter class, it
5 would be fair to say that Manitoba Public Insurance,
6 for insurance purposes, divides the province into four
7 geographical rating territories, agreed?

8 MR. LUKE JOHNSTON: That's right.

9 DR. BYRON WILLIAMS: There -- there's
10 territory 1, being the City of Winnipeg, correct?

11 MR. LUKE JOHNSTON: Correct.

12 DR. BYRON WILLIAMS: Territory 2,
13 which would tend to be in the south of the province,
14 including Brandon, Portage, south of the 53rd
15 parallel, agreed?

16 MR. LUKE JOHNSTON: Agreed.

17 DR. BYRON WILLIAMS: There's territory
18 3, including all of Manitoba north of the 55th
19 parallel, correct?

20 MR. LUKE JOHNSTON: That's right.

21 DR. BYRON WILLIAMS: And territory 4
22 comprises -- or comprises that area between the 53rd
23 and the 54th parallel?

24 MR. LUKE JOHNSTON: Yes.

25 DR. BYRON WILLIAMS: And -- and,

1 finally, there's the commuter territory, which is
2 applied to a vehicle where the registered owner's
3 permanent address is in territory two, but the vehicle
4 is used to drive to work or school, or part way to
5 work or school, in territory 1 for this -- for at
6 least four (4) days a month, agreed?

7 MR. LUKE JOHNSTON: Agreed.

8 DR. BYRON WILLIAMS: Mr. Johnston, I
9 can take you to a reference if you need it, being CAC-
10 MPI-1-3. But there was an increase in the vehicle
11 upgrade factor for the purposes of the test year,
12 agreed?

13 MR. LUKE JOHNSTON: Agreed.

14 DR. BYRON WILLIAMS: And one (1) of
15 the factors in that upgrade was the fact that despite
16 the increase in the average vehicle age, there has
17 been a shift in vehicle population from rural to the
18 Winnipeg community -- commuter territories which have
19 a higher premium, agreed?

20 MR. LUKE JOHNSTON: Agreed.

21 My recollection is that that shift has
22 been happening for -- for a while. I'm not quite sure
23 the speed of it, but Winnipeg has grown relative to
24 other territories, yeah.

25 DR. BYRON WILLIAMS: And that was --

1 you're anticipating my next question, sir.

2 So, this is not just a one-time only
3 shift, it's reflective of a longer term trend where
4 the vehicle population in Winnipeg and as well as
5 territory 5, the commuter, is increasing relative to
6 the other rural populations?

7 MR. LUKE JOHNSTON: That is my
8 recollection. I -- I can't recall the magnitude of
9 that, but that is -- that is my understanding.

10 DR. BYRON WILLIAMS: And Mr. Johnston,
11 you'll recall in our discussion regarding Driver's
12 Safety Rating on October 27th, we discussed the
13 minimum bias procedure, sir?

14 MR. LUKE JOHNSTON: I do.

15 DR. BYRON WILLIAMS: And the idea of
16 the minimum bias procedure is to get the best fit to
17 the data, taking into account the variables,
18 relativities in combination, correct?

19 MR. LUKE JOHNSTON: Correct.

20 DR. BYRON WILLIAMS: Leaving aside the
21 exercise conducted for the DSR pricing review, would
22 MPI in preparing its Application undertake a minimum
23 bias examination of the best fit between territory use
24 and rate group as part of the normal exercise of
25 considering rate group relativities?

1 MR. LUKE JOHNSTON: That's correct.

2 DR. BYRON WILLIAMS: And in doing so,
3 would it consider the relativities between the
4 different MPI insurance use territories?

5 MR. LUKE JOHNSTON: So the -- the
6 relativity analysis would be within -- within the
7 class. So any use territory rate group combination in
8 that class would be part of that analysis.

9 DR. BYRON WILLIAMS: Thank you.

10 And Mr. Johnston, is it correct to say
11 -- suggest you've been working with Manitoba Public
12 Insurance for over two (2) decades?

13 MR. LUKE JOHNSTON: Approximately,
14 yes.

15 DR. BYRON WILLIAMS: And sir, while
16 you were an expert in the actuarial arts, and with its
17 implications on MPI operations, it would be fair to
18 say that through your responsibilities as an actuary
19 and as MPI vice-president, you are generally aware of
20 the rate-making approaches of your fellow Crown auto
21 insurers, and generally a private property and
22 casualty insurers in Canada, at a high level?

23 MR. LUKE JOHNSTON: At a high level, I
24 guess we'll see what path you go down, but I'll do my
25 best.

1 DR. BYRON WILLIAMS: And whether it's
2 MPI or other property and casualty insurers, it would
3 be fair to say that regardless of where a property and
4 casualty company operates, the location of risk is
5 highly predictive of loss in property and casualty.

6 MR. LUKE JOHNSTON: Obviously every
7 jurisdiction is -- is different, Manitoba included.

8 But I would anticipate location would
9 be a driver of a difference in risk in -- in most
10 jurisdictions, if not all.

11 DR. BYRON WILLIAMS: And just as one
12 (1) example, if population density where you live
13 generally predicts congestion, which is predictive of
14 insurance losses, agreed?

15 MR. LUKE JOHNSTON: It could be. Like
16 there's -- you know, there's other things that could
17 happen, obviously, like that -- for example, people
18 barely drive at all or take the bus because it's so --
19 you know, it's so congested in the -- driving is kind
20 of a costly or time-consuming option.

21 But -- but it could also mean more
22 bumper to bumper traffic and -- and possibility for an
23 accident. That is the case in -- in Winnipeg, higher
24 frequency than -- than in rural.

25 DR. BYRON WILLIAMS: By contrast,

1 rural areas may be more susceptible to wildlife
2 claims, for example.

3 MR. LUKE JOHNSTON: Yes. Wildlife or
4 high -- higher speed highway type accidents. Yes,
5 yeah.

6 DR. BYRON WILLIAMS: And generally
7 within the insurance industry, would it be fair to say
8 that geography is considered one of the primary
9 drivers of claim experience?

10 MR. LUKE JOHNSTON: That would -- I
11 would expect that. It is possible that other insurers
12 have advanced their rate-making methodology, you know,
13 if you think about, like, telematics or other things
14 like that.

15 But even in that case, where you drive
16 would likely cause a -- you know, a per kilometer rate
17 increase, right? So I would agree that's a -- a
18 normal consideration.

19 DR. BYRON WILLIAMS: And you would
20 agree that it's one (1) of the most well-established
21 and wide-used rating variables. Correct?

22 MR. LUKE JOHNSTON: Yes.

23 DR. BYRON WILLIAMS: And when one is
24 doing territorial ratemaking, one undertakes two (2)
25 phases; the first being, establishing the territorial

1 boundaries; and, the second, determining the rate
2 relativities for the territories. Is that fair?

3 MR. LUKE JOHNSTON: From -- from a
4 ground up level -- as I'm sure you're going to get to
5 -- that step 1 hasn't happened for a long time. But -
6 - so I -- from my perspective, I -- I don't assess,
7 you know, the -- the new boundaries every year.
8 They're somewhat given -- or they are given.

9 But I just use the territories that we
10 currently have. The only way that would change is, I
11 suppose, through a -- a government approval type
12 process.

13 DR. BYRON WILLIAMS: And, sir, if you
14 can't speak to this specific question, I'll
15 understand.

16 But would it be your general knowledge
17 that private insurers will often segment geography
18 into dozens of territories to set rates in a single
19 province where the regulation allows that?

20 MR. LUKE JOHNSTON: That -- that
21 wouldn't surprise me. I would -- for example, it
22 wouldn't be surprising that other jurisdictions have
23 more territories than MPI for example.

24 DR. BYRON WILLIAMS: Okay. Now, we're
25 going to perhaps deal with an exception to that rule,

1 sir. And, again, if you can't answer this, you can
2 indicate it.

3 The one (1) exception to our general
4 discussion might be Saskatchewan, I'll suggest to you,
5 where SGI does not use geography as a rating variable.
6 Is that your understanding, sir?

7 MR. LUKE JOHNSTON: That is.

8 DR. BYRON WILLIAMS: And, sir, not
9 judging Saskatchewan, but from a point of actuarial
10 principle and analysis, do you have any commentary on
11 the implications for -- for fairness between various
12 populations in different parts of the province, if one
13 used just a simple postage stamp to -- as a
14 territorial rating?

15 MR. LUKE JOHNSTON: Just so I'm clear,
16 is the question, implications if -- if MPI didn't have
17 territories?

18 DR. BYRON WILLIAMS: Exactly.

19 MR. LUKE JOHNSTON: So that -- that
20 has come up for discussion internally. As you may or
21 may not be aware that the details of it, there are
22 differences by territory indicated from the minimum
23 bias relativities in our -- particularly -- in all the
24 classes, but in -- in major class 1 where most of the
25 vehicles are.

1 The -- if you were to just eliminate
2 territory, would obviously have to rerun minimum bias
3 and all that. But all else equal, you'd anticipate
4 raising rates in -- for most of the rural vehicles and
5 reducing rates for Winnipeg vehicles, assuming all
6 other factors stay the same.

7 I can't recall exact territory
8 relativities for the far north. I know there's higher
9 repair costs and such up there, but in general, I'd
10 expect Winnipeg to go down, rural to increase.

11 DR. BYRON WILLIAMS: Going to fewer,
12 for example, would tend to disadvantage rural
13 customers and tend to advantage urban customers.
14 Based on the existing relativities.

15 MR. LUKE JOHNSTON: Yeah. I guess, a
16 more general statement, it would disadvantage anyone
17 where we believe we have a pretty strong statistical
18 indication that there's differences. And we don't
19 always know the why for all of those. You know, why
20 every relativity is different.

21 But there are differences and it'd be
22 difficult for many of them to associate that to chance
23 alone. And if you take that away, you, obviously,
24 have the potential for cross-subsidization, for
25 example.

1 DR. BYRON WILLIAMS: Okay. Thank you.
2 And by contrast with SGI, you would aware, generally,
3 sir, that ICBC, the Insurance Corporation in British
4 Columbia, does use geography in their rating
5 algorithm. Agreed?

6 MR. LUKE JOHNSTON: That would be my
7 understanding. I can't recall the -- how many
8 territories. But -- large population in that provide,
9 so it wouldn't surprise me if there were more.

10 DR. BYRON WILLIAMS: And if I
11 suggested to you, subject to check, that they have in
12 the range of fourteen (14) territories encompassing
13 regions such as the Lower Mainland and the Thompson
14 Okanagan region, is that something you'd be prepared
15 to accept, subject to check, sir?

16 MR. LUKE JOHNSTON: I would.

17 DR. BYRON WILLIAMS: And, sir, are you
18 aware whether or not the Insurance Corporation of
19 British Columbia has recently updated its territorial
20 data to better reflect different regions of the
21 province?

22 MR. LUKE JOHNSTON: I -- I can't
23 recall. I -- we talked a little bit here about that
24 they've done pretty substantial updates to a lot of
25 their ratings. So if territory was part of that, that

1 wouldn't surprise me. Yeah.

2 DR. BYRON WILLIAMS: And I took an
3 extreme example of going to only one (1) geographic
4 unit in a provide.

5 At a high level, can you talk about
6 some of the tradeoffs if one went to more than the
7 five (5) that we have in Manitoba? Went -- yeah, went
8 to more than five (5).

9 MR. LUKE JOHNSTON: Well -- yeah.
10 Every additional territory you add can create
11 credibility issues, as, you know, the data will get
12 smaller by territory every time you add a territory.

13 There are other issues that could arise
14 that -- I can't remember if redlining is the right
15 word necessarily -- but, you know, if -- if we
16 establish an inner city rate and notice that there is
17 more comprehensive claims or vandalism claims or
18 something like that, there could be some sensitivities
19 around that. So this is going a little beyond
20 actuarial, but it does -- it does come up in the
21 actuarial literature.

22 But -- yeah, that's a couple, I guess.
23 Credibility and, I guess, policy considerations.

24 DR. BYRON WILLIAMS: Thank you. If we
25 can turn to the response to CAC-1-17?

1

2

(BRIEF PAUSE)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

DR. BYRON WILLIAMS: And Mr. Johnston,
we can just show you the question just if you want to
see the question on this one.

The question posed was: Whether MPI
has investigated using a higher number of territories
and with the suggestion that that might reduce
subsidization between the territories.

So you see that question, sir?

MR. LUKE JOHNSTON: I do.

DR. BYRON WILLIAMS: And it would be
fair to say -- we can go to the Response if you need
to refresh your memory -- but that MPI has not
conducted a territory review since the territories
were introduced. Is that correct, sir?

MR. LUKE JOHNSTON: That's correct.

DR. BYRON WILLIAMS: And when were the
territories introduced?

MR. LUKE JOHNSTON: I can't recall
that. But we're talking since the introduction here,
so I -- I would assume we're talking the thirty (30)
plus year range for sure.

DR. BYRON WILLIAMS: And, sir, we'll -

1 - so let's -- out of an abundance of caution because
2 you and I may not be -- may not recall when the
3 commuter territory came in, but it's -- it's been more
4 than twenty (20) years. It's been at least twenty
5 (20) years since a review of the territories was
6 undertaken by MPI.

7 MR. LUKE JOHNSTON: That -- well, it
8 hasn't happened in my career, so yeah. More than
9 that, yeah.

10 DR. BYRON WILLIAMS: Okay. And there
11 is a trend you've observed, at least in recent years,
12 with an increasing population of vehicles in the -- in
13 the -- in the Winnipeg territory, being territory 1,
14 as well as the commuter territory, being territory 5.
15 Agreed?

16 MR. LUKE JOHNSTON: Agreed. And there
17 may -- I don't have that analysis in front of me, but
18 there could be longer term trends -- like, ten (10),
19 twenty (20) year type of trends -- short terms trends,
20 I know that's true. But longer term trends, I'm not
21 entirely familiar with. But that would be my
22 expectation. More people going to territory 1.

23 DR. BYRON WILLIAMS: This response,
24 Mr. Johnston, indicates, in the second full sentence,
25 that a full review of all Basic products is currently

1 underway, including a review of territories and
2 insurance usage. Is that your understanding, sir?

3 MR. LUKE JOHNSTON: That is.

4 DR. BYRON WILLIAMS: And that would be
5 part of the -- the natural role that Manitoba Public
6 Insurance would take in advising both its Board and
7 advising government in terms of the -- both the cross-
8 subsidy issues, if any, as well as the policy issues
9 related to territories and -- and insurance uses?

10 MR. LUKE JOHNSTON: That -- that's
11 true. We are including these items, really, in our
12 full product suite review. As -- as we've heard at
13 these hearings, the CERP prod -- project, as an
14 example, addressed some probably long overdue
15 inflationary recovery changes. Those are pretty
16 minor, in my view.

17 The pull -- the full product suite
18 review would look at all factors and, obviously, have
19 to prioritize them based on, I guess, perceived
20 importance and ease of implementation, government
21 appetite, et cetera.

22 DR. BYRON WILLIAMS: And, sir, you've
23 already talked about, I think, three (3) of the issues
24 that might come up in a review of the territories.

25 Are there -- from a big-picture

1 actuarial view, are -- are there particular issues
2 you'd be looking for in -- in undertaking that review?

3

4 (BRIEF PAUSE)

5

6 MR. LUKE JOHNSTON: I guess in terms
7 of where individual customers live today it's not
8 really anything that we're -- we're missing. We know
9 that information. How to -- and we are able to break
10 up data by postal code and such.

11 I guess the -- the concern for me would
12 be that any territory review aligns with -- with, I
13 guess, future strategy on rating in terms of where we
14 think that's going. So I talked briefly -- ideas such
15 as kilometre-based use and -- and things like that --
16 we want -- we'd want that to align.

17 But in -- in general, from an actuarial
18 perspective, it's not difficult for MPI to see loss
19 experience based on where you live. Where you drive,
20 I think, is the -- the future, in a lot of ways.
21 That, we're not quite at yet.

22 But there -- there are, obviously, cons
23 to using someone's address. As well we know, a
24 commuter could involve driving, you know, an hour and
25 a half a day to Winnipeg through rural and city and

1 such, or it could just involve driving from some, you
2 know, community right on the edge of the city, you
3 know, one (1) kilometre into town.

4 So there are pretty big differences,
5 but those are -- would be a few actuarial
6 considerations.

7 DR. BYRON WILLIAMS: Okay. And in
8 terms of the potential issues that may arise in the
9 review of insurance uses, are there any that come to -
10 - to mind from the actuarial or policy perspective,
11 sir?

12 MR. LUKE JOHNSTON: The insurance-use
13 issue that's typically raised is, Why do we have all
14 these uses, right? Like, especially when it comes to
15 Nova, it's confusing. You know, you want -- the
16 customer wants to be able -- you want them to be able
17 to identify a simple kind of menu of -- of uses.

18 My opinion on that is for ninety-five
19 (95), you know, out of a hundred (100) people, it will
20 be simple. It'll be all-purpose, pleasure, things
21 like that. But the other uses that MPI does have have
22 evolved over time based on the needs of different
23 customers, so like collector use or Vehicle for Hire
24 use or -- or things like that.

25 In going through this insurance-use

1 review, the -- I guess the imcor -- important piece
2 would be, Do we really need this many uses? Is there
3 enough data in here to justify having its own use?
4 Could we combine any of those? Thi -- things like
5 that. There are definitely uses that have a very
6 small number of units, and it's hard to create a -- a
7 strong actuarially indicated rate with almost no data.

8 DR. BYRON WILLIAMS: In terms of the -
9 - it's fair to say that the review of territories or
10 uses has not commenced yet, sir?

11 MR. LUKE JOHNSTON: Not in any level
12 of detail, no, yeah.

13 DR. BYRON WILLIAMS: When do you
14 anticipate it starting and -- and completing? And if
15 you want to break that down between territory and uses
16 or collectively, that's fine.

17 MR. LUKE JOHNSTON: It -- in our
18 answer here, we talk about some of the other product
19 changes that MPI views as being higher priority than -
20 - than the territory-use review.

21 So I mentioned Driver Safety Rating,
22 Vehicle for Hire, motorcycles, fleets. Some of those
23 -- for obvious reasons, the Driver Safety Rating is --
24 really affects almost everybody. Other priorities
25 reflect the -- perhaps a very manual program that we

1 don't want to have any -- like, the fleet program is
2 very manual, and there's a need to automate that.

3 Territories should come -- be an out-
4 of-a-box rating tool that's common to an -- no matter
5 who our vendor ended up being, so we don't anticipate
6 changing that in Nova would be difficult. If it was,
7 you -- you'd kind of question, well, the system that
8 you got. So we're not worried that we'll be able to
9 implement it, but in terms of prioritizing the review
10 and making any proposals, it is a little farther down
11 the list than -- than other factors.

12 So getting to your answer, we've talked
13 about items on this list very much being a push for
14 early kind of Q1 2021. Territory-use review would
15 fall after that time period, so I would say later in
16 2021, Q2, Q3. And -- and I -- and I don't mean, you
17 know, completed, submitted to government, approved, I
18 mean actually doing the review and making some
19 recommendations.

20 DR. BYRON WILLIAMS: And just on the
21 issue of territories or groups, do you anticipate any
22 public engagement as part of that, Mr. Johnson --
23 Johnston?

24 MR. LUKE JOHNSTON: It would
25 definitely make sense to do that, so I would expect

1 that.

2 DR. BYRON WILLIAMS: Okay. Just a --
3 a few questions, and you'll know -- just so you know
4 where I'm going, ultimately we're getting to the
5 generalized linear modelling, sir. Let's see if we
6 can do it in four (4) questions or less.

7 In statistics, linear regression is a
8 linear approach to modelling the relationship between
9 a dependent variable and one (1) or more explanatory
10 variables, agreed?

11 MR. LUKE JOHNSTON: Agreed.

12

13 (BRIEF PAUSE)

14

15 DR. BYRON WILLIAMS: And you would
16 agree that multiple linear regression is a
17 generalization of simple linear regression to the case
18 of more than one (1) independent variable and
19 restricted to one (1) dependent variable?

20 MR. LUKE JOHNSTON: Agreed.

21 DR. BYRON WILLIAMS: And if I use the
22 words "generalized linear modelling," and you'll
23 correct me if I'm wrong, can we understand that to be
24 a compact way of simultaneously reviewing several
25 multiple linear regression models?

1 MR. LUKE JOHNSTON: That'd be
2 reasonable, yeah.

3 DR. BYRON WILLIAMS: And leaving aside
4 kind of M -- the practice of Manitoba Public
5 Insurance, generalized linear modelling would be a
6 tool that you'd be aware of that would be used by a
7 number of property and casualty insurers across North
8 America?

9 MR. LUKE JOHNSTON: That's true.

10 DR. BYRON WILLIAMS: And at a high
11 level, recognizing you have limited resources, what,
12 if any, value might come from undertaking or using
13 generalized linear modelling, Mr. Johnston?

14 MR. LUKE JOHNSTON: So, yeah, I'll
15 start with our current minimum-bias procedure.
16 Really, we're -- you know, we have the population, so
17 we talked about that. So we don't feel that we're
18 necessarily lacking data, and, you know, we're trying
19 to predict on known markets or customer segments or
20 anything. So we do believe that that approach does a
21 good -- a good job.

22 That said, generalized linear modelling
23 would allow more complexity in that analysis in terms
24 of assumed distributions and relationships between
25 variables beyond, I guess, the assumed multiplicative

1 relativity type relationship we have, normal
2 distribution, thing -- things like that.

3 We -- we may find relationships between
4 variables through -- I'll call it GLM, Generalized Lin
5 -- Linear Modelling that are better reflected by, I
6 guess, a more perhaps non-linear, more complicated --
7 cated distribution, if -- I don't know if that helps.

8 DR. BYRON WILLIAMS: I think it -- it
9 does, sir, and it may assist with a better
10 understanding of the risks the different
11 characteristics bring to the -- to the system.

12 And I'm going to use this very
13 simplistically because you're looking at it with
14 insight into a whole probability distribution rather
15 as on a -- Mr. Pelly will be laughing at my question
16 as I ask it -- rather than on just a linear
17 relationship. That's what you're...

18 MR. LUKE JOHNSTON: That's true.
19 There is -- with more I guess options at your disposal
20 in terms of assumptions and -- and non-linear
21 relationships, distributions, et cetera, you could
22 potentially find better fits to the data and -- and
23 improve the prediction of your -- or predictive value
24 of your rating model.

25 DR. BYRON WILLIAMS: And I don't want

1 to torture the analogy too much, Mr. Johnston, but as
2 Manitoba Public Insurance evolved and improved its
3 Dynamic Capital Adequacy Testing, now known as the
4 FCT, or Financial Condition Test, I'm not suggesting
5 it was using Generalized Linear Modelling, but it --
6 it found utility in looking more wholesomely at -- at
7 probability distri -- distributions to gain insight in
8 terms of risk. Would that be fair?

9 MR. LUKE JOHNSTON: Yes, that's true,
10 yeah.

11 DR. BYRON WILLIAMS: So that for the -
12 - the risks for the claims incurred portfolio as a
13 whole, some of that insight may also be available
14 through the use of Generalized Linear Modelling or --
15 or GLM. Would that be fair?

16 MR. LUKE JOHNSTON: For the -- you
17 said claims incurred, but I -- I guess if -- I think
18 you mean, for --

19 DR. BYRON WILLIAMS: Yes.

20 MR. LUKE JOHNSTON: -- loss costs
21 estimates for rating purposes, could we enhance the
22 rate-making model using methods like we do but in the
23 DCAT or FCT? Definitely we could.

24 DR. BYRON WILLIAMS: Okay. Mr.
25 Johnston, we thank you for the time. There's no

1 undertakings out of this one, so I will not say
2 subject to the undertakings, but we appreciate your
3 thoughtful answers. Thank you.

4 MR. LUKE JOHNSTON: You're welcome.

5 THE PANEL CHAIRPERSON: Thank you, Mr.
6 Williams. Mr. Gabor...?

7 THE CHAIRPERSON: Kristen, could you
8 pull up from the rate Application Part 6, Appendix 9,
9 Table 16?

10

11 (BRIEF PAUSE)

12

13 THE CHAIRPERSON: Mr. Johnston, I'm
14 not going to ask you to go through the numbers here.

15 MR. LUKE JOHNSTON: Okay.

16 THE CHAIRPERSON: And so my -- my
17 question in this area is slightly offbeat, which is,
18 There sure are a lot of different classes for trucks.

19 MR. LUKE JOHNSTON: Agreed.

20 THE CHAIRPERSON: We've got Farm --
21 Farming All-Purpose Truck, Fishing All-Purpose Truck,
22 All-Purpose Truck. If we go to the next page,
23 Kristen, Passenger Vehicle for Hire Truck with a
24 Weight, Collector Truck, Farming All-Purpose Truck,
25 Fishing All-Purpose Truck, Artisan Truck -- I don't

1 know what an artisan truck is.

2 MR. LUKE JOHNSTON: And it goes on.

3 THE CHAIRPERSON: Pardon me?

4 MR. LUKE JOHNSTON: And it goes on and
5 on, yes, yeah.

6 THE CHAIRPERSON: It goes on and on.

7 MR. LUKE JOHNSTON: Yeah.

8 THE CHAIRPERSON: So the question I
9 have for you -- and I'll tell you where it came from
10 which is, on the first day of the hearing, I was
11 driving home, and, lo and behold, I almost got wiped
12 out by a pick-up truck that was driving way too fast
13 for the conditions.

14 I had a conversation I believe last
15 year with Mr. Graham, and the question was: As I
16 understand it, pick-up trucks are part of passenger
17 vehicles. Is that correct?

18 MR. LUKE JOHNSTON: Yeah. If they're
19 used for personal use, that's true, yeah, yeah.

20 THE CHAIRPERSON: Personal use?

21 MR. LUKE JOHNSTON: Yeah.

22 THE CHAIRPERSON: Has there been any
23 examination by MPI -- and I think this was the
24 question from last year as well -- in terms of
25 collision rates or damage or PIPP claims involving

1 pick-up trucks versus the other vehicles that fall
2 within that classification?

3 MR. LUKE JOHNSTON: So as -- as you've
4 noted, trucks are in here. To Mr. Williams's point,
5 review of the use categories and maybe a slimming down
6 could possibly be helpful.

7 We haven't done that review, but trucks
8 themselves are handled, again, in the same way as all
9 other vehicles. You know, they pay based what they --
10 on -- based on what they cost including the -- the
11 rules of the PIPP allocation procedure.

12 But -- so whatever category we're
13 looking at, that should be the -- the long-run cost of
14 those vehicles regardless of I guess your -- one
15 experience. But they -- they should be paying their
16 fair share.

17 THE CHAIRPERSON: But I guess the
18 question is: Are they within the collective of all
19 passenger vehicles so that when you look at
20 collisions, damage claims, PIPP claims, and
21 everything, they're in the same position as a small
22 compact car that's driven as an all-purpose passenger
23 vehicle?

24 MR. LUKE JOHNSTON: They -- they
25 wouldn't be, but we'd have to I guess look at

1 different combinations. So what -- like, for example,
2 a brand-new, really expensive, powerful truck in
3 Territory 1 I'd expect to pay like a -- a pretty high
4 premium relative to everyone else in the passenger
5 vehicle category.

6 Normally it's the -- the value of the
7 truck, very high, but they're -- they're in Winnipeg
8 and -- and there's probably other reasons.

9 And then, of course, the DSR level of
10 that driver would -- so if there is a person ripping
11 around going through red lights and -- and crashing
12 all the time, hopefully they're not getting a discount
13 and -- and -- or at least paying a DSR surcharge.

14 THE CHAIRPERSON: Okay. I guess I'm
15 not asking the question properly, but if -- do you
16 know what percentage of all passenger vehicles would
17 be pick-up trucks, roughly?

18

19 (BRIEF PAUSE)

20

21 MR. LUKE JOHNSTON: It's probably best
22 if I -- I don't know. I'd have to look that one up,
23 but --

24 THE CHAIRPERSON: Okay. Let -- let me
25 just put forward a hypothetical. Assume they are 10

1 percent --

2 MR. LUKE JOHNSTON: Yeah.

3 THE CHAIRPERSON: -- okay?

4 MR. LUKE JOHNSTON: Probably more, but
5 sure, yeah, ten (10) is fine.

6 THE CHAIRPERSON: And if you --

7 MR. LUKE JOHNSTON: Yeah.

8 THE CHAIRPERSON: -- look at the
9 parking lot next door --

10 MR. LUKE JOHNSTON: Absolutely.

11 THE CHAIRPERSON: -- they're 40
12 percent.

13 MR. LUKE JOHNSTON: Yeah.

14 THE CHAIRPERSON: But assume they're
15 10 percent. Is there a way to know, if we look at all
16 collisions, if pick -- for all passenger vehicles,
17 that they are 10 percent of that category or they
18 would be a higher percentage or a lower percentage?

19 MR. LUKE JOHNSTON: We could show
20 exactly what -- how many there are, what their average
21 rate is, and all that quite -- quite easily. Just
22 difficult for me to do like in the --

23 THE CHAIRPERSON: I'm not -- I'm not
24 asking you to do anything right now --

25 MR. LUKE JOHNSTON: Yeah.

1 THE CHAIRPERSON: -- quite frankly,
2 Mr. Johnston. But I guess the -- the concern I have
3 is, if insurance is based on risk, and an analysis
4 would show that there are either higher collision
5 rates or higher costs from those vehicles, then I
6 would ask why they are not in a separate category the
7 way that you've put all these other trucks --

8 MR. LUKE JOHNSTON: I see.

9 THE CHAIRPERSON: -- in separate
10 categories.

11 MR. LUKE JOHNSTON: Maybe if -- if you
12 could just scroll up on this table to -- let's see how
13 far we -- keep going. So Territory 1, keep going.
14 We've got to stop there.

15 So all-purpose truck, I guess that's
16 about five (5) lines from the bottom, and you see all-
17 purpose truck --

18 THE CHAIRPERSON: Yeah.

19 MR. LUKE JOHNSTON: -- Territory 1.
20 And you don't -- you can't see the -- the column
21 headings at the top, but this -- about fifty thousand
22 five hundred and seventy-seven (50,577) trucks there.

23 As of today, that particular -- if you
24 scroll over, you'll see that number one point zero
25 eight four six (1.0846); that is a relative cost

1 compared to other -- the average vehicle in that
2 class. So they're paying about 8 percent more than
3 the average vehicle in Major Class 1.

4 And that -- we went through some
5 relativity calculations on the taxis. This would be a
6 highly credible kind of long-term calculated number
7 given that, obviously, all-purpose trucks have been
8 around a long time and we have fifty thousand (50,000)
9 plus a year.

10 But -- so they are paying a little bit,
11 more, to your question, but not dramatically more than
12 the average, yeah.

13 THE CHAIRPERSON: In terms of that one
14 point zero eight four six (1.0846), though, would that
15 take into account an analysis of collision rate,
16 damages, or anything of that nature?

17 MR. LUKE JOHNSTON: It would, yeah.
18 All their experience would be embedded in that. It
19 would also recognize the fact that -- that relativity
20 is for trucks, you know.

21 So, if you start with a base rate,
22 you'll add 8 percent if it's a truck. If it's a high
23 rate group truck, you'd add yet another factor on top
24 of that, but it would reflect their experience.

25 So, if we pull out all-purpose trucks

1 in territory 1 history, we should see a loss ratio
2 around that 75, 80 percent that we need to break even,
3 yeah.

4 THE CHAIRPERSON: Thank you. Thank
5 you for that. When we get to the issue of the Vehicle
6 for Hire, and my understanding is the starting point
7 was all-purpose passenger vehicle plus 20 percent.

8 Am I right there?

9 MR. LUKE JOHNSTON: That's right.

10 THE CHAIRPERSON: Okay. Why is it 20
11 percent and not 25 percent?

12 MR. LUKE JOHNSTON: The -- the 20
13 percent was a jurisdictional scan at the time looking
14 -- we used relative rates because, of course, other
15 jurisdictions are very different.

16 But if you look at the additional
17 charge to the Vehicle for Hire in the provinces that
18 had systems at the time, the average was around 20
19 percent. It's not -- it's not -- it wasn't a precise
20 calculation by any means, but that was the basis.

21 THE CHAIRPERSON: But was it that the
22 average was 20 percent or the number -- you looked at
23 the actual number and went, in order to arrive at that
24 number, we would have to add 20 percent?

25 MR. LUKE JOHNSTON: No, the number

1 wasn't used. So, one (1) of the examples we went
2 through was, well, in Ontario, the -- the base all-
3 purpose rate for the -- for the risk was, like, six
4 thousand dollars (\$6,000), which would -- that's more
5 than --

6 THE CHAIRPERSON: Right.

7 MR. LUKE JOHNSTON: -- you know,
8 almost everyone. And they were adding about, you know
9 -- I can't remember the number, but obviously 20
10 percent of that number is quite different than MPI.

11 But on a relative risk basis, we said,
12 okay, well, this jurisdiction seems to think they
13 should add about 20 percent to all-purpose. We all
14 know all-purpose is -- should be priced properly, so,
15 you know, it looks like, you know, we should add
16 roughly 20 percent. It looks an extra 20 percent
17 risk.

18 That was the original basis. Definitely
19 an imperfect calculation --

20 THE CHAIRPERSON: Yeah.

21 MR. LUKE JOHNSTON: -- but best we had
22 at the time.

23 THE CHAIRPERSON: My -- I hate to say
24 it. My simplistic view was I don't understand the
25 relationship between Vehicles for Hire and all

1 passenger. Why wouldn't the starting point be a
2 taxicab, and then reduce it by a certain amount?

3 Because it seemed to me that they both
4 use time bands. They're both intended to carry
5 passengers for compensation and they both use either
6 independent contractors or employees.

7 So, why -- why the -- why the all-
8 purpose passenger, though, as the starting point?

9 MR. LUKE JOHNSTON: So, we talked
10 about the -- the range of possibilities and -- and --
11 for TNC passenger Vehicle for Hire. So, intuitively,
12 the exposure has to be higher than just a regular all-
13 purpose vehicle. I think everybody agrees.

14 THE CHAIRPERSON: Yeah.

15 MR. LUKE JOHNSTON: But all the
16 evidence that we've seen, the -- in terms of the
17 studies and what -- what other companies are actually
18 charging was that that risk wasn't as high as taxis
19 because they're more occasionally used, they may have
20 a part-time job, thing -- things like that.

21 So, going right to the taxi rate didn't
22 seem appropriate either. We knew it was in the
23 middle, between the two (2) somewhere.

24 THE CHAIRPERSON: Yeah.

25 MR. LUKE JOHNSTON: So, we started

1 with the 20 percent. You're seeing today that, at
2 least based on two (2) years of data, that number
3 perhaps could have been a little bit higher, but it's
4 nowhere close to taxi rates, like, not close at all,
5 right. So --

6 THE CHAIRPERSON: Yeah.

7 MR. LUKE JOHNSTON: So, maybe -- maybe
8 that two thousand (2,000) should be three thousand
9 (3,000), but it's not nine thousand (9,000). So, I
10 think we got -- we got it right that it's in the
11 middle; the magnitude wasn't as precise.

12 The -- the bigger issue for us is that
13 -- is -- is the valid points raised about exposure. I
14 agree. If you're driving twenty-four (24) hours a day
15 in a Vehicle for Hire, it's -- it's hard to dispute
16 that that's much different than someone putting a taxi
17 on the -- driving around twenty-four (24) hours a day.

18 But we do know that taxi exposure and
19 uses is -- is a lot higher as a group, and that --
20 that drives their -- their higher rate.

21 THE CHAIRPERSON: Right. So, one (1)
22 of the -- one (1) of your comments now and one (1) of
23 the comments in the testimony is there's an assumption
24 that with taxies, they could be driven twenty-four
25 (24) hours a day.

1 For Vehicle for Hire, how do you
2 monitor who's driving the vehicle? If -- if somebody
3 has a vehicle registered for the four (4) time bands,
4 as I understand it, the insurance is based on a
5 primary driver or a -- sorry, a single driver.

6 What I heard was they take the risk.
7 If there's an accident, then you'll find -- it'll come
8 clear at the time of an accident.

9 Are there any other measures taken to
10 monitor or enforce the use of that vehicle?

11

12 (BRIEF PAUSE)

13

14 MR. LUKE JOHNSTON: I just want to
15 check if there is -- there is -- that there wasn't
16 other ways, but the claim process is the only MPI way.
17 Obviously, if someone's pulled over operating as a
18 Vehicle for Hire and they're not registered properly,
19 there could be an infraction or -- or something given,
20 but that's not an MPI --

21 THE CHAIRPERSON: Sorry, pulled over
22 by the police?

23 MR. LUKE JOHNSTON: Yeah. Like -- but
24 -- like, so, if you're speeding and it's like, oh,
25 well, you have -- you know, and then they look at your

1 registered and it's not properly registered, that's
2 not an MPI enforcement, but that --

3 THE CHAIRPERSON: I would --

4 MR. LUKE JOHNSTON: -- we would see
5 that, yeah.

6 THE CHAIRPERSON: But if -- you can
7 drive somebody else's vehicle as long as you have
8 permission. So, do the police care?

9 MR. LUKE JOHNSTON: Well, if it was
10 registered as pleasure, that would obviously be
11 uncovered that you shouldn't -- this isn't the right
12 registration. But our -- our main --

13 THE CHAIRPERSON: But is -- sorry.
14 Again, is that a police matter or is that an MPI
15 matter? Because I would assume the police, if
16 somebody was speeding, would want to see the
17 registration and -- and the driver's licence to give a
18 ticket for speeding.

19 I don't know. Do they care that
20 they're -- they may be using it for commercial
21 purposes rather than for pleasure?

22 MR. LUKE JOHNSTON: Yeah. Yeah.
23 Like, we would -- if there was a ticket for improper
24 registration or such, we would see that. And that
25 would --

1 THE CHAIRPERSON: Yeah.

2 MR. LUKE JOHNSTON: -- hit the person
3 on the DSR. But that's not an MPI enforcement
4 technique. That...

5 THE CHAIRPERSON: So, if I look on the
6 street, I can usually tell which is a taxi because
7 they have a logo on the side of their car and usually
8 a light on top of their car. I can't tell which cars
9 are Vehicle for Hire for the way they look.

10 MR. LUKE JOHNSTON: Agreed. One (1)
11 of the pieces of evidence we went through looked at
12 the crash rates based on how many time bands you --
13 you selected, and recognizing that most people pick
14 four (4) time bands.

15 That said, we -- we do -- did see, if
16 you had three (3) or two (2) or one (1) time bands,
17 that your claims --

18 THE CHAIRPERSON: Right.

19 MR. LUKE JOHNSTON: -- proportionately
20 declined. That is a good sign. But -- but to your
21 comment, we --

22 THE CHAIRPERSON: But --

23 MR. LUKE JOHNSTON: -- our only
24 enforcement right now is through a claim --

25 THE CHAIRPERSON: -- Mr. Johnston --

1 MR. LUKE JOHNSTON: Yeah.

2 THE CHAIRPERSON: -- I'd be correct in
3 saying that's an after-the-fact matter. If the -- if
4 -- if you have -- so, theoretically, you could have a
5 Vehicle for Hire that was operating twenty-four (24)
6 hours a day with a number of different drivers.

7 But the reality is MPI wouldn't know
8 about it unless there was an accident?

9 MR. LUKE JOHNSTON: I -- I agree, but
10 that -- I guess that same argument could be made for
11 almost anything. Like, if you're a DSR minus 20 and
12 you don't want to pay three thousand dollars (\$3,000)
13 a year, you can just drive around and hope you don't
14 get pulled over or have an accident, right.

15 So, like, we have the same kind of
16 enforcement options there. Obviously, we do our best
17 to communicate and -- and ensure with brokers and such
18 that customers are registered properly. But if
19 somebody wants to go outside of the bounds of that --

20 THE CHAIRPERSON: Right.

21 MR. LUKE JOHNSTON: Yeah.

22 THE CHAIRPERSON: They take the risk?

23 MR. LUKE JOHNSTON: They take the
24 risk, yeah.

25 THE CHAIRPERSON: And they're

1 discovered at the time that there is an event where
2 MPI gets involved and sees the information and then
3 make a determination that they haven't been following
4 the rules. Is that correct?

5 MR. STEVE SCARFONE: That -- that's
6 precisely right, Mr. Gabor. And -- and it happens on
7 all sorts of different -- with all sorts of different
8 scenarios.

9 So for example, people driving with a
10 suspended license, we don't learn of it until there's
11 an accident.

12 The -- the young kids driving outside
13 of the restrictions of the graduated driver licensing
14 program, they're not supposed to be driving with any
15 alcohol in their system. We find out about that when
16 they get into an accident, they've had a beer or two
17 or they're driving without a supervising driver.

18 All of these conditions of coverage
19 come to light during the course of the claim
20 investigation.

21 And so the -- the Vehicle for Hire
22 would be no different and -- and we've learned of
23 these where an accident is reported and someone's got
24 a stack of pizzas because they're delivering --
25 they're -- they're doing Uber Eats or whatever and --

1 and they're not registered to be doing that.

2 THE BOARD CHAIRPERSON: Right. Okay.
3 Those are my questions, Madam Chair. Thank you, Mr.
4 Johnston.

5 MR. LUKE JOHNSTON: You're welcome.

6 THE PANEL CHAIRPERSON: Thank you.
7 Ms. Hainsworth, do you have any questions?

8 MS. CAROL HAINSWORTH (via phone): No,
9 I do not, Madam Chair.

10 THE PANEL CHAIRPERSON: Thank you.
11 Mr. Scarfone, redirect?

12 MR. STEVE SCARFONE: Thank you, Madam
13 Chair.

14

15 RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

16 MR. STEVE SCARFONE: Mr. Johnston, a
17 couple questions to follow up on My Learned Friends'
18 questions from yesterday and today.

19 You'll recall yesterday that Mr.
20 Watchman was asking you questions about subsidization?

21 MR. LUKE JOHNSTON: I do.

22 MR. STEVE SCARFONE: And he referenced
23 an Order that was issued by this Board following the
24 Vehicle for Hire interim application.

25 You don't need to bring it up, Kristen,

1 but he directed your attention to a page that had the
2 Board concerned with respect to the financial impact
3 of providing Vehicle for Hire insurance and, in
4 particular, that such insurance not be subsidized by
5 other Basic customers.

6 Do you recall that?

7 MR. LUKE JOHNSTON: I do.

8 MR. STEVE SCARFONE: And so last year
9 we learned a little bit about subsidization. Mr. Todd
10 testified that it's not proper to have the monopoly
11 subsidize the Extension line of business.

12 Do you recall that?

13 MR. LUKE JOHNSTON: I do.

14 MR. STEVE SCARFONE: But it -- it was
15 proper, at least in his view and -- and as set out in
16 our Capital Management Plan, for the Extension lines
17 of business to subsidize Basic.

18 Do you agree with that?

19 MR. LUKE JOHNSTON: In general. I
20 can't remember his exact -- exact words, but my
21 understanding was that was what -- what you said, yes.

22 MR. STEVE SCARFONE: Yes. So in fact,
23 our Capital Management Plan is -- is --

24 MR. LUKE JOHNSTON: Capital Management
25 Plan does that.

1 MR. STEVE SCARFONE: -- an extension
2 of subsidizing Basic?

3 MR. LUKE JOHNSTON: That is true, by
4 sending those funds over. The logic, of course, being
5 that most of those customers are the same, but that --
6 but yes, we are collecting from Extension and -- and
7 if we have excess funds direct transfer to Basic, and
8 as you see in this application a -- a 5 percent
9 capital release.

10 MR. STEVE SCARFONE: So that's on
11 obviously a larger scale. But then we have a -- as
12 Mr. Gabor indicated, a bunch of different classes that
13 you've identified within Basic.

14 We have sub-categories of those
15 classes, would you agree with that?

16 MR. LUKE JOHNSTON: We do. Agreed.

17 MR. STEVE SCARFONE: And Kristen if
18 you pull up PUB-188 for me, please.

19 And -- and Mr. Watchman would have
20 brought your attention to lines 1 and 2 of that
21 document, where it shows the loss ratios for the last
22 couple of years for passenger Vehicle for Hire as
23 exceeding 100 percent, correct?

24 MR. LUKE JOHNSTON: Correct.

25 MR. STEVE SCARFONE: And what that

1 effectively means is the Corporation needs to collect
2 more money from those people. Is that true?

3 MR. LUKE JOHNSTON: That's true, with
4 that type of loss ratio, the -- they would increase
5 your relativity or expected loss costs and we would
6 move towards reducing that to a -- something closer to
7 80 percent over time.

8 MR. STEVE SCARFONE: And so if the
9 passenger Vehicle for Hire, (passenger vehicle class),
10 or is that a sub-class or is that -- what do you call,
11 a sub-category? What would you call that?

12 MR. LUKE JOHNSTON: Risk
13 classification would be fine. Or a -- you can just
14 use a group of vehicles or something along those
15 lines, yes.

16 MR. STEVE SCARFONE: They are part of
17 Basic, correct?

18 MR. LUKE JOHNSTON: That's right.

19 MR. STEVE SCARFONE: But they have
20 their own class?

21 MR. LUKE JOHNSTON: They have their
22 own use, insurance use. So -- but that is a class, so
23 you can --

24 MR. STEVE SCARFONE: A Vehicle for
25 Hire class?

1 MR. LUKE JOHNSTON: That's right.

2 MR. STEVE SCARFONE: And they're a
3 sub-class of the Vehicle for Hire class under the
4 Basic program?

5 MR. LUKE JOHNSTON: Under the Basic
6 program, yes.

7 MR. STEVE SCARFONE: Okay. And so we
8 heard evidence earlier that when allocating costs
9 between motorcycles and passenger vehicles, if for
10 example a motorcycle was to rear end a passenger
11 vehicle, and is entirely at fault, there is still some
12 allocation of those costs to the passenger vehicle
13 class, correct?

14 MR. LUKE JOHNSTON: Based on the rules
15 we have, fault isn't considered at all. We just add
16 up the total losses on the injury side and half of
17 those losses would go to each group.

18 So in the case -- or each vehicle
19 class. So in the example you used, if the motorcycle
20 claim was a million dollars and there was zero injury
21 on the -- in the vehicle, 500,000 would go to the
22 motorcycle class, 500,000 would go to the passenger
23 vehicle class, assuming it was a passenger vehicle
24 that they...

25 MR. STEVE SCARFONE: And so

1 effectively, for people like you and me that are
2 driving a car, if we're involved in a motor vehicle
3 accident, some of the costs are allocated to us,
4 notwithstanding they're motorcycle class costs.

5 MR. LUKE JOHNSTON: Based on what --
6 I'll call them the loss transfer rules that we have,
7 that is -- there are motorcycle injury claims costs
8 being allocated to other classes of vehicles, yes.

9 MR. STEVE SCARFONE: So in this
10 example, where the loss ratio is above 100 percent,
11 there was monies that would have been, and as you said
12 yesterday not intentionally, but monies that would
13 have been paid by other Basic customers to cover the
14 deficiency there in those two (2) years.

15 Is that fair?

16 MR. LUKE JOHNSTON: So I guess just to
17 remind everybody from the rate-making perspective,
18 everything is done perspectively. We -- this
19 category, the loss ratio is 120 percent. We'd prefer
20 it to be closer to 80 percent if it was breakeven.

21 That -- what would happen, all else
22 equal, is that MPI's results would reflect a little
23 bit more claims than we expected to have because of
24 this vehicle class, that money would create a loss,
25 so, slightly worse than breakeven.

1 In theory that money would come out of
2 the Rate Stabilization Reserve, is actual -- actual
3 would happen.

4 So, to the extent that a certain class
5 of vehicles is constantly being under-priced, you
6 would have a loss and that would come out of the RSR
7 and, in theory, effect other drivers or customers,
8 either through, I guess, a lack of rebates or slower
9 releases or capital builds.

10 Yeah, so that's -- that's how that
11 would work.

12 MR. STEVE SCARFONE: So, I'll just
13 summarize that answer. Is it basically taken from the
14 capital?

15 MR. LUKE JOHNSTON: That's right. We
16 -- we don't go back to other ratepayers and say oh,
17 you know, this passenger Vehicle for Hire, we've got
18 it wrong, give us -- give us some money to pay for
19 that.

20 But it does come out of the RSR, so to
21 the extent that that money is shared with everybody,
22 there is slightly less available because of that, you
23 know, if we have a mis-price or a -- anything like
24 that.

25 But that -- like, I get that this is a

1 unique case because it's so new, like it's just a new
2 class of vehicles, but every other class has ups and
3 downs every year.

4 So I wouldn't -- you know, that I would
5 characterize as a normal behaviour. The debate we're
6 having here is whether the price is knowingly
7 incorrect.

8 MR. STEVE SCARFONE: Right. And so
9 just touching upon that a little bit further. We see
10 there, obviously, that the 2020 data is not yet
11 available, correct?

12 MR. LUKE JOHNSTON: Correct.

13 MR. STEVE SCARFONE: And that in 2019
14 there was a drop of about 7 percent from 2018,
15 correct?

16 MR. LUKE JOHNSTON: Correct.

17 MR. STEVE SCARFONE: And is it fair to
18 say that, pandemic aside, you would have been watching
19 this carefully to see what those 2020 numbers came in
20 at?

21 MR. LUKE JOHNSTON: That's right. So
22 we -- we went through some of the relativity
23 calculation for passenger Vehicles for Hire and just
24 in general terms we -- we started at a relativity of
25 about 1.65 and that's since increased to 1.9 and

1 change, I guess.

2 And so we have passed on about 16
3 percent increase to -- to the relative rates for this
4 class, all else equal. That will need a bit of time
5 to flow through, as the -- as the rate is charged and
6 earned by drivers. But we would expect the loss ratio
7 to fall based on what we know today, yes.

8 MR. STEVE SCARFONE: And so, I also
9 understood you, yesterday, to say that in those -- in
10 that analysis that the two (2) big factors, in your
11 view, that drive the credibility of those numbers
12 would be the number of units. Correct?

13 MR. LUKE JOHNSTON: Correct.

14 MR. STEVE SCARFONE: And the number of
15 years that elapse to allow for the collection of data.

16 MR. LUKE JOHNSTON: Yeah. In some
17 ways, they're similar. More years means more units
18 and more experience. But -- but agreed, both of those
19 are important.

20 Where the years becomes important for
21 our rate-making methodology is we start doing certain
22 smoothing procedures like we talked about serious
23 losses, let's average them over ten (10) years;
24 that's done on purpose to, you know, minimize rate
25 volatility.

1 But -- but, yes, to your two (2)
2 points, more of either of those improves the accuracy
3 of our -- or credibility of our rating.

4 MR. STEVE SCARFONE: Correct. So is
5 it fair to say that the more vehicles you would have
6 in a particular class, then the number of years of
7 experience is not as concerning?

8 MR. LUKE JOHNSTON: Sorry, can you --
9 can you say that one again, please?

10 MR. STEVE SCARFONE: Yes. So if the
11 two (2) factors are the number of units is a factor.

12 MR. LUKE JOHNSTON: Right.

13 MR. STEVE SCARFONE: The number of
14 years of experience is also a factor.

15 MR. LUKE JOHNSTON: That is.

16 MR. STEVE SCARFONE: I'm wondering if
17 -- if you had more units there, then perhaps having
18 less years wouldn't be as a big a concern.

19 MR. LUKE JOHNSTON: Agreed. Yeah, if
20 there's -- we looked at all purpose trucks and there
21 was fifty thousand (50,000) plus just in territory 1,
22 we'd be property confident those numbers here -- well,
23 the truck example in line 5 is seventeen (17), but --
24 so we'd be much less confident in the one (1) year
25 results for that group.

1 MR. STEVE SCARFONE: And -- and
2 similarly, if you had more years -- rather than just
3 two (2) -- then the number of units that are in that
4 particular class wouldn't be as concerning.

5 MR. LUKE JOHNSTON: That's true.

6 MR. STEVE SCARFONE: But at least as
7 it concerns the passenger Vehicle For Hire (passenger
8 vehicle class), you're limited by the number of years
9 and the number of units.

10 MR. LUKE JOHNSTON: That's -- that's
11 right. It -- as we talked about earlier, even
12 vehicles with small number of units in our -- in our
13 Basic program have been tweaked year after year for
14 decades. And, you know, are always going in the
15 direction that the data tells us.

16 This group doesn't have that luxury.
17 They have two (2) years of tweaking. So every year
18 that goes by, we'll just get a bit closer to the true
19 number.

20 MR. STEVE SCARFONE: Ms. Schubert,
21 could you please pull up Taxi Coalition-1-4 and Taxi
22 Coalition-1-6, please.

23

24

(BRIEF PAUSE)

25

1 MR. STEVE SCARFONE: You recall my --
2 My Friend, Mr. Hacault, showed you these two (2)
3 documents yesterday, Mr. Johnston?

4 MR. LUKE JOHNSTON: I do.

5 MR. STEVE SCARFONE: So just starting
6 with the one on the left. I think we established that
7 these are the time bands that are being used by the
8 two (2) classes; namely, passenger Vehicle For Hire in
9 line 4 and taxi Vehicle For Hire in line 5. Correct?

10 MR. LUKE JOHNSTON: This would -- the
11 -- the number of time bands purchased and the number
12 of vehicles in each of those groups. Yeah.

13 MR. STEVE SCARFONE: Correct. And is
14 it fair to say that the passenger Vehicle for Hire
15 vehicles now outnumber the taxi Vehicle for Hire
16 vehicles?

17 MR. LUKE JOHNSTON: That's true.

18 MR. STEVE SCARFONE: And if we look
19 over to the claim counts on the document to the right,
20 we'll see that -- and I think we went through this
21 yesterday -- that represents the number of claims by
22 each of those categories?

23 MR. LUKE JOHNSTON: That's right.

24 MR. STEVE SCARFONE: And that the --
25 the chart in figure 2 would show, at line 3 at least,

1 when the passenger Vehicle for Hires were -- were
2 operating under their normal all purpose insurance in
3 a non-commercial capacity.

4 MR. LUKE JOHNSTON: Yes.

5 MR. STEVE SCARFONE: So I had a
6 question about the taxi Vehicle for Hire because we
7 see a small number of claims there. Six (6), in fact.

8 Any explanation for why a taxi would be
9 operating non-commercially?

10

11 (BRIEF PAUSE)

12

13 MR. LUKE JOHNSTON: I'm not sure. But
14 I suppose a taxi vehicle is still used occasionally
15 outside of operating to transport passengers. So they
16 could be still, you know, driving home and -- and
17 other uses. But I'd have to look into that one.

18

19 (BRIEF PAUSE)

20

21 MR. STEVE SCARFONE: And -- and going
22 back to the figure on the left, we see that both the
23 passenger Vehicle for Hire and the taxi Vehicle for
24 Hire groups make use of time band four (4) most
25 extensively.

1 MR. LUKE JOHNSTON: Yes.

2 MR. STEVE SCARFONE: And I think you
3 said yesterday we don't know the reasons for that,
4 whether it's economical or whether it's, in fact,
5 they're driving during all four (4) time bands.

6 MR. LUKE JOHNSTON: That's right.

7 MR. STEVE SCARFONE: If, in fact, sir,
8 the passenger Vehicle for Hire drivers are driving in
9 those four (4) time bands that we see in figure 1 on
10 the left, their claim counts would be dramatically
11 lower than the taxi Vehicle for Hires on the right
12 hand side. Would you agree with that?

13 MR. LUKE JOHNSTON: Yeah, that is
14 really the issue. So I mentioned that we had some
15 evidence to suggest that, you know, from other
16 jurisdictions, that passenger Vehicle for Hire
17 wouldn't be -- have as much exposure as taxis. And
18 that might justify a lower rate.

19 But at the same time, we do struggle
20 with the claims frequency of taxis. So we've been
21 asking, I think, a lot at this hearing, why are the
22 passenger Vehicle for Hire rates so low? But we're
23 not -- we haven't been asking why are the taxi rates
24 so high.

25 The taxi rates are high because the

1 claims frequency is, like -- has been literally off
2 the charts relative to regular passenger vehicles.

3 I know other jurisdictions have,
4 obviously, higher taxi rates than all purpose car, but
5 MPI's taxi rates, from all measures, are very high on
6 a relative basis.

7 So we do need to do some work with the
8 stakeholders, not only to understand how the product's
9 designed, but to address the question as to why
10 frequency is so dramatically higher than an all
11 purpose vehicle and so dramatically higher than a
12 similar type of use that is driving people around in a
13 way similar to taxis. So the -- that -- we'll
14 continue to investigate that.

15 MR. STEVE SCARFONE: Thank you. And
16 then, Kristen, part 6 of the Application ratemaking
17 appendix 9, table 11 was put to Mr. Johnston
18 yesterday.

19

20 (BRIEF PAUSE)

21

22 MR. STEVE SCARFONE: You'll recall
23 this particular table was put to you, sir. Just
24 scroll up a bit, Kristen.

25 Table 11 reported serious losses. What

1 was the acronym again? You mentioned it yesterday.

2 MR. LUKE JOHNSTON: And other related
3 - it's Allocated Loss Adjustment Expenses. But and
4 other costs associated with the claim but it's
5 basically the all claims cost.

6 MR. STEVE SCARFONE: Okay. And then,
7 so this document and this table would show, as Mr.
8 Hacault pointed out, the serious losses that were
9 reported for each of the classes over the last ten
10 (10) years. Is that correct?

11 MR. LUKE JOHNSTON: That's right.

12 MR. STEVE SCARFONE: And a serious
13 loss, we heard, was defined as something that exceeds
14 five hundred thousand dollars (\$500,000) in benefits
15 paid out by the Corporation.

16 MR. LUKE JOHNSTON: That's correct.

17 MR. STEVE SCARFONE: And Mr. Hacault
18 noticed that his client wasn't -- or sorry, the
19 passenger Vehicle for Hire passenger vehicles -- so
20 that is the -- the group that represents the Ubers and
21 the Lyfts and the TappCars wasn't reflected in this
22 particular chart. Is that right?

23 MR. LUKE JOHNSTON: That's right.

24 MR. STEVE SCARFONE: And it's, as I
25 understood it, because they haven't reported any

1 serious losses as the -- as the title of the table
2 indicates?

3 MR. LUKE JOHNSTON: That's true, and
4 any class that has no serious losses is also exc --
5 excluded from this table.

6 But we have said, for completeness,
7 just to, you know, ensure everybody understands, we're
8 going to start including those in here, other classes,
9 even if the number's zero (0), just so people can see
10 that it is -- was, in fact, zero (0) for the time --

11 MR. STEVE SCARFONE: I see. So you're
12 going to show nil values going forward.

13 MR. LUKE JOHNSTON: Yeah, if -- if
14 that is the case, but there's confusion as to why
15 isn't it in here. Wa -- was something missed? Well,
16 no, it wasn't missed; it just -- it wasn't put in
17 because the number was zero (0).

18 But rather than have that confusion,
19 we're just going to include all -- all uses in here,
20 even if the -- even if the value's zero (0).

21 MR. STEVE SCARFONE: And I take that
22 to mean, though, Mr. Johnston, that that doesn't
23 preclude the inclusion of a four hundred thousand
24 dollar (\$400,000) injury claim, for example, in the --
25 in the Vehicle for Hire passenger group.

1 Is that true?

2 MR. LUKE JOHNSTON: That's true, and
3 it also doesn't preclude the regular assumed
4 development of injury claims that applies to all PIPP
5 claims in general.

6 So what I mean by that is if we expect
7 losses in -- in the first year -- injury losses, for
8 example, in the first year to develop by -- to four
9 (4) or five (5) times the size by -- by the time all
10 claims are settled, those assumptions would apply to
11 that group as -- as well as every other group. It may
12 take a little bit of time till claims are assessed and
13 cross that threshold.

14 So there may never be any serious
15 losses in the group, as -- as we discussed, but we
16 won't really know that with enough certainty until a
17 bit longer in the life cycle.

18 MR. STEVE SCARFONE: So following up
19 on that, if you were inclined to adjust your forecast
20 for the Vehicle for Hire passenger vehicle group to
21 reflect the possibility of a -- of a serious loss, how
22 would you go about doing that with -- in the absence
23 of that group not having yet experienced a serious
24 loss?

25 MR. LUKE JOHNSTON: Well, as I

1 mentioned, we've -- in my view, we've effectively
2 already addressed that with the initial rate that we
3 used, which was all-purpose passenger vehicle plus a
4 20 percent load.

5 As you can see, I just happen to have
6 this table here -- I don't know if that's just an
7 accident, but -- the all-purpose passenger vehicle has
8 lots of serious-loss experience built into that rate.

9 So, we were taking the rate calculated
10 from the all-purpose group, passenger vehicle group
11 and adding 20 percent load to that. And, of course,
12 as we've got data and I've -- I've addressed the fact
13 that we've since adjusted that rate upward further,
14 but that is the way that we did that initially.

15 MR. STEVE SCARFONE: And, Kristen,
16 page 13, please, of MPI's closing submission from that
17 interim application from a couple years ago, please.

18

19 (BRIEF PAUSE)

20

21 MR. STEVE SCARFONE: Thank you. Just
22 one (1) second.

23

24 (BRIEF PAUSE)

25

1 MR. STEVE SCARFONE: You will recall
2 last -- or, yesterday, Mr. Watchman bringing your
3 attention to paragraph 42, where the Corporation
4 indicated to this Board that:

5 "If experience-based rates are
6 observed to be significantly
7 different from the initial rates,
8 MPIC may come forward with a special
9 rating adjustment that falls outside
10 the approved rate-making
11 methodology."

12 You see that?

13 MR. LUKE JOHNSTON: I do.

14 MR. STEVE SCARFONE: And, sir, I -- I
15 want to bring your attention, again, back to the loss
16 ratio for the passenger Vehicle for Hire group, in and
17 round 120 percent. Do you remember that?

18 MR. LUKE JOHNSTON: Yes.

19 MR. STEVE SCARFONE: So is that --
20 does that threshold -- I want to understand -- is --
21 does that number cause you enough concern to come back
22 before this Board to adjust the rates?

23 What number or what threshold on the
24 loss-ratio scale would re -- would get your attention
25 for an adjustment that's contemplated here in forty-

1 two (42)?

2 MR. LUKE JOHNSTON: That is a good
3 question. I guess one (1) way to look at it is we
4 talked about the -- the bounds of the possible rate,
5 all-purpose versus going right to the taxi rate.

6 If -- let's just, in a general sense,
7 say that the passenger Vehicle for Hire rate is around
8 two thousand dollars (\$2,000) today, just as an
9 estimate, and the taxis are nine -- nine (9) to ten
10 thousand (10,000).

11 If we got this completely wrong, that
12 we'd be talking about maybe a 4 or 500 percent loss
13 ratio, right, to be -- because since taxi rates are
14 basically four (4) to five (5) times, right now, what
15 passenger Vehicle for Hire is seeing.

16 So, we're not seeing a 500 percent loss
17 ratio or a four hundred per -- we're seeing a loss
18 ratio that's a -- a little bit above a hundred (100)
19 percent. So do we want that? No. Are we actively
20 addressing that through the rate-making methodology?
21 Yes. So I -- I gave the example of the increase in
22 relativity and the effectively 16 percent rate
23 increase, all else equal.

24 Is the Board comfortable with the speed
25 at which we're doing that? I guess that's for you to

1 decide, but we -- for a loss ratio a little over a
2 hundred (100) percent, our approach and recommendation
3 is to continue to follow the rate ma -- well-
4 established rate-making methodology that we have.

5 MR. STEVE SCARFONE: So -- and one (1)
6 last question. Yesterday, you spoke about the
7 Corporation's amenable to making amendments to the
8 Vehicle for Hire framework. You recall that?

9 MR. LUKE JOHNSTON: I -- I do recall
10 that, yes.

11 MR. STEVE SCARFONE: So I'm wondering,
12 Mr. Johnston, because we know that Mr. Hacault -- we
13 know the concerns of Mr. Hacault's clients, how will
14 you overcome the limitations we spoke of earlier,
15 namely, the number of units and the absence of years
16 to accommodate the -- the request of the taxi
17 companies to level the playing field with the ride-
18 sharing companies?

19 MR. LUKE JOHNSTON: I -- I don't -- I
20 don't have all the answers to -- to that, but one (1)
21 of the biggest issues, I think, is the -- the
22 exposure.

23 So we talked about per kilometre, and
24 one (1) of my points was that we -- if we look to SGI,
25 and you see rating models where we're talking 10, 11

1 cents a kilometre for the risk, it is possible that we
2 find out that taxis just drive a lot more than the
3 average passenger Vehicle for Hire. Maybe 10 cents a
4 kilometre is -- is accurate, and this is purely a
5 reflection of exposure.

6 That said, while taxis, I would
7 suspect, have a more consistent exposure in terms of
8 their use, passenger Vehicle for Hire is likely all
9 over the place in the sense it could be very casual
10 use on -- kind of on the weekend versus someone
11 twenty-four (24) hours a day. So that needs to be
12 addressed.

13 In -- in a more general sense, our work
14 with the stakeholders is -- basically, to answer your
15 question, how can we modify our products to improve
16 the pricing and create the incentives and -- and
17 create as level of a playing field as possible, all
18 with the objective of charging fair, actuarially sound
19 rates that -- that can be approved in -- in this
20 forum.

21 MR. STEVE SCARFONE: And just a
22 follow-up question on that. If the Corporation was to
23 do as -- perhaps as has been suggested here, to track
24 the kilometres that are being driven, that would,
25 obviously, be a self-reporting component by odometer

1 readings?

2 MR. LUKE JOHNSTON: That -- it could -
3 - it could vary with the -- I guess the technological
4 capabilities of -- of the different customers that we
5 have, which is why we talked about one size may not --
6 or one product may not fit all for everyone.

7 But if, for example, we did this within
8 a customer group, like, Vehicle for Hire company 'X',
9 they, for example, could be started at a particular
10 per kilometre rate, let's just say ten (10) cents.

11 And similar to the way a fleet program
12 is operated, you could collect experience and say,
13 okay, well, you know, well, it looked more like 12
14 cents a kilometre, we're going to move you up to that
15 amount and -- and just kind of modify that over time.

16 If different companies can show that
17 they hire better drivers and have better loss
18 prevention programs and such and -- and their
19 experience looks more like 8 cents a kilometre, well,
20 good for them. That would, I think, create right
21 incentives.

22 For taxi -- for the taxi group or for
23 any taxi company, if that kilometre data's not
24 available or if it's not willing to be shared, we are
25 pretty limited in what we could do other than to just

1 rate based on, you know, overall cost divided by the
2 number of vehicles.

3 So, we will obviously work with that
4 group and see what we can do in terms of -- of data.
5 All that, recognizing that their -- MPI has some of
6 its own limitations and product offerings and -- and
7 Nova and -- and such, but we will have the
8 discussions.

9 MR. STEVE SCARFONE: Thank you. And
10 the last question for you on that incentive piece. We
11 heard yesterday that corporation customers don't get
12 the discounts under the Driver Safety Rating Program?

13 MR. LUKE JOHNSTON: That's right.

14 MR. STEVE SCARFONE: And, of course,
15 that would include any taxis that are registered to a
16 corporation?

17 MR. LUKE JOHNSTON: Correct.

18 MR. STEVE SCARFONE: Do we know
19 roughly what percentage of taxis are registered to a
20 corporation?

21 MR. LUKE JOHNSTON: We had the numbers
22 there. I -- I don't recall. But I understand it was
23 a relatively small number and -- and declining year
24 over year.

25 But I can't remember the reference, but

1 my -- my mind is telling me around thirty (30) out of
2 the -- out of the total --

3 MR. STEVE SCARFONE: I'm not going to
4 ask you for an undertaking on that.

5 MR. LUKE JOHNSTON: Anyways, if you'll
6 accept a small percentage -- and I -- my understanding
7 also was that it had declined from the previous year,
8 but I -- I can't remember the reference, yeah.

9 MR. STEVE SCARFONE: Okay. Thank you.
10 Those are all my questions, Madam Chair, on redirect
11 for Mr. Johnston.

12 THE PANEL CHAIRPERSON: Thank you, Mr.
13 Scarfone. Mr. Gabor, you have another question?

14 THE CHAIRPERSON: I'm -- I'm sorry, I
15 had one (1) more question unrelated to what Mr.
16 Scarfone -- which I was going to ask you beforehand,
17 which is you mentioned that you're undertaking a full
18 review of sort of the rating system.

19 Do you know what the timing is for the
20 review to be completed?

21 MR. LUKE JOHNSTON: So, we have the --
22 we're doing a full product suite review.

23 THE CHAIRPERSON: Right.

24 MR. LUKE JOHNSTON: And so, my
25 comments to Mr. Williams were that there's some really

1 high priority critical items that have to be addressed
2 for Nova, like -- like, DSR and such.

3 THE CHAIRPERSON: Yeah.

4 MR. LUKE JOHNSTON: The rate-making
5 review of other factors, like, use and territory and
6 such would fall after that, so I would expect that to
7 be Q2, Q3 of -- of next year where at least we've made
8 the assessment.

9 THE CHAIRPERSON: Of -- of -- sorry,
10 of '21?

11 MR. LUKE JOHNSTON: Of 2021, yeah.
12 Yeah, where we could have at least a high level review
13 of what we believe needs to be done in that regard.

14 THE CHAIRPERSON: Mr. Johnston, do you
15 see that there would be items in that review that
16 would not need to be incorporated in Nova?

17 Because I'm sort of looking at it
18 thinking Nova's going to reflect the entire system,
19 whatever you're looking at in terms of rating, one way
20 or another, is going to end up in Nova?

21 MR. LUKE JOHNSTON: Yeah, I think
22 you've -- you've addressed an important issue. We --
23 Mr. Williams and I talked about it on territory.

24 I have no doubt that modifying
25 territories under the new system will be relatively

1 simple because it's such a common thing that --

2 THE CHAIRPERSON: Yeah.

3 MR. LUKE JOHNSTON: -- that everyone
4 does. DSR, right, like, what -- what's going to come
5 out of the box that looks like MPI? We may have to
6 custom build that, you know, into a new system.

7 So, DSR would be kind of mission
8 critical to get that figured out now. Other things
9 where, you know -- under Nova, it better be easy to
10 add insurance use or -- or modify territories.

11 So, whether that's done, like,
12 immediately or after, it -- I wouldn't think that Nova
13 alone drives that. It would be -- or when -- when we
14 are able to do that.

15 But I don't think we have to know that
16 necessarily in the first quarter of next year to
17 driver the Nova decision, if that helps, yeah.

18 THE CHAIRPERSON: Thank you.

19 THE PANEL CHAIRPERSON: Thank you very
20 much. I believe that concludes this panel.

21

22 (PANEL STANDS DOWN)

23

24 THE PANEL CHAIRPERSON: And we will be
25 back then at one o'clock with the witnesses for the

1 Taxi Coalition. Thank you.

2

3 --- Upon recessing at 10:45 a.m.

4 --- Upon resuming at 1:00 p.m.

5

6 THE PANEL CHAIRPERSON: Good

7 afternoon, everyone.

8 Mr. Hacault, would you please introduce
9 your panel and we'll have them sworn and then proceed.

10 MR. ANTOINE HACAULT: Yes. As an
11 introductory comment on behalf of the Taxi Coalition,
12 I wish to express gratitude to the PUB and all those
13 in this hearing for the opportunity to participate in
14 this hearing.

15 And they have sought the assistance of
16 two (2) consultants from InterGroup: to my left, Mr.
17 Jeff Crozier who, after being sworn in, I'll ask him
18 to provide a very short summary of his background.

19 And directly in front of me is Mr.
20 Patrick Bowman who I think is familiar to some members
21 of this Board, also of InterGroup Consultants. And he
22 will also, after being sworn in, be asked to provide a
23 -- a very, very short introduction of his role in this
24 proceeding. Thank you.

25 THE PANEL CHAIRPERSON: Thank you.

1 TAXI COALITION PANEL:

2 JEFF CROZIER, Affirmed

3 PATRICK BOWMAN, Affirmed

4

5 EXAMINATION-IN-CHIEF BY MR. ANTOINE HACAULT:

6 MR. ANTOINE HACAULT: Before I get
7 into the introductions, there's some housekeeping
8 matters that I'd like to deal with.

9 There had been circulated the evidence
10 with some very minor revisions which I believe is
11 marked as Exhibit 4.1. So the main evidence before
12 the small revisions or corrections was 4.

13

14 --- EXHIBIT NO. TC-4.1: TC's main evidence to
15 include minor revisions or
16 corrections

17

18 MR. ANTOINE HACAULT: Next I have as
19 Exhibit 5 some small revisions to MPI Interrogatory 1-
20 2.

21

22 --- EXHIBIT NO. TC-5: Revisions to MPI
23 Interrogatory 1-2

24

25 MR. ANTOINE HACAULT: Next I have as

1 Exhibit 6 the Interrogatory Response to PUB-4, with a
2 minor revision.

3

4 --- EXHIBIT NO. TC-6: Interrogatory response to
5 PUB-4 with a minor revision

6

7 MR. ANTOINE HACAULT: Next I have as
8 Exhibit 7 revised Response to PUB IR-7.

9

10 --- EXHIBIT NO. TC-7: Revised Response to PUB IR-
11 7

12

13 MR. ANTOINE HACAULT: And lastly, a
14 presentation which is on the screen which was
15 circulated I believe is marked as Exhibit 8.

16

17 --- EXHIBIT NO. TC-8: TC Presentation

18

19 MR. ANTOINE HACAULT: And with that, I
20 would ask Mr. Crozier to please introduce himself, and
21 then, following that, Mr. Bowman to do so.

22

23 MR. JEFF CROZIER: Good afternoon,
24 Madam Chairperson, Panel members. My name is Jeff
25 Crozier, and I'm a consultant with InterGroup
Consultants, and I've been asked to present evidence

1 on behalf of the Taxi Coalition in this proceeding.

2 I've been with InterGroup since about
3 March of this year, and prior to that, from March of
4 2016 to March of 2020, I was the Director of
5 Regulatory Affairs with Manitoba Public Insurance.

6 Prior to that time, I was the
7 Regulatory Manager at the Utilities Consumer Advocate
8 in Calgary, Alberta, and my professional experience
9 has otherwise been concentrated in the electricity
10 sector as an analyst for various regulators in
11 Alberta.

12 I have a Master's degree in Economics
13 and a Bachelor of Commerce, and my testimony today is
14 based on materials found on this and prior records of
15 MPI GRAs.

16 MR. PATRICK BOWMAN: Good afternoon,
17 Madam Chair, members of the Board. My name is Patrick
18 Bowman. I'm the principal consultant of Bowman
19 Economic Consulting, and for the twenty-two (22) years
20 before that I was with InterGroup Consultants, ending
21 my role there as -- as principal this spring when I
22 stepped back.

23 For the last twenty-two (22) years,
24 I've been involved in topics related to regulatory
25 economics and ratemaking for regulated companies.

1 I've worked and/or testified in most provinces and
2 territories in Canada, as well as some in the United
3 States and internationally.

4 This is my first case dealing with an
5 insurer proper, although risk sharing and insurance-
6 related topics are an aspect of -- of part of the work
7 that I do primarily in energy matters where you deal
8 with things such as hydraulic variability.

9 In this evidence, my focus is on
10 regulated rate principles. Those principles developed
11 over many decades, even centuries, from many types of
12 industries: energy, common carriers, you know, trains,
13 hotels, that sort of thing, public callings in
14 general. Those are the types of principles that --
15 that I'm relying on in preparing the evidence in this
16 proceeding.

17 The scope of the work was not to
18 address the actuarial calculations and the analysis
19 such as the Minimum Bias Test. All of the work that
20 we'll be dealing with -- or that I'll be dealing with
21 is effectively the use of the raw relativities, not
22 the determination thereof.

23 MR. ANTOINE HACAULT: Thank you, Mr.
24 Bowman and Mr. Crozier. As I understand it, the
25 presentation of the slides, thirty (30) in number, are

1 first going to be addressed by Mr. Crozier, and then
2 followed by Mr. Bowman.

3 So I would ask, Mr. Crozier, if you
4 could start with your presentation.

5 MR. JEFF CROZIER: Thank you. If we
6 could advance. Thank you.

7 So I'll -- sure. We've organized this
8 presentation roughly along the lines of the evidence
9 filed. I'll be dealing first with topics related to
10 Taxi VFH -- or, sorry, Vehicle for Hire, and in
11 general, the riskiness and the incentives facing taxi
12 Vehicle for Hire.

13 I'll have a short comment on the
14 Vehicle for Hire framework review and some
15 recommendations for this panel to consider.

16 Then I'll move to passenger Vehicle for
17 Hire topics discussing operations, rates, and
18 credibility matters before I turn the presentation
19 over to Mr. Bowman who will speak to principles and
20 recommendations.

21 So to set some context I suppose for
22 the comments that I'll be making in this presentation,
23 I would note first that territory 1 taxi Vehicle for
24 Hire represent about 76 percent of the taxis operating
25 in Manitoba. And that was sourced out of Ratemaking

1 Appendix 9, Table 16.

2 So when we talk about some of the
3 features and observations of taxi VFH, I'll be
4 concentrating on territory 1, but the -- the general
5 observations would extend to all of the taxi
6 territories, taxi VFH territories. It's just that the
7 territory 1 tend to be more acute, and so there's --
8 the focus of my discussion will be on -- on what's
9 happening in -- in territory 1.

10 As well, the -- the analysis and
11 observations that we've presented rely on an
12 assessment of relativities, and these were chosen --
13 relativities were chosen as a convenient means of
14 comparing risk amongst insurance uses, and they're
15 also what MPI uses to set indicated rates. And so
16 it's the -- in my view, the relevant level of analysis
17 for -- for this particular purpose.

18 Next slide, please. So the first
19 observation about taxi Vehicle for Hire is that they
20 are -- appear to be unusually risky relative to all
21 other insurance uses in the public major class.

22 The chart before you has the combined
23 relativities of all insurance uses in the public major
24 class, again sourced from RM Appendix 9, Table 16.
25 I've plotted these relativities in descending order,

1 and you'll notice from the data labels that the four
2 (4) highest relativities or four (4) highest risk
3 insurance uses in the public major class all belong to
4 taxi Vehicle for Hire.

5 And of course, it's notable that
6 territory 1 is substantially more risky than the other
7 territories of taxi Vehicle For Hire and which are, in
8 turn, substantially more risky than the next insurance
9 use that actually has some units in the rate model.

10 These -- oh, sorry, we should go back.
11 Thank you. These -- these results generalize, roughly
12 speaking, across all major classes. There is another
13 plo -- or another chart in -- in the evidence that
14 plots across all major classes.

15 But in terms of, you know, direct --
16 directly comparing the -- the numerical values of the
17 combined relativities, that numerical comparison needs
18 to be done within the public major class. And I think
19 that that's consistent with what we've heard earlier
20 in this proceeding. Next slide, please.

21 So, what might we make of the result
22 that taxi VFH are significantly risky? Well, the
23 first observation is that -- that -- sorry, it's
24 generally understood that taxis operate twenty-four
25 (24) hours a day seven (7) days a week providing a

1 needed service.

2 And this is a level of service -- or
3 level of operation that may well be significantly
4 higher than most or all other insurance uses, whether
5 it's, obviously, you know, general all-purpose private
6 passenger or -- or even, you know -- you know, courier
7 services that might operate, you know, just within
8 business -- regular business hours Monday to Friday.

9 And so, the -- the question is: Does
10 this around-the-clock operation of taxicabs explain
11 the riskiness of the insurance use, or put another
12 way, how does taxi loss experience compare on a per
13 kilometre basis or perhaps time-on-road basis compared
14 to other insurance uses insured by Manitoba Hydro --
15 or sorry, Manitoba Public Insurance.

16 And the problem we run into is, at this
17 point in time, we cannot say because MPI does not have
18 this data in its position.

19 Similarly, what -- what do we know
20 about taxidrivers as a group? So, we -- we know that
21 MPI has information on who's the registered owner of a
22 taxicab and they know who -- if -- if a taxi gets into
23 an accident, they know who was driving the cab at the
24 time of the accident, but they don't necessarily know
25 anything about the -- the broader, say, population of

1 taxicab drivers and is there distinct or interesting
2 about, say, the group of taxidriviers who may be
3 getting into accidents versus the ones who -- who
4 aren't.

5 And so, it would seem prudent to gain
6 deeper insight into the causes of such an extreme case
7 of risk in order to be satisfied that whatever
8 response or treatment MPI may develop, that it's
9 addressing the core reasons of the riskiness. Next
10 slide, please.

11

12 (BRIEF PAUSE)

13

14 MR. JEFF CROZIER: Another observation
15 around taxi Vehicle for Hire is that they're subject
16 to the same say limitations or -- or problem that
17 households face with respect to principle driver risk
18 being reflected in DSR vehicle premium discounts.

19 We know that taxi owners may employ
20 several drivers to operate their vehicles on a shift-
21 work basis. And, in many cases, the registered owner
22 of the taxi may never driver a particular taxi. There
23 are certainly cases where there are multiple taxis
24 that are -- have a single owner.

25 Of course, one (1) owner can only drive

1 one (1) vehicle at a time, so it's entirely possible
2 that a material portion of the experience is being
3 incurred by individuals who are not the registered
4 owner of the taxicab.

5 Another -- so, the implication of the -
6 - I'll call it the -- the principle -- principle
7 driver risk problem is that -- or another -- perhaps
8 another way of thinking about the principle driver
9 risk problem is that the incentive structure does not
10 reach those who are driving because some subset of the
11 drivers of taxi Vehicle for Hire, their experience
12 will not impact the vehicle premium discount.

13 And this is the same problem that we
14 observe with households, where a parent with a good
15 driving record is insuring all of the vehicles in the
16 household even though they may have one (1) or more --
17 I use the generalization, you know, teenage drivers or
18 something who -- who may be more risky or have a poor
19 driving record.

20 Now, the taxi Vehicle for Hire do have
21 vehicle premium discounts available to them as a
22 result of the Vehicle for Hire framework that was
23 adopted in 2018. And they have certainly benefited
24 from these vehicle premium discounts.

25 But the -- the question is: Is the

1 availability of DSR vehicle premium discounts as an
2 incentive translating into better experience for taxis
3 as a whole. Next slide, please.

4 And the -- excuse me. The -- the
5 conclusion that I'm able to draw is unsatisfying, but
6 it's that the impact of the DSR incentive is unclear.
7 So, the -- on the slide before you there's a chart
8 that has a plot of taxi Vehicle for Hire balance raw
9 relativities from 2016 to 2021 pulled from those GRAs.

10 You'll note that the horizontal axis is
11 sort of going opposite in the conventional direction.
12 My apologies for that. But time is read from right to
13 left in this particular case.

14 The shaded area represent the GRAs
15 wherein the vehicle premium discount was available to
16 -- to the -- to taxi VFH. And -- and so, really what
17 I was looking for in this -- in this line was any
18 indication that the relativities are -- are changing
19 or behaving differently after the introduction of the
20 DSR vehicle premium discounts.

21 And my observation is, is that they
22 continue to have a, you know, stepwise downward
23 movement that's not obviously distinct from any -- or
24 from some prior years, taking, for instance, '16 to
25 '17 or '18 to '19.

1 MPI's fleet program as the only insurance pricing
2 incentive program -- the only alternative insurance
3 pricing incentive program to the DSR program.

4 And a couple of key observations about
5 the fleet program is that it provides immediate
6 incentives based on a year's actual loss experience.

7 And so, what I mean by that is,
8 regardless of what your fleet's experience was two
9 (2), three (3) years ago, you always have the full
10 upside of the fleet program available to you if your
11 loss experience is sufficiently good in the given year
12 to -- you know, to earn the full 33 percent discount.

13 It also happens the other way, that,
14 you know, you can very quickly move to the bottom of
15 the -- of the Fleet Program scale with -- with bad
16 experience. And that holds true with the DSR program,
17 as well. A few accidents, you'll quickly find
18 yourself down at the bottom of the DSR scale.

19 The other important feature of the
20 fleet program is that the experience of fleet drivers
21 directly impacts the -- the rebate or the surcharge
22 that the fleet -- that the fleet will experience.

23 And so in the -- in this instance, just
24 sort of carry on the characterization that I used
25 earlier, the incentive reaches those who are operating

1 the -- the actual fleet vehicles.

2 And then finally the -- the program
3 rebates that exceed surcharges are, sort of in the
4 general sense, evidence of effectiveness, noting of
5 course that the magnitude -- I think it was MPI's
6 chief actuary mentioned that the magnitude was
7 consistent with what you would see on the DSR side as
8 well.

9 So, not to say that the DSR program
10 isn't effective, but we have an effective fleet
11 program as well.

12 I -- I also note that there does appear
13 to be a gap in programming, and that's in terms of
14 neither the Fleet Program nor the DSR Program are
15 available to small multi-owner corporate customers.

16 I make the multi-owner distinction
17 because MPI does have some administrative approaches
18 that would allow a single owner corporate customer to
19 access the -- the DSR Program.

20 But really the -- the problem that I'm
21 highlighting here is that any small corporate
22 customer, whether it's a taxi customer or even, you
23 know, a small business that has, you know, flower
24 deliveries, plumbing, whatever, they -- they would not
25 have access to either the Fleet Program or the DSR

1 Program incentives on account of their corporate
2 structure, which doesn't appear to me to be a
3 reasonable basis to discriminate against that
4 particular customer versus their competitor who
5 happens to be a sole proprietor or a single owner
6 corporate -- have a single owner corporate structure.

7 Next slide, please.

8 So, to summarize the issues, we've
9 identified with taxi Vehicle for Hire. Taxi Vehicle
10 for Hire are unusually risky. They have relativities
11 that within the public major class far exceed all
12 other -- all other insurance uses, virtually all other
13 insurance uses within the public major class.

14 And indeed, if you look across all
15 major classes, no other major class has a relativity
16 or at least it is extremely uncommon that you would
17 see another major class with a relativity as high as
18 4.6 taxi Vehicle for hire in territory 1, are indeed
19 the riskiest.

20 The exact causes of this heightened
21 risk are not well understood, because we don't have
22 the data.

23 The third point is that taxi Vehicle
24 for Hire face the principal driver incentive problem,
25 which is again that tax driver experience, good or

1 bad, has no impact on the vehicle premium discount,
2 but it does clearly impact the experience of the taxi
3 Vehicle for Hire insurance use overall.

4 And by contrast to this, the Fleet
5 Program provides effective and immediate incentives
6 that reach the fleet drivers. Next slide, please.

7 Just a note on MPI's proposed Vehicle
8 for Hire framework review. Is that the framework
9 review does appear to be poised to address these key
10 concerns.

11 As MPI has identified three -- four (4)
12 issues and -- and three (3) of them have the
13 potential, I think, to address the issues that we've
14 identified in the evidence to date, and that's the --
15 so MPI's issues are itemized there.

16 The significant difference between taxi
17 and passenger Vehicle for Hire rates; significant
18 differences and exposure; and driver risk that aren't
19 properly captured; and a lack of incentives from
20 improving driver behaviour.

21 My sense is that tackling those three
22 (3) issues will -- in an appropriate manner will
23 address the issues that we've identified in this
24 evidence here.

25 And the last point there is that the --

1 that commitment by MPI to engage with taxi Vehicle for
2 Hire and all Vehicle for Hire operators is, in my
3 view, a likely pre-condition for success.

4 And I think we have seen some efforts
5 on the part of MPI and the Taxi Coalition to
6 collaborate on data collection to date, and it is --
7 those efforts are underway. Thank you.

8 There's a summary of recommendations.
9 With respect to taxi Vehicle for Hire, I think they
10 really focuss on the Vehicle for Hire framework, which
11 is obviously forthcoming.

12 But my recommendations would be that
13 the Vehicle for Hire framework redesign should provide
14 effective incentives for controlling risk and -- and
15 also to address the principle driver risk issue.

16 The framework redesign should be based
17 on data gathered from Vehicle for Hire operators in
18 Manitoba in order to understand the operations and the
19 nature of the risk, which seems to be a -- a
20 significant gap in understanding at this time.

21 And finally, that the Vehicle for Hire
22 framework redesigned should attempt to address the
23 incentive programming gap that faces small corporate
24 customers.

25 Turning to passenger Vehicle for Hire.

1 I'll be -- I'll be discussing passenger Vehicle for
2 Hire operations, my observations about the initial
3 starting rates and -- and as well the credibility
4 procedures that are heavily influencing the applied
5 for rates this year.

6 So my key observations with respect to
7 passenger Vehicle for Hire operations are that the
8 operating characteristics of passenger Vehicle for
9 Hire were not well understood initially.

10 Having a couple of years of experience,
11 it would seem that the peer ride share model, which is
12 my language, to characterize, offering rides as part
13 of day-to-day driving doesn't seem to be prevalent.

14 MPI believes that passenger VFH are on
15 the road significantly less than taxi VFH, and so we
16 sort of seem to have some bookends in terms of how
17 passenger VFH operate, but where they lie and sort of
18 what the, let's say, dispersion within those bookends
19 is -- is certainly an open question.

20 And so that's another reason why I
21 believe additional data needs to be gathered to
22 understand the operating characteristics of passenger
23 Vehicle for Hire.

24 And I note that the expected operating
25 characteristics were an important factor in setting

1 the initial rates. Next slide, please.

2 Those -- those initial rates have --
3 appear at this time to be insufficient to cover the
4 loss costs. And so we know that from a couple of
5 different perspectives.

6 We have passenger Vehicle for Hire loss
7 ratios in excess of 120 percent for the last two (2)
8 years.

9 We also know that in order to reflect
10 the actuarial required breakeven rate, after this
11 current applied for rate change, rates would still
12 have to -- passenger Vehicle for Hire rates would
13 still have to increase by 56 percent or something
14 higher than eleven hundred dollars (\$1,100) to achieve
15 that rate.

16 And one (1) of the observations that
17 I'll get to speaking about next is that the applied
18 for rates continue to be heavily influenced by those
19 initial rating assumptions, which were, in turn, based
20 partly on an expectation of how a passenger Vehicle
21 for Hire would be operating in the marketplace.

22 And this is -- the fact that these
23 currently applied for rates are influenced by -- so
24 heavily by those initial rating assumptions is due to
25 the application of standard rate making procedures.

1 And so these standard rate making
2 procedures I'm referring to are the -- the credibility
3 weighting procedures, which are used in MPI's rate-
4 making processes to balance recent versus historical
5 experience.

6 The actual experience captured by the
7 raw relativity is weighted against something that's
8 roughly analogous to the cumulative history of
9 experience, which is the current relativity and which
10 is reflected in the rate currently charged -- or
11 currently captured in -- in the rate model.

12 The notable feature though, with
13 passenger VFH, is that the current relativity today
14 largely reflects those initial assumptions, having
15 only been adjusted by small amounts. I think it was
16 16 percent was the -- the number mentioned on the
17 record earlier.

18 And so this -- this credibility
19 weighting is done on a -- I'm using what I've probably
20 been referring to as a credibility factor -- that
21 relies on five (5) years of earned units as against a
22 judgmentally selected constant of sixty thousand
23 (60,000) and when you have only seven hundred (700) or
24 so units, that particular population is never going to
25 get large enough against the sixty thousand (60,000)

1 constant to ever, you know, sort of peak above 10
2 percent. So we -- we have very small numbers that
3 we're dealing with. And so, MPI's approach is to
4 judgmentally assign a 10 percent weight to that
5 current experience.

6 Sorry, that's an error in my slide.
7 That should say "to the raw experience." The inverse
8 being a 10 percent weight to the current experience.

9 So the initial assumptions about
10 passenger Vehicle for Hire risk -- the conclusion
11 here, I'm sorry, is that the initial assumptions about
12 passenger Vehicle for Hire operations, risks, and
13 rates continue to heavily influence the applied for
14 rates.

15 One (1) of the exercises we presented
16 in the -- in the evidence was a sensitivity test on
17 credibility weightings.

18 So we modified the -- the weighting
19 between point-one (.1) and one-point-o (1.0) at point-
20 one (.1) increments to find out how this might impact
21 the -- the weighted credit -- the ultimate weighted
22 credibilities and to, you know, have -- have a look at
23 what the impact would be on indicated rates. That
24 full sensitivity test is provided in Appendix 2 of the
25 evidence.

1 But the second exercise we did was a
2 goal seek to identify the credibility weighting
3 required to reach the 15 percent experience adjustment
4 limit, consistent with PUB's existing rules.

5 And the results of that goal seek
6 exercise was to determine that a -- a credibility
7 weighting of approximately point-four (.4) yields an
8 experience adjustment of about 15 percent for
9 passenger Vehicle for Hire. And it would result in an
10 increase of approximately three hundred and thirty-
11 five dollars (\$335) for territory 1 passenger Vehicle
12 for Hire with slightly lower increases for the
13 remaining territories.

14 One (1) of the convenient side-effects,
15 I guess you could say, of -- of judgmentally
16 increasing the credibility weighting is that the other
17 insurance users in the private passenger major class
18 are not going to be adversely affected.

19 And that's, as I can tell, a result of
20 the balancing procedure that MPI applies to its
21 weighted relativities.

22 And with that, I'll turn it over to Mr.
23 Bowman. Thank you.

24

25

(BRIEF PAUSE)

1 MR. PATRICK BOWMAN: Good afternoon,
2 Madam Chair and members of the Board. My presentation
3 will cover material that I've prepared and was
4 included in Exhibit 4-1 as revised. It's the portion
5 known as Appendix 1 - Principles for Pricing.

6 This work was prepared to build on the
7 work of Mr. Crozier. It's the reason we attached --
8 included it as an appendix.

9 And there are parts of the slides that
10 you will have in front of you that may be somewhat
11 duplicative. I'll try to keep those to a minimum, but
12 we wanted to set out the inputs and the -- the facts
13 that I was relying upon in preparing the appendix.

14 The slide you have on the screen, which
15 is slide 19, was simply an introduction, to note that
16 the Basic inputs that I was relying -- which is the
17 passenger VFH -- is covering ride sharing services.
18 It's a new insurance use, started in 2018. And, at
19 the time, nothing was known of the risk for this use
20 in Manitoba and there was no experience from Canadian
21 Crown-owned insurers. This is all evidence you will
22 have heard in this hearing.

23 I would also note that passenger VFH
24 rates were not a major topic in the 2019 or 2020 GRAs.
25 So this is really the first review that we're having

1 of the -- of the rates.

2 Also, of note is that what we're
3 working with now is likely the best data we may have
4 for many more years, given the fact that the 2021 and
5 potentially '21/'22 experience will very likely have
6 issues and not be representative for predictive value,
7 given the -- the COVID affects that have been noted.

8 In this presentation, there are places
9 where we've used numbers to show either dollar effects
10 or percentage effects. I just want to note for the
11 record, those are generally approximate numbers. We
12 haven't attempted to do any balancing. The
13 relativities we've used typically are before product
14 change. So when it comes time to do final numbers,
15 MPI would have to address those to come up with the --
16 the precise adjustments.

17 Slide 20. The passenger VFH initial
18 rate setting was done explicitly to set rates that
19 were intended to avoid cross-subsidization between
20 passenger VFH and the rest of the Basic major class.

21 This was explicit in MPI's own
22 application as noted there. It was also explicit in
23 the Board's Order 11-18 at page 19.

24 I note this because, of course, this
25 Board has other factors it can take into account, such

1 as compelling policy considerations. Those were not
2 explicitly addressed in the Order. So the intent of
3 the initial rate setting was always to try to address
4 the cost. It wasn't as a loss leader, for example, or
5 something that was trying to establish a new industry
6 with rates below cost.

7 The rates that were initially
8 established were based on an inference of the risk
9 from pricing that was being applied by private
10 insurers in other jurisdictions that -- such as
11 Ontario. Jurisdictions that MPI typically, to my
12 understanding, does not use as comparables, but it was
13 all that people had to work with.

14 The rates at that time were noted to be
15 up to a 25 percent premium over the equivalent all-
16 purpose rates in that jurisdiction. MPI selected 5
17 to 20 percent as the TNC premium for Manitoba over the
18 all-purpose rates, as a judgmental decision. And that
19 was approved by the Board, of course.

20 To slide 21. At the time -- and this
21 was addressed earlier this morning -- MPI was explicit
22 that there was potential issues that could arise from
23 the fact that they had no underlying data and there's
24 a quote that I included from one (1) of the
25 interrogatories in the VFH proceeding which noted

1 that:

2 "If experienced based rates are
3 observed to be significantly
4 different from the initial rates,
5 MPI may come forward with a special
6 rating adjustment that falls outside
7 the approved rate making
8 methodology."

9 I note that in the record of that
10 proceeding, significantly different from the initial
11 rates as a concept was not defined. There was no
12 threshold put on that.

13 And up to the time of preparing this
14 presentation, we had not seen any definition be put on
15 that -- what would -- threshold of significantly
16 different.

17 This morning there was a comment that
18 'significantly different' may be interpreted to mean
19 if they looked a lot more like taxis than like all-
20 purpose vehicles is my understanding, 4 to 500 percent
21 relativities.

22 But at this time, no such special
23 rating adjustment has been pursued.

24 To slide 22. Starting from the first
25 principles of regulated rate setting, in general, the

1 setting of rates for regulated companies would be
2 understood to be intended to reflect cost and avoid
3 cross-subsidization. In that way, the regulated rate
4 principles appear to have been incorporated
5 appropriately into the Board's first decision on
6 passenger VFH rates by trying to set rates that avoid
7 a cross-subsidization.

8 In page 1 of my appendix, I set out how
9 there are a number of other rate objectives that are
10 cited in some longstanding literature. A few of
11 those I have summarized on this slide that are
12 relevant, such as a rate design should have
13 simplicity; understandably; freedom from controversies
14 as to proper interpretation; should generate revenue
15 stability to the regulated company; and it should
16 encourage economic uses of the product and discourage
17 wasteful use, in this case, the product being the
18 service of being insured.

19 And it should, in general, yield rate
20 stability to customers. One that Bonbright cites as
21 the best tax is an old tax.

22 In this case, however, proper weighting
23 may look different than in other situations where
24 these same criteria have been applied. One (1) is
25 there is effectively no old tax, to use Bonbright's

1 language. The rate is very new.

2 There is a significant potential for
3 cross-subsidization because of the uncertainty of the
4 going-in rates. And there are issues of wasteful use,
5 as the term is used, but effectively, excess use of
6 this category from underpricing.

7

8 (BRIEF PAUSE)

9

10 MR. PATRICK BOWMAN: Now, the
11 mathematics that are important to understand are
12 summarized in the equation that is on the screen now,
13 slide 23. These are also provided in Mr. Crozier's
14 evidence at page 17. But, I wanted to get to the --
15 the heart of where this credibility weighting is -- is
16 being calculated and why it is giving rise to some of
17 the issues we have -- see today.

18 The first number that you will see
19 there -- oh, by the way, this is before the product
20 change. Again, I will note that for the record.

21 The first number you will see is the
22 balanced raw relativity. In the language that we use
23 in this room, that is the experience of the -- of the
24 -- the insurance use. And that number is two point
25 nine nine three (2.993). It's effectively a measure

1 of how risky is this use compared to the rest of the
2 major class that it is in.

3 And I noted there that it says, "over
4 the last two (2) years;" however, to be precise, I
5 should say that the use that we are measuring,
6 passenger VFH, has, in the numerator, the two (2)
7 years of experience of this class. But in the
8 denominator is the -- the major class that it is in,
9 it is addressing five (5) years for most losses and
10 ten (10) years for serious losses.

11 So we actually have a bit of a broader
12 input set for the -- for the major class as a whole.
13 But this balanced raw relativity is telling you that,
14 effectively, this use has proven to be three (3) times
15 as risky as the cla -- the major class that it is in.

16 In order to calculate the rates, we
17 take that input and we multiply it by the -- the
18 credibility factor that is calculated, which is
19 effectively how much weight to put on this actual
20 data.

21 We sum that with the current
22 relativity, which is -- interesting use of the word.
23 It is current only in the sense that it is what the
24 current rates reflect about the risk of this class.
25 It's not an actual measure of losses in any sense. It

1 is the -- what does the current rate imply about how
2 risky this use was calculated to be the last time
3 rates were set.

4 And that is multiplied by the one (1)
5 minus the calculated credibility. So how much to
6 weight the current rates as opposed to the -- the
7 experienced losses in the -- measured in the balanced
8 raw relativity.

9 And I think it's important to -- to
10 note this, because there's been a fair bit of
11 discussion about the credibility factor and the -- the
12 issue of whether the two point nine nine three (2.993)
13 noted there comes from a -- a small sample and
14 whether, as a result, that 10 percent or even
15 something lower might be justified.

16 But we have to keep track of the fact
17 that every time we adjust that 10 percent, we're also
18 adjusting the 90 percent. Credibility is the weight
19 to be given to one (1) set of data relative to the
20 weight to be given to the other set of data.

21 So the more that there's a -- a
22 suggestion that the two point nine nine three (2.993)
23 should not be relied upon, it is -- it has -- it goes
24 hand in hand in -- with that is the one-point-eight-o-
25 eight-three (1.8083) should be relied upon even more.

1 And that is the -- the crux of the -- of the
2 credibility calculation and why one runs into issues
3 here, because the one-point-eight-o-eight-three
4 (1.8083) was built off of the initial going-in rates,
5 which had effectively no data behind them at all.

6 Slide 24 addresses why only 10 percent
7 weighting is given to the actual experience. So as I
8 noted, MPI asserts there are too few units in the
9 historical record, eleven ninety-nine (1,199) earned
10 units. MPI uses sixty thousand (60,000) as a fixed
11 value, so the calculation for the credibility would be
12 the one one nine nine (1,199) divided by the sum of
13 one one nine nine (1,199) and sixty thousand (60,000),
14 which would yield 1.95 percent. However, a minimum
15 value of 10 percent is applied, and that's why ten
16 (10) is -- is shown in the other -- in the other
17 calculation.

18 In order to get any higher than 10
19 percent on the experience data set, you would need six
20 thousand six hundred and sixty-seven (6,667) units,
21 which is almost six (6) times what is currently in
22 that data set. This is unlikely any time soon,
23 particularly, if the next few years of data may not be
24 included in the calculation due to its lack of
25 predictive value. And so 10 percent will, in all

1 likelihood, be the weighting that is applied into the
2 future if MPI's approach is -- is continued as wrote.
3 And I note that both the 10 percent and the sixty
4 thousand (60,000) are judgmentally derived values.
5 Mr. Crozier already addressed this.

6 Now, the credibility weighting has been
7 talked about a number of times in the transcript and
8 in this room, and at times, I would suggest there's
9 maybe a -- a lack of -- of precision in the discussion
10 about the credibility weighting and the purpose that
11 it serves, which mixes two (2) different factors. One
12 (1) is effectively an analytical reason. The
13 credibility weighting's attempting to prevent small
14 amounts of new data from overwhelming -- overwhelming
15 a large amount of -- of old data.

16 It's also a customer-related reason,
17 which is it yields the rate stability, which would
18 normally be a rate design objective.

19 And so as we're thinking about this
20 credibility process, we have to keep in mind that it's
21 -- it's doing these two (2) things, and if there's a -
22 - a criticism or a reason to vary, one would want to
23 pay attention to both of these.

24 Moving to slide 25, the question, then,
25 that was put to us is, Why is the 10 percent weighting

1 a problem? And the -- I've summarized that in six (6)
2 points across the next two (2) slides. First is that,
3 as we discussed, the old data that is being used and
4 given a 90 percent weighting is effectively non-
5 existent. So the new -- although the new data has
6 some credibility, the old data effectively has -- has
7 none in a normal analytical sense.

8 We have no details on the inputs that
9 were used for coming up with the pricing that was --
10 where the risk was inferred, we don't know the number
11 of policies that were derived, and it was prepared by
12 private insurers, where we're not aware of other
13 objectives they may have had about avoiding cross-
14 subsidization.

15 As a matter of fact, there's an -- it's
16 entirely possible that there was intentional cross-
17 subsidization built into those rates if it was a rate
18 designed for a -- a new type of use and private
19 insurers may have been competing to lock down those --
20 those customers.

21 So despite the fact that there's
22 effectively no credibility in a traditional sense on
23 the old data, it is being given 90 percent weight.

24 The second is that the actual data has
25 been quite stable. It was three-point-one-one-six-o

1 (3.1160) in 2020 and two-point-nine-nine-three-o
2 (2.9930) in -- in 2021. This suggests a better
3 ability to rely on this data than if it was not as
4 constant. It's still only two (2) values, but it is -
5 - it gives some comfort that might not have existed if
6 those were significantly different numbers.

7 At a 10 percent weighting every year --
8 this is the third issue -- if the actual data remains
9 at a raw relativity of about three (3), the rates will
10 never reach the full measured relativity, and it's due
11 to the diminishing impact of applying that credibility
12 weighting scheme. It's not that it'll take ten (10)
13 years to get there, it'll effectively take -- take
14 literally forever to get there because of the way that
15 the calculation works. It takes a -- a smaller and
16 smaller move each year due to that effect.

17 The fourth point, which is -- is
18 understood from anecdotes and from some of the
19 presentations that were done by the -- the taxi
20 operators and from discussions that have occurred with
21 them, is that the passenger VFH use vay mer -- may
22 very well be maturing or evolving and changing, and it
23 may very well be leading to more professional, I will
24 say, drivers who are on the road more hours, which
25 would hav -- have a tendency to increase the raw

1 relativities.

2 Now, we don't have the data to support
3 that. MPI's not collecting the data to -- to assess
4 that. This is coming out of -- out of sort of
5 notional discussions and evolutionary. But I'll --
6 I'll address in a minute why -- why this may be a -- a
7 compounding problem.

8 The fifth reason is that the passenger
9 VFH raw real -- raw relativities do not yet include
10 any serious losses. In the two (2) years of
11 experience, there has not been a serious loss. So
12 when you see three-point-o (3.0) as the raw relativity
13 compared to the -- compared to the major class, we
14 have to understand that three-point-o (3.0) is on --
15 doesn't have any serious losses in it. It only has
16 the more minor losses.

17 And the sixth reason why putting a 10
18 percent weighting is a problem is that rate stability
19 in this case should not be considered to be a high-
20 priority rate-design objective, which I will address
21 in a moment.

22 I suggest, at the middle of the page --
23 I'm on slide 26 now -- that:

24 "It's a reasonable expectation that
25 if the data from today were

1 available in 2018 to set the initial
2 going-in passenger VFH -- VFH rates,
3 it would have been incorporated as
4 the starting baseline."

5 So rate -- the rates would be higher
6 than now proposed by another eleven hundred dollars
7 (\$1,100), in that example.

8 In addition, if this data had been
9 known in 2018, an amount would likely have been added
10 for an estimate of serious losses. And this is not
11 insignificant.

12 To give you an example, for the taxi
13 class serious losses is about a 10 percent add or onto
14 the other losses.

15 So it -- while in -- in rough numbers
16 we talk about passenger VFH being around two thousand
17 dollars (\$2,000), the -- the cost for full cost
18 recovery being closer to three thousand dollars
19 (\$3,000), that would bring you up to more like thirty-
20 three (33), thirty-four hundred dollars (\$3,400), in
21 that type of range.

22

23 (BRIEF PAUSE)

24

25 MR. PATRICK BOWMAN: Moving to slide

1 27. I note that, in terms of the balancing of rate
2 design priorities, as one would see in a -- in a
3 Bonbright text, for example, as I summarized at page 1
4 of my -- of my appendix, the rate stability in this
5 case should not be viewed as a high priority.

6 The first reason for that is the users
7 are very new. They have not had significant time to
8 base their business model on the current rates. This
9 is different, for example, than if you had -- if you
10 had an established industry or, you know, for example,
11 companies who have done their pricing and established
12 their -- their supply streams under a certain pricing
13 model, and then you -- you would want to think very
14 hard about whether you need to -- need to make
15 significant adjustments to their rates, a type of rate
16 shock effect. In this case, we don't have in that
17 Bonbright words an old text.

18 The second reason is that the TNC com -
19 - the TNCs -- I don't -- transport companies in
20 Manitoba remain quite new. Some drivers would only
21 now be making the decision about whether to
22 participate, and it'd be important to send these
23 drivers an accurate price signal.

24 And the third is that taking more than
25 ten (10) years to transition is not a reasonable time

1 frame, which is what would occur if we just applied
2 MPI's pricing model as wrote if the 3.0 balanced
3 relativity holds -- raw relativity.

4 In the meantime, MPI would -- is -- is
5 effectively skewing the marketplace for transportation
6 services. The taxis are an 86 percent loss ratio;
7 passenger VFH is in the 120 to 130 percent range. And
8 that will get worse once serious losses begin to show
9 up in the passenger VFH record.

10

11 (BRIEF PAUSE)

12

13 MR. PATRICK BOWMAN: And I just wanted
14 to address for a moment this issue of -- of the -- the
15 per -- the part-time driver, if you like.

16 The issue that we're talking about is a
17 different in pricing between, in rough numbers, two
18 thousand dollars (\$2,000) a year for the -- the TNC
19 driver versus a full cost that's close to around three
20 thousand dollars (\$3,000) a year and probably higher
21 with serious losses if one was to put in an estimate
22 for that component, so, you know, over -- over a
23 thousand dollars.

24 If this market is evolving to have more
25 professional drivers on the road in many hours, that

1 may increase compared to the two (2) years that you've
2 experienced.

3 If, instead, it's a market with a lot
4 of weekenders who are not doing a lot of driving, and
5 extra, rough numbers, a thousand to fourteen hundred
6 dollars (\$1,400) could easily be the difference about
7 whether they participate in the market versus choose
8 not to.

9 That could change whether they make
10 certain investments in a new vehicle or in the -- the
11 -- what other -- ever other infrastructure they need
12 to -- to deal with this or changes in their life --
13 livelihood versus to stay out of the market.

14 Not charging this cost has the
15 potential to skew that market. And to give you an
16 idea about the scale, in terms of if this is a market
17 of weekenders, an extra thousand to fourteen hundred
18 dollars (\$1,400), in one (1) of the interrogatories
19 MPI does an estimate of -- they -- they provide a
20 summary of Saskatchewan's pricing for this service
21 now. And they do an estimate of that based on the
22 assumption that a driver drives 3,500 kilometres per
23 year in this -- offering this service. It struck me
24 as low, but it's the number that MPI chose.

25 If that driver as a weekender had the

1 price -- the -- the full price flowed through to them,
2 an extra thousand to fourteen hundred dollars
3 (\$1,400), you're talking about an additional thirty
4 (30) to forty (40) cents per kilometre cost to operate
5 their service that they're not currently paying for,
6 for the insurance cost they -- they consume.

7 That is a significant value. To give
8 you an example, the -- the full vehicle compensation
9 rates that the -- that the province offers is -- is a
10 little under fifty (50) cents, in -- in my
11 understanding.

12 So an additional thirty (30) to forty
13 (40) cents of cost that is not yet being reflected in
14 the rates to weekenders could easily be enough to
15 change the decision that people are making about
16 whether to participate.

17 So if we are going to get on and deal
18 with pricing, it -- it could very easily be part of
19 the component that ensures that once this group pays
20 their full costs it will have a tendency to have
21 drivers who drive more hours, more kilometres and less
22 of the -- of the weekenders, if I can use that term,
23 who are -- who are, you know, opting in because it's a
24 low cost and they might be able to pick up a fare once
25 in a while.

1 Based on the above considerations, I'm
2 on slide 28 now, my submission is that PUB should make
3 it a priority to address the material cross-
4 subsidization that is occurring now before entrenching
5 more unfairness in the market, that failure to address
6 the issue now may lead drivers to opt into the TNC
7 service when their actions are not economically
8 efficient to be in that service and consuming
9 insurance services, and it would not have made that
10 decision absent cross-subsidization.

11 And further, I'm not sure we're doing
12 these drivers a favour if we're putting them into a
13 situation where they do not see the full cost of the
14 insurance services they consume at the outset, and
15 then see material increases year over year for many
16 years into the future.

17 Now for these reasons I would suggest
18 that the normal MPI rate design principles regarding
19 rate stability and the credibility calculation should
20 be suspended.

21 It's not just a matter of saying there
22 should be more credibility put on the experienced
23 numbers; it's suggesting that a -- that a special
24 rating adjustment is required.

25

1 (BRIEF PAUSE)

2

3 MR. PATRICK BOWMAN: In short, it's
4 not that the market needs a faster evolution; it
5 effectively needs a fix. I put the words there:

6 "It would not -- it -- it would not
7 be appropriate to impose the full 56
8 percent further increase on
9 passenger VFH at this time if -- and
10 I put -- serious losses could
11 suggest it's even higher."

12 But I'm suggesting that that's the case
13 -- if that's the case, the word "if" should be in
14 there, then a mitigation-based approach could allow
15 one to reduce this level such that, for example, in
16 one (1) more year you might get there.

17 So rather than going to the full cost
18 level, you might go to a level that -- that is 15
19 percent short of that. And then next year you could
20 impose one that was still within the rate design
21 balance for the rate setting criteria that MPI
22 normally applies.

23 THE CHAIRPERSON: Mr. Bowman...?

24 MR. PATRICK BOWMAN: Yes.

25 THE CHAIRPERSON: You've written, "It

1 would be appropriate to impose," and I believe you
2 said, "It would not be appropriate to impose." Which
3 -- which one is it?

4 MR. PATRICK BOWMAN: I'm sorry, I'm
5 suggesting it -- it would -- I don't -- in -- in my
6 opinion, it would be appropriate to impose a 56
7 percent further increase.

8 I was -- the second bullet was meant to
9 say, in the event that that was not selected, a second
10 alternative would be to do something that mitigates
11 that by taking one (1) step back --

12 THE CHAIRPERSON: Okay. Thank you.

13 MR. PATRICK BOWMAN: -- one (1) 15
14 percent step back.

15

16 (BRIEF PAUSE)

17

18 MR. PATRICK BOWMAN: And the last
19 point I -- I will address, although it was -- it was
20 in Mr. Crozier's submission, Mr. Crozier went through
21 a summary of the credibilities and a calculation that
22 showed what would happen if you used different levels
23 of credibility assigned to the balanced raw relativity
24 and he came up with a number of 40 percent that people
25 in the room will -- will understand. And there was an

1 IR given to us on that.

2 In calculating that number, which is
3 something I asked him to do, it was effectively a test
4 as to how MPI's credibility system was matching with
5 MPI's rate design criteria. And their rate design
6 criteria, you'll recall, says that you shouldn't have
7 more than a 15 percent adjustment in a year.

8 And the reason he did the calculation
9 was to say that their credibility assessment at 10
10 percent was not yielding anywhere near the 15 percent
11 that the rate setting criteria would allow. They
12 could have had a credibility as high as 40 percent and
13 still be within the 15 percent end impact on these
14 customers.

15 So to the extent that we're identifying
16 a problem, MPI is not even using the tools that are
17 available to them at this time to solve the problem
18 within their rate design criteria, in other words, the
19 -- the full 15 percent.

20 I'm suggesting you go -- you can and
21 should go much farther than that. But the effect of
22 MPI's proposal is to not even, you know, move this to
23 the limit of -- of what they consider to be an
24 acceptable rate change.

25 And I think that's just another

1 indication that the MPI proposal is -- is problematic.

2 Thank you, that was all. I apologize
3 for the confusion on that final slide.

4

5 CONTINUED BY MR. ANTOINE HACAULT:

6 MR. ANTOINE HACAULT: Mr. Bowman,
7 during this presentation you've used the word
8 "subsidization," it appears in a different way than
9 Mr. Johnston defined it when he was speaking to Mr.
10 Watchman.

11 The gist, I believe, of how Mr.
12 Johnston was using the word "subsidization" is a -- if
13 it was an intentional design seeking subsidization.

14 Do you have any comments on that?

15 MR. PATRICK BOWMAN: Yes. As I would
16 use the term, I would mean subsidization as in one
17 group is -- is paying a price that is below the cost
18 of what they're consuming, and that cost is
19 effectively being picked up by another group, subject
20 to a materiality assessment.

21 It -- I'm not suggesting that there's a
22 needed intent to subsidize in order for something to
23 be -- to be given the term. It -- it can just as
24 easily be a mathematical outcome without intent.

25 MR. ANTOINE HACAULT: Thank you. That

1 finishes the presentation and the witnesses are open
2 for cross-examination and questions.

3 MR. ROBERT WATCHMAN: Madam Chair,
4 before cross-examination begins, I'm -- I'm wondering
5 if we could just pause for five minutes? I'd like to
6 speak to the panel and -- and counsel.

7 THE PANEL CHAIRPERSON: Yes,
8 certainly. Thank you.

9

10 (BRIEF PAUSE)

11

12 THE PANEL CHAIRPERSON: Thank you.
13 Mr. Watchman? Oh, sorry. You're still -- Mr. Guerra,
14 you're up.

15 MR. ANTHONY GUERRA: No. Yeah, no.
16 For Intervener evidence, the procedure is MPI counsel
17 first, Board counsel second, other Intervener counsel
18 thereafter.

19 And no problem, I'm happy to go first,
20 I just understood from the screen that it was us going
21 second.

22

23 CROSS-EXAMINATION BY MR. ANTHONY GUERRA:

24 MR. ANTHONY GUERRA: Good afternoon,
25 Mr. Bowman, Mr. Crozier. Thank you very much for your

1 evidence this afternoon and for your thoughtful report
2 pre-filed testimony filed in advance of the hearing.

3 I do have a few questions, and what I'm
4 going to propose that we do is I will pose the
5 question to the Panel generally and between the two of
6 you, you can decide who is better to respond to that,
7 and maybe both of you. I will -- I will leave it to
8 you.

9 The -- the Taxi Coalition, as far as I
10 understand it, is comprised of the two major dispatch
11 companies in Winnipeg, and that's Duffy's Taxi and
12 Unicity Taxi, correct?

13 MR. JEFF CROZIER: Yes, that's
14 correct.

15 MR. ANTHONY GUERRA: And the purpose
16 of the Taxi Coalition is, in this General Rate
17 Application, is to intervene on -- on behalf of those
18 two companies, correct?

19 MR. JEFF CROZIER: Yes, it is.

20 MR. ANTHONY GUERRA: And we can go
21 there if we need to, I don't know that we do, but in
22 the Taxi Coalition application for intervener status,
23 the application identifies at appendix or attachment
24 A, that the purpose of the application is to test the
25 reasonableness of insurance premiums for the taxi

1 Vehicle For Hire group against the passenger Vehicle
2 For Hire group or use.

3 Would you agree with that?

4 MR. JEFF CROZIER: Subject to check,
5 yes.

6 MR. ANTHONY GUERRA: In other words,
7 it's the purpose of the Taxi Coalition to determine
8 whether or not the rates sought by MPI for the taxi
9 Vehicle For Hire group are, in fact, just and
10 reasonable for that group, correct?

11 MR. JEFF CROZIER: For the taxi?

12 MR. ANTHONY GUERRA: For the taxi
13 Vehicle For Hire group, yes.

14 And one way in which you might do that
15 -- and thank you very much, Ms. Schubert, for putting
16 that on the screen -- but one of the ways in which you
17 might do that is to compare the rates paid by the taxi
18 Vehicle For Hire group to another group, like the
19 passenger Vehicle For Hire group, correct?

20 MR. JEFF CROZIER: Yes.

21 MR. ANTHONY GUERRA: And I'd like to
22 turn to the pre-filed testimony. I believe that it's
23 Exhibit TC 4-1. So this would be your September 21st,
24 2020 report.

25 And in particular, sir, if I can draw

1 your attention to the second page -- which is actually
2 the table of contents, Ms. Schubert.

3 So my understanding, Mr. Crozier, is
4 that your -- so the first part of -- of the report
5 there, sections -- section 2, discusses the taxi
6 Vehicle For Hire risk and incentives.

7 Do you see that, sir?

8 MR. JEFF CROZIER: Yes.

9 MR. ANTHONY GUERRA: And section 3
10 discusses the appropriateness of the passenger Vehicle
11 For Hire rates, correct?

12 MR. JEFF CROZIER: Yes.

13 MR. ANTHONY GUERRA: And if we go up
14 to 2 again, we see that you've made some observations
15 and recommendations at page 8, correct?

16 MR. JEFF CROZIER: Yes.

17 MR. ANTHONY GUERRA: And you've made
18 some observations and recommendations at page 12,
19 correct?

20 MR. JEFF CROZIER: Yes.

21 MR. ANTHONY GUERRA: So if we can turn
22 to page 8, please. So we can see there that the
23 observation that you've made is that the taxi Vehicle
24 For Hire group represents an unusually high risk
25 relative to the public major class, and that this high

1 risk is most severe within the territory one taxi
2 Vehicle For Hire, correct?

3 MR. JEFF CROZIER: Yes.

4 MR. ANTHONY GUERRA: And the second
5 observation that we see there is that the data
6 required to more fully understand the nature of the
7 unusually high risk presented by the taxi Vehicle For
8 Hire group is not currently available.

9 Do you see that, sir?

10 MR. JEFF CROZIER: Yes.

11 MR. ANTHONY GUERRA: And that these
12 are your observations?

13 MR. JEFF CROZIER: They are.

14 MR. ANTHONY GUERRA: And then stemming
15 from those observations is a recommendation finding
16 number 1, which says:

17 "The PUB, or Public Utilities Board,
18 should find that MPI must collect
19 data relevant to better assess --
20 better assessing and understanding
21 the risks presented by taxi Vehicle
22 For Hire and Vehicle For Hire
23 generally. This should include
24 distance driven and time on road and
25 any other variables identified by

1 MPI that would contribute to
2 understanding the risks presented by
3 taxi Vehicle For Hire and Vehicle
4 For Hire generally."

5 Correct?

6 MR. JEFF CROZIER: Yes.

7 MR. ANTHONY GUERRA: And that's a
8 recommendation that you maintain today, correct?

9 MR. JEFF CROZIER: Yes.

10 MR. ANTHONY GUERRA: And if we go to
11 the other set of observations and recommendations at
12 page 12, Ms. Schubert, these are recommendations with
13 respect to the Fleet Program, correct?

14 MR. JEFF CROZIER: Yes.

15 MR. ANTHONY GUERRA: And the
16 observations that you've made with respect to the
17 Fleet Program is that in -- in respect of observation
18 number 4, the program provides an immediate upside
19 incentives for reducing at fault claims, and has been
20 an effective incentive for reducing at fault
21 collisions for fleets overall, correct?

22 MR. JEFF CROZIER: Yes.

23 MR. ANTHONY GUERRA: And in respect of
24 observation number 5, your observation is that a small
25 corporate customer or small corporate customers,

1 rather, less than ten (10) vehicles, are unduly
2 discriminated against as incentives through either the
3 DSR program or Fleet Program are unavailable to them,
4 correct?

5 MR. JEFF CROZIER: Yes.

6 MR. ANTHONY GUERRA: And then stemming
7 from those two (2) observations, you make a
8 recommendation on the following page, page 13, that:

9 "The PUB should find that based on
10 the unusually high risk presented by
11 taxi Vehicle For Hire, the uncertain
12 response to DSR incentives having
13 regard to order 130-17, MPI must
14 develop a framework for taxi Vehicle
15 For Hire rates and Vehicle For Hire
16 rates generally that provide
17 effective incentives and address the
18 principle driver risk issue facing
19 taxi Vehicle For Hire."

20 Correct?

21 MR. JEFF CROZIER: Correct.

22 MR. ANTHONY GUERRA: And then you make
23 a subsequent recommendation that:

24 "MPI's proposed solution must
25 address the gap and incentives

1 available to small corporate
2 customers with fewer than ten (10)
3 vehicles."

4 MR. JEFF CROZIER: Yes.

5 MR. ANTHONY GUERRA: So in those two
6 (2) recommendations we find at page 13, and previously
7 at page 8, you're -- you're advocating on behalf of
8 the Taxi Coalition that the Public Utilities Board
9 should direct MPI to -- to do something specific,
10 correct?

11 MR. JEFF CROZIER: Yes.

12 MR. ANTHONY GUERRA: Now we went back
13 -- if we can go back to the table of contents, please.

14 Now we went back -- if we can go back
15 to the table of contents, please.

16 In respect of the observations that
17 you've made in respect of section 3, and those are
18 found at page 21, if we can just go down to the bottom
19 of the table of contents, please, you see there, sir,
20 you -- you haven't included any recommendation
21 findings, correct? You've -- you've just made
22 observations as indicated in your table of contents,
23 correct?

24 MR. JEFF CROZIER: That's correct.

25 MR. ANTHONY GUERRA: And so if we go

1 to page 21 of the report, it starts -- there's
2 actually three (3) observations starting at the bottom
3 of the page.

4 Observation number 6, you say that:

5 "The actual passenger Vehicle for
6 Hire operation has not conformed
7 with the initial expectations at the
8 time of the Vehicle for Hire
9 framework inception."

10 Correct?

11 MR. JEFF CROZIER: Yes.

12 MR. ANTHONY GUERRA: Observation
13 number 7, you find that:

14 "The pricing of passenger Vehicle
15 for Hire rates does not reflect the
16 potential loss costs and is not
17 consistent with break-even
18 actuarially indicated rates."

19 Correct?

20 MR. JEFF CROZIER: Yes.

21 MR. ANTHONY GUERRA: And then finally,
22 you say -- you observe:

23 "Credibility weighting assumptions
24 for passenger Vehicle for Hire can
25 be modified to accelerate the

1 attainment -- attainment actuarially
2 indicated -- indicate break-even
3 rates. Increasing the credibility
4 weighting to approximately 40
5 percent would achieve the effective
6 maximum experience adjustments
7 permitted under the current rate-
8 making rules."

9 Correct?

10 MR. JEFF CROZIER: Correct.

11 MR. ANTHONY GUERRA: And so what I'm
12 going to suggest to you, sir, is that observation
13 number 8 is merely that: it's -- it's an observation.
14 You -- as you've indicated in your report, you are not
15 standing before the Public Utilities Board today, sir,
16 advocating on behalf of the Taxi Coalition that the
17 PUB, or Public Utilities Board, direct MPI to assign a
18 40 percent credibility rating -- weighting, I should
19 say?

20 MR. JEFF CROZIER: No, that is not --
21 I have not made a recommendation in that regard.

22 MR. ANTHONY GUERRA: And I would
23 suggest to you, sir, that the reason why you haven't
24 done that is because it wouldn't be appropriate for
25 you to do so speaking on behalf of one (1) rating

1 group against the interests of another, correct?

2 MR. JEFF CROZIER: I didn't make the
3 recommendation because I didn't feel I was well suited
4 to speak to the principles that should go into making
5 that determination, and that's why the recommendations
6 that require principled judgment were left to Mr.
7 Bowman.

8 MR. ANTHONY GUERRA: I would suggest
9 to you, sir, that the reason why -- and there may be
10 many -- but one (1) of the reasons why that was not
11 done in the -- in the context of this report is
12 because there is nobody present before the Public
13 Utilities Board in this hearing that represents the
14 interests of any of those individuals who would be
15 asked to pay the more than a thousand dollars
16 (\$1,000), or 56 per cent more in rates if the
17 observation were to be put into practice, correct?

18 MR. PATRICK BOWMAN: Mr. Crozier may
19 want to add, and we -- we may both at the end of the
20 day take a -- take a stab at this. First, the
21 observation 8 you're referring to is not one that
22 yields 56 percent rate increases. It's -- it's one
23 that says, were you to change the credibility
24 weighting to 40 percent, you would get a 15 percent
25 rate increase, not fifty-six (56).

1 And as I noted in my presentation, it's
2 one that, when I reviewed Mr. Crozier's draft of his
3 evidence, I thought it was something that he might
4 want to note in order to help make the point that, if
5 MPI has a set of rules about customer impact, it is --
6 it's -- it's not even operating within the limits of
7 those rules in this proposal with the 10 percent
8 credibility weighting. It would go to those limits if
9 it were to apply a 40 percent credibility weighting.

10 But as Mr. Crozier and I discussed that
11 and I was asked to prepare the appendix to go a bit
12 more to first principles, because the more one turns
13 over in their mind the whole concept of credibility
14 where you're weighting one (1) number that has an
15 experience and data behind it and one (1) that is an
16 inference with no data behind it, trying to balance
17 the credibility of the two (2) numbers starts to
18 become -- so to stretch the concept of -- of
19 credibility -- stretch the con -- stretch the concept
20 of -- of the two (2) being able to put -- put on a
21 scale to balance the two (2) of them.

22 And so that's why I prepared the
23 submission I did that said, you know, get outside of
24 your rate-making framework, focus on fixing the
25 problem, what you would have done two (2) years ago

1 had you known this, get it solved quickly so you don't
2 distort a market, and -- and then we can -- we can
3 move forward.

4 And as a result, the recommendations
5 ended up in my section because they're rooted much
6 more in the first principles than they are in the
7 analytical component Mr. Crozier prepared.

8 The -- the final part of your question
9 was about whether there's no recommendation because
10 there's no party here representing passenger VFH, and
11 that -- that is not a reason at all that -- that
12 guided our -- our submission.

13 Passenger VFH rates are before this
14 Board for approval. They -- they can be tested like
15 any other set of rates, whether the customer is
16 present or not, and -- and there's going to be a
17 decision coming out of this Board about what those
18 customers pay.

19 So we were not basing it on -- on some
20 -- some, you know, adversarial presence in the room or
21 something of that nature. It was -- it's a couple of
22 consultants retained to -- to determine what the right
23 thing to do is and prepare it in a report for this
24 Board.

25 MR. ANTHONY GUERRA: Thank you, Mr.

1 Bowman. And in fairness to -- to you, and unlike the
2 report that we saw in September, your presentation
3 today -- and I would bring your attention back to
4 slide number 29 of your presentation -- if you recall,
5 there was some discussion with the Panel with respect
6 to whether or not the first line of your slide there
7 was supposed to read as it -- as it does read.

8 But I thought I understood your
9 testimony -- and correct me if I'm wrong -- was to say
10 that even though your -- your wording there may not be
11 correct, your -- your advice to the Panel today is to
12 impose a full 56 percent further increase on the
13 passenger Vehicle for Hire at this time, correct?

14 MR. PATRICK BOWMAN: Well -- I'm
15 sorry. I got hung up on the early part of your
16 question. You said compared to the September report.
17 The report in front of me says:

18 "A move to fully reflect the best
19 available cost data, a 56 percent
20 increase should not be rejected."

21 So I was dealing with it right at that
22 time. I didn't rule it out, and -- and, frankly, I'm
23 not sure at that time I even appreciated how much the
24 56 percent increase may still be an underestimate
25 because it includes no serious losses.

1 So at the time, I said a 56 percent
2 shouldn't be ruled out, but an alternative is to stop
3 short by 15 percent so that next year, when we're
4 before this Board, and there very well may be no new
5 data to work with, no new relevant data to work with,
6 you could finish the job with a 15 percent increase.

7 I think, if anything, upon reflection
8 and with the -- the further information that there's
9 no serious losses in the -- in the data set to date,
10 the move to a full 56 percent increase if anything is
11 -- I think would be more advised than -- than when I
12 prepared the report in September.

13 MR. ANTHONY GUERRA: So to confirm,
14 you are advising the -- the Panel this afternoon that
15 it would be just and reasonable to impose a full 56
16 percent further increase on the passenger Vehicle for
17 Hire class or group at this time?

18 MR. PATRICK BOWMAN: Yes, to
19 effectively fix the going-in rates that -- based on
20 the fact that we now have information to rely upon.

21 MR. ANTHONY GUERRA: And, sir, you
22 believe it would be appropriate and fair to make that
23 recommendation knowing that there is not one (1)
24 person who has intervened in this application on
25 behalf of anyone of the passenger Vehicle for Hire

1 group?

2 MR. PATRICK BOWMAN: I can't recall
3 making a recommendation in any proceeding where it was
4 affected by whether there was going to be a party
5 representing an adversarial view to what I was
6 recommending. I'm -- I'm only retained to provide my
7 best advice.

8 MR. ANTHONY GUERRA: With respect to
9 the -- the dispatch companies, Duffy's and Unicity, my
10 understanding is that those companies, those entities,
11 would be separate and apart from their -- the owner
12 operators of the taxis themselves, correct?

13 MR. JEFF CROZIER: Yes, that's my
14 understanding. The individual vehicles are owned by,
15 let's call them owner operators, and they are part of
16 the dispatch provider on -- my understanding, is
17 something akin to a coop.

18 MR. ANTHONY GUERRA: So in other
19 words, I think we've discussed vehicle numbers in the
20 range of six (6) to seven hundred (700) vehicles that
21 -- that would qualify as a taxi Vehicle for Hire
22 vehicle. We wouldn't expect those vehicles to be
23 registered in the names -- majority or all of them to
24 be registered in the names of Duffy's or Unicity taxi.
25 Correct?

1 MR. JEFF CROZIER: I don't know this,
2 but I would not expect it to be the case.

3 MR. ANTHONY GUERRA: And, therefore,
4 you wouldn't expect either Duffy's or Unicity Taxi to
5 be the ones to actually pay the premiums that would be
6 the subject of this application. Correct?

7

8 (BRIEF PAUSE)

9

10 MR. JEFF CROZIER: Correct. Making
11 the distinction between, you know, an entity composed
12 of things and the things it's composed of, from a
13 certain perspective, those are the same.

14 MR. ANTHONY GUERRA: There may be
15 owners or operators who do not support some of the
16 observations or recommendations contained in your
17 reports, Mr. Crozier?

18 MR. JEFF CROZIER: I have been dealing
19 with management and so I guess it's entirely possible.

20 MR. ANTHONY GUERRA: And between the
21 owner operators themselves, you would agree with me,
22 sir, that they may not all have the same interests.
23 For example, a -- a owner operator who is incorporated
24 may not have the same interests as an owner operator
25 who is not incorporated?

1 MR. JEFF CROZIER: That's a fair
2 statement.

3 MR. ANTHONY GUERRA: I'd like to
4 discuss the principal driver risk problem identified
5 in your report. And so let's just step back here and
6 talk a little bit more about how the system currently
7 works.

8 So the current driver safety rating is
9 based on the registered owner model, correct?

10 MR. JEFF CROZIER: Yes.

11 MR. ANTHONY GUERRA: And so what is
12 your understanding as to how that presently works for
13 taxis?

14 MR. JEFF CROZIER: The owner of the
15 taxi would register the vehicle or vehicles under
16 their name and would receive a vehicle premium
17 discount based on the DSR rating that the owner has.

18 MR. ANTHONY GUERRA: And I understand
19 your position in your paper to be that that type of
20 process may not lead to an accurate reflection of the
21 risk of the vehicle itself?

22 MR. JEFF CROZIER: Yes, I think that's
23 one way of stating it.

24 MR. ANTHONY GUERRA: So what we could
25 have is a registered owner that's, let's say, a plus

1 fifteen (15) on the DSR scale, and the vehicle is
2 registered in their name under the current model, but
3 the driver of that vehicle, the driver of that taxi,
4 may not be the same person, may be a taxi driver on
5 the negative end of the scale, let's say a negative
6 seven (7). In which case, MPI may not be charging
7 that vehicle enough to collect on the risk that it
8 actually poses on the road, correct?

9 MR. JEFF CROZIER: Yes. And I've
10 drawn the analogy to the same problem that appears to
11 exist with DSR incentives in households that this
12 Board provided an opinion on in 2017.

13 MR. ANTHONY GUERRA: And in fairness,
14 though, with respect to -- let's -- let's go back to
15 your -- to your example of a household. It may not
16 necessarily be that all households register multiple
17 or -- or any vehicle in -- in the name of the driver
18 with the best driver safety rating, correct?

19 MR. JEFF CROZIER: No doubt there are
20 many who do not do that, correct.

21 MR. ANTHONY GUERRA: And I just want
22 to take one second here.

23

24

(BRIEF PAUSE)

25

1 MR. ANTHONY GUERRA: So if we can go
2 to slide 10 of your presentation, please.

3

4 (BRIEF PAUSE)

5

6 MR. ANTHONY GUERRA: At point 3, you
7 say that:

8 "The taxi Vehicle For Hire group
9 faced the principal driver incentive
10 problem, which is basically that the
11 taxi driver experience, good or bad,
12 has no impact on the driver safety
13 vehicle premium discount, but does
14 impact the taxi Vehicle For Hire for
15 experience overall."

16 You agree with that statement?

17 MR. JEFF CROZIER: Yes.

18 MR. ANTHONY GUERRA: And the reason
19 why you say that is because -- or that statement then
20 assumes that the person who is driving the taxi is not
21 the registered owner, correct?

22 MR. JEFF CROZIER: The statement holds
23 true to the extent that the person driving the taxi is
24 not the registered owner.

25 MR. ANTHONY GUERRA: Right. And I did

1 not see evidence from the Taxi Coalition as to what
2 percentage of its drivers are not the registered
3 owners of the vehicles.

4 MR. JEFF CROZIER: Right. That
5 information was provided in the Taxi Coalition's
6 presentation on the first day of this hearing. It was
7 not information that was available to me at the time
8 of preparing my evidence.

9 But nevertheless, we can see that -- I
10 think it's on slide 2 -- Duffy's notes that they have
11 two hundred and ninety (290) owners and about close to
12 thirteen hundred (1300) full-time and part-time
13 drivers. And Unicity has three hundred and fifty
14 (350) operators and -- or owner operators and six
15 hundred (600) drivers.

16 So that information came up -- became
17 available in time for Duffy's and Unicity to prepare
18 their address to the panel.

19 I think intuitively, though, we can
20 understand that if taxi Vehicle For Hire are operating
21 on a near 24/7 basis, there must be others who are not
22 the owners operating the vehicle.

23 MR. ANTHONY GUERRA: Thank you, sir.

24 We -- we don't know, at this point in
25 time how many -- how many drivers on average the -- I

1 guess, drive a -- a specific taxi vehicle, correct?

2 MR. JEFF CROZIER: Yeah, that's
3 correct. There -- I -- I do not know. I suspect that
4 that data is available somewhere somehow, but I don't
5 know that for sure either.

6 MR. ANTHONY GUERRA: And the
7 suggestion is that perhaps the primary or principal
8 driver model may better capture the risk of the actual
9 vehicle on the road.

10 Is that correct?

11 MR. JEFF CROZIER: Sorry, could you
12 say that again?

13 MR. ANTHONY GUERRA: The suggestion
14 being made in your evidence is that moving to a
15 principal driver model might better address the risk
16 on the road or the risk of the vehicle on the road.

17 MR. JEFF CROZIER: I -- I don't think
18 I quite went that far, but that's probably the next
19 logical conclusion, right? If -- if MPI'S DSR program
20 were adjusted to reflect principal driver risk, as was
21 ordered a few years ago, then that is another way of
22 solving the problem.

23 My evidence was really focusing on,
24 well, of the suite of options that MPI has now, what -
25 - what do we have, right? We have -- we have the DSR

1 program and we have the fleet program; those are your
2 two (2) options. What attributes of the fleet program
3 are desirable from a perspective of addressing the
4 principal driver risk problem?

5 And that -- one of those desirable
6 features is -- is the fact that the incentive, in my
7 words, reaches the -- the drivers. Because the
8 driver's experience will have an impact on that fleet
9 program rebater surcharge at the end of the year.

10 Irrespective of what the particular
11 owner, in effect, is a corporation, so they're not,
12 you know -- as a legal entity, they're not driving.
13 That -- that was my -- my observation.

14 So I -- I -- circling back to your
15 question, you know, you -- I think one could go that
16 far. I have not quite gone that far but just looked
17 at the issue of incentives that are available through
18 the only alternative to the DSR program.

19 MR. ANTHONY GUERRA: I just want to
20 pick up on your statement, we're going a little bit
21 outside of my -- my question organization, but with
22 respect to the fleet, it's not clear to me how the
23 rebates or surcharges flow to the individual drivers
24 in the fleet. And perhaps you can explain to me how
25 you get there.

1 MR. JEFF CROZIER: They don't. But
2 they -- they -- I guess I would think about it this
3 way. It may become an employment problem, right, or
4 an employer issue, that if you have a driver who not
5 only, you know, takes one of your vehicles off the
6 road for a week or two while it's being repaired, but
7 then also is jeopardizing a fleet rebate at the end of
8 the year, the employer may be -- the employer has a
9 higher incentive to make sure that the drivers are not
10 risky, or less risky, let's say. So it's really the -
11 - the transmission mechanism for incentive, I guess,
12 if you will, would probably flow through the employer
13 in the case of a -- of the fleet program. That's my
14 expectation.

15 MR. ANTHONY GUERRA: And -- excuse me
16 -- and what I've currently understood is the siltation
17 is that there's a disincentive for drivers, for taxi
18 drivers in a sense that if they -- if their Driver
19 Safety Rating drops to below minus 7, they could also
20 lose their employment, correct?

21 MR. JEFF CROZIER: Yes, that's my
22 understanding. That -- my understanding is it's an
23 internal policy. Of course, I can't speak to the
24 application, the consistency of the application of
25 policy, or anything like that. I've been advised that

1 that policy exists within Taxi Coalition operations.

2 MR. ANTHONY GUERRA: And if MPI were
3 moved to -- getting back, sorry, to the primary driver
4 model -- if MPI were to move back or move to that
5 model, how would you see that working practically?

6

7 (BRIEF PAUSE)

8

9 MR. JEFF CROZIER: Well, this --
10 that's a -- sorry, that's a difficult question, I
11 think, to answer because we haven't seen what a
12 principal driver DSR model from MPI might look like.

13 Were it the case that -- I mean, MPI, I
14 -- stretching my memory here a bit -- but, I mean, I
15 think that there was one (1) instance where, you know,
16 a primary driver model, where, you know, one (1)
17 single driver is assigned to -- to a vehicle, was one
18 (1) option, and I -- as I recall, MPI didn't
19 particularly favour that model because they felt that
20 it wouldn't offer much practical difference from the
21 current registered-owner model, and there's a second
22 model where you might have to assign drivers to a
23 vehicle. So in the household example, mom, dad, and
24 two (2) teenagers get assigned to a vehicle, and the
25 rating is done on the basis of, you know, some

1 aggregate household. There are, no doubt, many issues
2 with that, cohabitation, multi-generations living in a
3 household, who knows, right? So we're -- we might be
4 a long way away from -- or some time away from sort of
5 figuring out what the details of those are.

6 But were you to -- I -- so I think
7 those criticisms may continue to exist in -- or those
8 issues, I guess, would continue to exist in the
9 application to taxi VFH under a -- some form of a
10 primary driver model, but you might not have any
11 conflict about who should be listed on a -- on a
12 vehicle's policy because clearly, you know, the owner
13 operator has "X" number of employees and will have to
14 put -- you know, have to either make decisions about
15 which employees to put on which vehicle, or to put all
16 of them, or if -- you know, there's a lot of dynamic
17 there. And I -- I -- I mean, I'm speculating now at
18 this point.

19 MR. ANTHONY GUERRA: In fairness -- in
20 fairness to you, I -- I am asking you to speculate to
21 some degree. But you -- you did say something what I
22 thought was very interesting which was MPI not
23 preferring the primary driver model, where there would
24 be one (1) named driver, because they didn't see much
25 of a difference between that style and its current

1 registered owner model, correct?

2 MR. JEFF CROZIER: Yes, I -- I believe
3 that came up at some point in the proceeding this
4 year, but I don't remember when. And, again, that's,
5 like -- I -- I didn't come prepared to speak to that
6 today. I'm just going based off of my memory and my
7 recollection, so...

8 MR. ANTHONY GUERRA: Fair enough, but
9 you're also making an observation about how the
10 current model's deficient and suggesting that perhaps
11 the passenger or the primary driver model would be
12 more appropriate. So, you know, I do think it is fair
13 to get into this to some degree, but I would suggest
14 to you that one (1) of the reasons why there may not
15 be a practical difference between the registered-owner
16 model and the primary driver where there's one (1)
17 named driver is that the -- the same -- the same
18 result would basically flow, which is that a -- a
19 group with multiple drivers would simply choose the
20 person who has the highest Driver Safety Rating, and
21 therefore, again, we're not capturing the true risk of
22 the vehicle on the road.

23 MR. JEFF CROZIER: That, again, is a
24 hypothetical. I think that makes sense, which is --
25 probably speaks to why my evidence focussed on some of

1 the particular features of the fleet program as
2 distinct from any number of options that MPI might be
3 considering for an overhaul of its DSR program.

4 MR. ANTHONY GUERRA: And if I have a
5 taxi com -- taxi, for example, and there are, you
6 know, three (3) drivers in my -- in my group, and I
7 have a negative 7, and my friend has a negative 3, and
8 my other friend has a negative or a positive 5, for
9 example, we would choose that person who has a
10 positive 5 because they're going to get the biggest
11 discount for the vehicle. But if I'm a single
12 registered owner, primary driver or only driver and I
13 have a negative 7, my only option is to have the
14 negative 7, correct?

15 MR. JEFF CROZIER: Those are the
16 incentives that would be in place under such a scheme,
17 yes.

18

19 (BRIEF PAUSE)

20

21 MR. ANTHONY GUERRA: Okay. So let's
22 talk a little bit more about the -- the DSR, or the
23 Driver Safety Rating as it pertains to corporations.
24 And if I can draw your attention to Information
25 Request TC-MPI-1-11, please.

1 (BRIEF PAUSE)

2

3 MR. ANTHONY GUERRA: If we can scroll
4 down to Figure 1, please. Yes, thank you.

5 And I'd like to draw your attention to
6 line number 17, which is the line that reads "Zero
7 Corporate," in brackets. Do you see that, sir?

8 MR. JEFF CROZIER: Yes, I do.

9 MR. ANTHONY GUERRA: Now, the first
10 column, the one (1) on the left-hand side, indicates
11 the rate model as of November 1st, 2019. Do you see
12 that, sir?

13 MR. JEFF CROZIER: Yeah.

14 MR. ANTHONY GUERRA: And then the
15 second one (1) on the right-hand side is the rate
16 model as of November 1st, 2018.

17 MR. JEFF CROZIER: Yes.

18 MR. ANTHONY GUERRA: And so what I see
19 when I look at this is, for the taxi Vehicle for Hire,
20 for the corporate numbers, a shrinking from fifty-
21 eight (58) in 2018 to twenty-nine (29) to 2019. Do
22 you see that, sir?

23 MR. JEFF CROZIER: I do.

24 MR. ANTHONY GUERRA: And so what that
25 suggests to me is that there were fewer corporate

1 registered vehicles in 2019 compared to 2018.

2 MR. JEFF CROZIER: Yes.

3 MR. ANTHONY GUERRA: Okay. And if you
4 can scroll down a little bit further, Ms. Schubert, to
5 the total there.

6 Now for the total I see six hundred and
7 seventeen (617) for taxicab Vehicle for Hire vehicles
8 in 2019 and six hundred and twenty-five (625) vehicles
9 for 2018. Do you see that, sir?

10 MR. JEFF CROZIER: I do.

11 MR. ANTHONY GUERRA: So -- so what I
12 can see from that or can glean from that is that there
13 were less taxis in 2019 as opposed to 2025 -- or,
14 sorry, 2018.

15 MR. JEFF CROZIER: Scroll back to the
16 top, please.

17

18 (BRIEF PAUSE)

19

20 MR. JEFF CROZIER: There were fewer in
21 2019 than there were in 2018.

22 MR. ANTHONY GUERRA: Right, and -- and
23 fewer of them registered to corporations, as well,
24 correct?

25 MR. JEFF CROZIER: Yes.

1 MR. ANTHONY GUERRA: And of those
2 twenty-nine (29) vehicles that are registered to
3 corporations, do you know how many corporations
4 registered those twenty-nine (29) vehicles?

5 MR. JEFF CROZIER: I do not.

6 MR. ANTHONY GUERRA: Is it possible
7 that it's just one (1) corporation?

8

9 (BRIEF PAUSE)

10

11 MR. JEFF CROZIER: I'm aware that the
12 largest sort of grouping of vehicles within the city -
13 - well, at least within Duffy's and Unicity, is six
14 (6) vehicles. So it's possible. If there's twenty-
15 nine (29) taxis that are owned by a single
16 corporation, it would have to be outside the city.
17 I'm not -- I mean, that's all I can -- that's all the
18 information I can provide you on that -- on that
19 point. No, I do not know if that's a single one (1).
20 It's possible that it could be.

21 MR. ANTHONY GUERRA: There's a strong
22 indication that it's at least less than twenty-nine
23 (29), correct?

24 MR. JEFF CROZIER: We -- that's
25 probably a reasonable assumption, yeah. I mean, if

1 you think about the reason why businesses incorporate,
2 they might do it for tax advantages to, you know,
3 accommodate multiple owners as the business gets
4 bigger. You know, there are thing -- there are
5 reasons why you move to a sole proprietorship to a
6 corporation in terms of your business structure.

7 So, I'd be surprised if there were
8 twenty-nine (29) corporations reflected in that.

9 MR. ANTHONY GUERRA: And -- and this
10 twenty-nine (29) number doesn't tell us how many of
11 these corporations have ten (10) or fewer taxies,
12 correct, or few than ten (10), I should say?

13 MR. JEFF CROZIER: No, it does not. I
14 mean, we're -- we're focussing on the -- on the
15 taxicab issue. And I -- I think I see where you're
16 going, that it might be possible that, you know, these
17 twenty-nine (29) taxicabs are, in fact, part of the
18 Fleet Program.

19 But this is an issue that extends
20 beyond just taxicab Vehicle for Hire. It would impact
21 really any small corporation that has multiple
22 vehicles on the road that wasn't eligible for the
23 Fleet Program.

24 So, it's not just -- I use the case of,
25 you know, a small courier company or a caterer or, you

1 know, a plumbing company. I mean, there's a number of
2 businesses that may be impacted by this that move well
3 beyond the Vehicle for Hire issue.

4 And so, I -- I -- when I -- when this
5 came to light in my review of the materials, I felt it
6 was material enough to draw to the attention of the
7 Board.

8 MR. ANTHONY GUERRA: Okay. Thank you.
9 I appreciate that. And so, just -- just to clarify
10 then. So, your recommendation with respect to the use
11 of the Fleet Program is broader than just the taxis
12 and would incorporate every corporation that has fewer
13 than ten (10) vehicles?

14 MR. JEFF CROZIER: I believe MPI
15 should certainly try to look at it. I mean, there's a
16 pro -- there's a programming gap between the Fleet
17 Program and the DSR program that, in my view,
18 discriminates between customers on a basis that
19 doesn't follow in terms of reasons why one might
20 discriminate between -- between customers.

21 And so, in reviewing this, you know,
22 I've suggested that it sort of be, you know, let's say
23 tucked into the Vehicle for Hire review, but,
24 admittedly, it does move beyond Vehicle for Hires --
25 Vehicle for Hire insurance uses specifically.

1 MR. ANTHONY GUERRA: And is it your
2 evidence, sir, that a fleet can -- can be comprised of
3 as little as two (2) vehicles?

4 MR. JEFF CROZIER: No.

5 MR. ANTHONY GUERRA: Where would you
6 draw the line?

7 MR. JEFF CROZIER: At this point, I'm
8 not sure. I mean, we -- we heard evidence that -- I
9 think the words were 'there's no magic to ten (10)'s.
10 The IR response I provided was that, if the Fleet
11 Program has been operating with that limit since 1974,
12 you know, if -- if there was an analysis done at that
13 time, it's -- it's probably time for an update because
14 the world has changed since 1974, and the nature of
15 business has changed.

16 Clearly, we live in an ecommerce or a
17 substantially more ecommerce-based society now than we
18 did, so I would recommend that some assessment be done
19 on the size of the fleet that -- the size of the fleet
20 that would be optimal for -- for inclusion in a Fleet
21 Program such as MPI's.

22 MR. ANTHONY GUERRA: Right. And that
23 -- that could cause some issues if let's say we -- we
24 drew the line at four (4) vehicles and we found out
25 that the majority of these twenty-nine (29) vehicles

1 are -- are registered to companies that have two (2),
2 correct?

3 MR. JEFF CROZIER: Sure, that could
4 be.

5 MR. ANTHONY GUERRA: Do you have any
6 evidence to explain the decrease from fifty-eight (58)
7 vehicles in 2018 to twenty-nine (29) in 2019?

8 MR. JEFF CROZIER: No, I do not.

9 MR. ANTHONY GUERRA: Is it possible
10 that the reduction is, in part, or in all because of
11 the use of the Right of Possession Agreement?

12 MR. JEFF CROZIER: It would be
13 possible.

14 MR. ANTHONY GUERRA: I'd like to draw
15 your attention to the MPI-TC, Taxi Coalition IR
16 response to 1-4, please.

17

18 (BRIEF PAUSE)

19

20 MR. ANTHONY GUERRA: So, in this
21 Information Request MPI asked you about the Right of
22 Possession Agreement, how it presents a hurdle, clean
23 the steps costs and resources which are required to
24 complete the agreement.

25 And in response, sir. you say:

1 "Mr. Crozier does not have details
2 with respect to the Right of
3 Possession Agreement. The magnitude
4 of the hurdle may vary by customer.
5 For some, it may be a trivial hurdle
6 and, for others, it may be more
7 significant.

8 The availability of DSR incentives
9 to single-owner corporate customers
10 does narrow the cap created by the
11 program design but does not do so
12 purely on -- sorry -- do so on
13 purely fictional -- fictionalist
14 basis."

15 Do you see that, sir?

16 MR. JEFF CROZIER: I do.

17 MR. ANTHONY GUERRA: And that remains
18 your position today?

19 MR. JEFF CROZIER: Yes.

20 MR. ANTHONY GUERRA: And so, just to
21 confirm there, you would agree that, in some cases,
22 the Right of Possession Agreement might be considered
23 a trivial hurdle to some of these corporate customers?

24 MR. JEFF CROZIER: Certainly, it may.
25 I've never -- I -- I couldn't speak for the corporate

1 customers out there. Some people may -- and -- and to
2 be honest, I don't know. I mean, I'm assuming the
3 Right of Possession Agreement is perhaps a sheet or
4 two (2) of paper.

5 For some, they may have no problem with
6 it; others, it may cause them concern. I -- I can't
7 speak to the particulars of individuals out there.

8 MR. ANTHONY GUERRA: Okay. Let's talk
9 quickly about the Fleet Program. And I know we spoke
10 a little bit about this before, but just to confirm, I
11 -- and I think your earlier testimony was that the
12 incentives of the Fleet Program would be better to
13 reach the actual drivers.

14 And -- and I -- and I think what you
15 mean by that is just that not the financial incentives
16 or disincentives, it's like the incentives or
17 disincentives of -- of employment, correct?

18 MR. JEFF CROZIER: Correct. Yes.

19 MR. ANTHONY GUERRA: And if we were to
20 think about how a Fleet Program might work, first of
21 all, you would agree with me that these fleet programs
22 can be very volatile, correct, in terms of the -- the
23 premiums that would have to be paid from year to year
24 by a fleet owner, correct?

25 MR. JEFF CROZIER: I would agree, yes,

1 they could be volatile, yeah.

2 MR. ANTHONY GUERRA: Because we could
3 have a swing in year 1 of a 33 percent discount,
4 correct?

5 MR. JEFF CROZIER: Correct.

6 MR. ANTHONY GUERRA: Followed by in
7 the subsequent year a surcharge of 50 percent of the
8 premium, correct?

9 MR. JEFF CROZIER: Correct. My
10 understanding is that that could occur under the Fleet
11 Program, yes.

12 MR. ANTHONY GUERRA: Right. And so,
13 if I was a fleet owner, I had two (2) taxis in my
14 fleet, for example, and let's say each of the taxis --
15 the total premium paid by the taxis was nineteen
16 thousand dollars (\$19,000).

17 If I were to receive in year 1 the 33
18 percent discount, that would amount to six thousand
19 two hundred and seventy dollars (\$6,270), meaning my
20 total premium would go down from nineteen thousand
21 dollars (\$19,000) to twelve thousand seven hundred and
22 thirty dollars (\$12,730).

23 Would you agree with that?

24 MR. JEFF CROZIER: Yes. I -- I mean,
25 I haven't done the mental math. I'll take the numbers

1 --

2 MR. ANTHONY GUERRA: Subject to check?

3 MR. JEFF CROZIER: -- at your word.

4 Yeah, subject to check. It -- it -- I would say that
5 I agree with MPI's position that, at some point,
6 volatility would come into play in terms of as the --
7 as the size of the fleet decreases, again, if it were
8 even on the table to open up the size of the Fleet
9 Program.

10 Where that point is, I don't know. My
11 expectation is that MPI might not know either.

12 MR. ANTHONY GUERRA: Okay. But just
13 going back to my example here.

14 So, year 1 you're paying twelve
15 thousand seven hundred and thirty dollars (\$12,730)
16 because you've received that 33 percent discount.

17 You have a bad year, your drivers in
18 the fleet are -- are driving poorly, and now you're
19 facing an instance where you're being surcharged 50
20 percent, meaning you're -- you're getting at least --
21 or -- or perhaps around the nine thousand five hundred
22 dollar (\$9,500) surcharge, meaning your premium's
23 going to be approximately twenty-eight thousand five
24 hundred dollars (\$28,500), correct?

25 MR. JEFF CROZIER: Subject to check

1 with the numbers, yes.

2 MR. ANTHONY GUERRA: Right. And so,
3 you would imagine that if you're a small taxi company
4 with two (2) taxis facing that type of discrepancy in
5 premiums between one (1) and two (2) years, that that
6 might be very difficult for your company to -- to
7 reconcile?

8 MR. JEFF CROZIER: It may be, yeah.

9 MR. ANTHONY GUERRA: And that would --
10 that would present a pretty volatile -- extremely
11 volatile situation for that potentially small taxi
12 company?

13 MR. JEFF CROZIER: Yes.

14 MR. ANTHONY GUERRA: And would you
15 agree with me, sir, that the smaller fleet, the
16 greater the chance of that type of extreme variability
17 or volatility in rates?

18 MR. JEFF CROZIER: I believe I've
19 already agreed with -- with that point, yes.

20 MR. ANTHONY GUERRA: Okay. And just
21 to confirm again, the Taxi Coalition isn't here
22 advocating or representing any of the actual owners of
23 the taxis, correct?

24

25

(BRIEF PAUSE)

1 MR. JEFF CROZIER: Subject to the
2 distinction I made earlier a thing and the sum of its
3 parts, we're at the behest of Duffy's and Unicity.

4 MR. ANTHONY GUERRA: In terms of the
5 effectiveness of the DSR for taxis, would it be fair
6 to say that you would agree with the following
7 statement, 'that the current form of the DSR is
8 generally ineffective for the taxi group'?

9 MR. JEFF CROZIER: I mean, ineffective
10 in what sense?

11 MR. ANTHONY GUERRA: Ineffective in
12 reducing risk on the road.

13 MR. JEFF CROZIER: My expectation is
14 that it would have an impact on at least the -- an
15 owner/operator, you know, if the registered owner is
16 also driving, then that incentive would be present.

17 The extent to which the incentive is
18 present amongst employed drivers is unclear.

19 MR. ANTHONY GUERRA: And you framed
20 the discussion around the lack of incentives, but in
21 fairness, sir, it's the same way as saying the DSR
22 program has not made taxi drivers any safer on the
23 road, correct?

24

25 (BRIEF PAUSE)

1 MR. JEFF CROZIER: That is -- that was
2 the unsatisfying conclu -- the unsatisfying conclusion
3 I spoke to was that you couldn't tease that
4 information out based on the information that I was
5 able to find on the record.

6 MR. ANTHONY GUERRA: And you'd agree
7 with me, sir, that you're not coming to the Public
8 Utilities Board this year and advocating that the
9 Driver Safety Rating, in general, is ineffective in
10 reducing risk and curving driver behaviour, correct?

11 MR. JEFF CROZIER: Correct. I think
12 the prior testimony at the hearing was that the DSR is
13 generally quite effective and that it was effective
14 particularly in the early years and particularly with
15 higher risk drivers, as I recall the testimony that I
16 heard earlier in this proceeding, I will take that as
17 fact.

18 MR. ANTHONY GUERRA: And your evidence
19 was with respect to the -- one of the -- one (1) of
20 the shortfalls of the DSR, Driver Safety Rating, for
21 taxi drivers, is that the -- the incentives are not
22 immediate, correct?

23 MR. JEFF CROZIER: As compared to the
24 Fleet Program, yes, that would be a distinguishing
25 feature and I would suggest that immediacy of an

1 incentive would support the effectiveness of the
2 incentive.

3 MR. ANTHONY GUERRA: Well, let's talk
4 about the disincentives, though, because the
5 disincentives -- there are disincentives that are
6 prevalent under the -- the current driver safety
7 model. You agree with that? The demerits?

8 MR. JEFF CROZIER: Yes. Yeah.

9 MR. ANTHONY GUERRA: Right. And if
10 you are a driver in a demerit situation, there --
11 there are ways to move up the Driver Safety Rating
12 system levels quite quickly, more so than if you are
13 in a positive area, correct?

14 MR. JEFF CROZIER: Sure, I think
15 they're referred to as the snap-back provisions that,
16 you know, a year of good driving under the DSR from
17 negative 20 will get you up to negative 14 or
18 something like that. I don't remember the specific
19 numbers, but yes it's -- the system -- the DSR system
20 is designed to help get you out of the hole, so to
21 speak, faster.

22 MR. ANTHONY GUERRA: Right. But also
23 if you are in a negative situation, let's say for
24 example you were a negative 7 driver, subject to check
25 you'd agree with me that it would take approximately

1 three (3) years of good driving behaviour to get back
2 up to a zero rating, correct?

3 MR. JEFF CROZIER: Subject to check,
4 yes, I'll -- I'd accept that.

5 MR. ANTHONY GUERRA: So -- so for
6 those three (3) years, that taxi driver better be on
7 their best behaviour in order to move up to that zero
8 level rating?

9 MR. JEFF CROZIER: Yes.

10 MR. ANTHONY GUERRA: Whereas if
11 they're under a Fleet Program, as -- or vis a vis the
12 owner of the fleet, they may only need one (1) year of
13 good driving in order to have a material impact on the
14 amount of the -- the owner would pay under the fleet,
15 correct?

16 MR. JEFF CROZIER: Yeah, each year of
17 -- each year of experience would -- is, let's say
18 settled after -- after the year, yes.

19 MR. ANTHONY GUERRA: And Mr. Bowman,
20 just to confirm, you've had some criticisms of -- of
21 the current rating model that MPI uses, and we've had
22 Mr. Johnston speak at length about some of the -- the
23 basis for the decisions that he made under that model.

24 Can you confirm, sir, that unlike Mr.
25 Johnston you are not an actuary.

1 MR. PATRICK BOWMAN: I am not an
2 actuary.

3 MR. ANTHONY GUERRA: Thank you. Those
4 are my questions.

5 THE PANEL CHAIRPERSON: Mr. Watchman,
6 how long do you expect your cross to be?

7 MR. ROBERT WATCHMAN: I expect it to
8 be about half an hour.

9 THE PANEL CHAIRPERSON: Mr.
10 Williams...?

11 DR. BYRON WILLIAMS: In the same
12 range, perhaps a bit less.

13 THE PANEL CHAIRPERSON: Okay, then
14 we'll take the afternoon break now. It's roughly 5 to
15 3:00, so can we be back at 10 after 3:00, please.

16

17 --- Upon recessing at 2:55 p.m.

18 --- Upon resuming at 3:13 p.m.

19

20 THE PANEL CHAIRPERSON: Okay. Thanks
21 very much. Mr. Watchman...?

22

23 CROSS-EXAMINATION BY MR. ROBERT WATCHMAN:

24 MR. ROBERT WATCHMAN: Thank you, Madam
25 Chair.

1 Good afternoon, Mr. Crozier, Mr.
2 Bowman. My questions will generally be directed to
3 some clarification of the responses that were given to
4 the PUB undertakings. And either or both of you may
5 have responded to those, so either or both of you
6 should feel free to respond to any question that I
7 might ask now.

8 And, Kristen, if we could go to PUB-TC-
9 1-1 and Table 1 in that document. There it is.

10 And you will recall, gentlemen, that
11 this was a table in which the PUB asked you to add the
12 columns that are -- have the letters 'A', 'B', 'C',
13 and 'D' to the top. Do you recall that?

14 MR. JEFF CROZIER: Yes, I do.

15 MR. ROBERT WATCHMAN: And just looking
16 at it -- and the -- the various taxicab Vehicle for
17 Hire classes in the various territories are in bold
18 there.

19 And just looking at -- down Column C,
20 which is the relationship between pure premium and
21 balanced indicated rates, and we see that the ratio
22 for territory 1 is point eight two (.082). And if we
23 drop down to the other three (3) territories, you see
24 that it's in the nature of point four six (.46) down
25 to point two (.2).

1 Does the Taxi Coalition believe that
2 the rates being charged for those other territories
3 are too high?

4

5 (BRIEF PAUSE)

6

7 MR. JEFF CROZIER: I'm going to
8 struggle to answer that question. The -- the data --
9 the additional data and the inferences that one may be
10 able to draw from this additional data were not part
11 of my original analysis. So I'm afraid that I cannot
12 give you a direct answer to that question. Maybe you
13 could ask it again and I'll -- but I don't know if
14 it's going to get any farther.

15 MR. ROBERT WATCHMAN: Just -- it seems
16 -- well, and perhaps that goes to my next question
17 because if we look at -- if we compare Column A and B
18 and we look at the -- first territory 1 in line 1, and
19 you can -- you have some sense of how close those are,
20 whereas when you go down to the other taxi Vehicle for
21 Hire categories, the numbers are perhaps more
22 significantly different.

23

24 (BRIEF PAUSE)

25

1 MR. JEFF CROZIER: I -- yes, I see
2 what you're saying, and so you're -- you know, the --
3 the difference between Column A and Column B is the
4 balanced indicated rate versus the raw pure premiums,
5 which is the adjusted claims cost per earned -- per
6 earned unit.

7 And so, yes, there is a difference
8 there, and a larger difference for the other
9 territories. But our case is not -- or, sorry, my
10 evidence is not about the -- it's not so much about
11 the appropriateness of the current taxi Vehicle for
12 Hire rates which have followed MPI's ratemaking
13 methodology as it is about the kinds of improvements
14 that MPI should consider and that this Board should
15 consider through a Vehicle for Hire framework review.

16 Sorry if I can't more specifically
17 answer your question.

18 MR. ROBERT WATCHMAN: No, thank you.
19 That's -- that's fine.

20 MR. JEFF CROZIER: Sorry about that.

21 MR. ROBERT WATCHMAN: We'll just move
22 on then to PUB-TC-1-2, which I believe was now revised
23 as Exhibit 5. I -- it doesn't matter. We can go to
24 the original. The portion that I wanted to go to I
25 don't think was changed by the revision.

1 Now, if you look at -- if you scroll
2 down to question A -- and this -- oh, sorry. Before
3 we get there -- oh, maybe a little bit too much. I
4 just wanted to see up on the previous page there --
5 there, right there.

6 And so as we know, MPI is currently
7 reviewing the VHF products, and they have indicated
8 that they identify these as issues with their existing
9 design.

10 And if we scroll down to the bottom of
11 the second page, and we asked you if you agreed with
12 that, and the response was that:

13 "Mr. Crozier and Mr. Bowman gen --
14 generally agree with these
15 principles, but would add that for
16 the second principle where the
17 decisions are made to vary the rate
18 -- rating model between VHF sub-
19 categories, those differences should
20 be grounded in appropriate and
21 principled reasons. For example, a
22 different rating or pricing..."

23 If we could scroll down:

24 "...approach may be warranted to
25 accommodate varying business models

1 among -- among the VFH
2 subcategories."

3 Do you see that, and that was the
4 response?

5 MR. PATRICK BOWMAN: Yes.

6 MR. ROBERT WATCHMAN: And could you
7 elaborate on -- on what was meant by "differing
8 pricing approach to accommodate the varying business
9 models"?

10

11 (BRIEF PAUSE)

12

13 MR. PATRICK BOWMAN: Well, to the
14 extent that I contributed to this response -- this was
15 a joint response, so Mr. Crozier may wish to add at
16 the end -- but the three (3) principles that were set
17 out, the second principle was the one we were
18 commenting on.

19 And the second principle, basically,
20 only says the principle that it -- this doesn't have
21 apply identically, but it doesn't say why it doesn't
22 have to apply identically or how -- why you would
23 decide to do it different for -- for different groups.

24 So we were saying if there's a
25 principle reason to think about it differently for

1 different -- if you have subcategories, that's fine.
2 The -- the aspect of -- of varying business models
3 could -- could apply to such things, as Mr. Crozier
4 noted, about, you know, corporately owned vehicles
5 versus individually owned vehicles or things of that
6 nature.

7 MR. JEFF CROZIER: I'll add to that.
8 And I think the -- what we may have been thinking
9 about at the time of drafting this answer was that TNC
10 companies have a different business model and appear
11 to be requesting different product characteristics
12 from MPI. And those product characteristics may not
13 work well for taxi companies as they are organized in
14 Manitoba.

15 So if you're going to have different
16 products, then that seems reasonable to meet, you
17 know, the needs of the different customers. I think
18 we just -- as Mr. Bowman said, there ought to be, you
19 know, sort of, good underlying reasons for that -- for
20 those different product characteristics.

21 MR. ROBERT WATCHMAN: Okay. Thank
22 you. If we could scroll down to the response to 'C'.
23 And this was a question relating to the -- to a per
24 kilometer based VFH rating scheme.

25 And the response that you give is that,

1 Well, the concept is not clear and, generally
2 speaking, the rest of it talks about what might be
3 attributes and what might be faults.

4 But is it the Taxi Coalition's position
5 that a per kilometer based scheme might have some
6 merit?

7 MR. PATRICK BOWMAN: Mr. Watchman, I -
8 - I want to be careful about commenting on the Taxi
9 Coalition's perspective or submission. I'll leave it
10 to Mr. Hacault to address that.

11 As far as the objectives that -- that I
12 would have been addressing in terms of -- of price
13 signals and reflecting costs or risk in -- in pricing
14 those, a per kilometer based scheme would have some
15 merit. It may have particular merit in addressing
16 some of the issues that I highlighted in Appendix 1.
17 For example, passenger Vehicle for Hire may have a
18 very different distance driven than -- than taxis or
19 than each other.

20 My only reservation in the first line,
21 about it not being clear, is -- is -- you know, is it
22 an improvement may depend on whether -- you know, what
23 you're doing to the model you have now. For example,
24 if you mean it's a per kilometer driven scheme, but it
25 means in order to implement that you have to throw out

1 time bands, whether that's an improvement or not would
2 depend on which one is actually tracking -- tracking
3 risk better. It may be that you need a per kilometer
4 scheme per time band, for example, in order to
5 actually capture that.

6 Or you may -- you may go backwards, by
7 saying every kilometer is the same and ignore the fact
8 that the time of day matters more.

9 So that -- that -- when I say lacked
10 clarity, it's -- those are the devil in the details
11 that could -- could very much matter.

12 But -- but from my perspective as a
13 rate -- doing rate design and -- and economic price
14 signals, a per kilometer scheme would have a
15 suggestion of some merit.

16 But as I said, I'll have to leave it to
17 Mr. Hacault to comment on whether the -- whether the
18 client views that as desirable or not.

19 MR. ROBERT WATCHMAN: Thank you. Now,
20 in the -- about the midpoint in that response, it
21 reads:

22 "Analysis would be needed to
23 determine if per kilometer pricing,
24 in fact, matches a vehicle's risk
25 profile better than time bands."

1 Did you have anything to suggest in
2 terms of how that would be determined?

3 MR. PATRICK BOWMAN: No, I -- I would
4 leave that to -- to the work that MPI does anyway in
5 terms of core leader risk and minimum bias and that
6 sort of nature, if they had the data.

7 But it goes back to the question of --
8 of, you know, whether by subdividing your -- your data
9 into smaller and smaller sets, you end up with a
10 better representation or you end up with -- with more
11 noise, I guess, is the -- is the question.

12 And -- and it -- like I said, it may be
13 that -- that the difference between one taxi and the
14 other or one -- one TNC driver and the other is not
15 how many kilometers they drove, it's when they drove.
16 That might matter more. In which case, time bands may
17 be -- may do a better job of -- of sending the -- the
18 appropriate pricing and price signals.

19 Whereas, if it's the distance driven,
20 it may be -- it may be that a per kilometer is better
21 and it may be that you need to merge the two (2) and
22 have per kilometer per time band.

23 But then you may be down to a
24 refinement level that -- that you're -- you're trying
25 to infer a signal from too little data.

1 MR. ROBERT WATCHMAN: Thank you. If
2 we could then move to PUB-TC 1-3. And table 1 is an
3 expanded table with those columns in the middle.

4 And would it be fair to say that there
5 has been minimal movement in the raw pure premiums
6 over time?

7

8 (BRIEF PAUSE)

9

10 MR. JEFF CROZIER: So I attempted to
11 tackle the additional data that PUB's Information
12 Request asked for. And if you wouldn't mind scrolling
13 to the following page.

14 I took the opportunity to plot the raw
15 pure premiums that were requested. And -- I'm sorry,
16 your question was, is there a minimal movement in raw
17 pure premiums?

18 MR. ROBERT WATCHMAN: Yes, would you -
19 - would you agree to that?

20 MR. JEFF CROZIER: Well, so the orange
21 line starts at around six (6) and it goes down to
22 five-point-seven (5.7), so that's, say, about 5
23 percent. If my math is right.

24 And on the -- the -- I mean, I'm
25 assuming you're asking about all pure premiums not

1 just for taxi VFH or...

2 MR. ROBERT WATCHMAN: Well, the taxis
3 for now is good.

4 MR. JEFF CROZIER: Sure. Okay. So, I
5 mean, you know, 5 percent is -- just depends how you
6 define 'minimal'. But it's -- it did not -- it has
7 changed. I guess we can conclude that.

8 MR. ROBERT WATCHMAN: If we could go
9 back to the table, Kristen.

10 And would you agree that it is likely
11 that the reduction in the balanced raw relativity over
12 time is being driven more by the increase in the
13 overall public major class raw pure premium more so
14 than the movement in the taxis?

15 MR. JEFF CROZIER: The particulars of
16 the minimum bias procedure are outside the scope of my
17 understanding and expertise.

18 The analysis that I've performed, such
19 as it is, was on the basis of relativities and it took
20 them as given.

21 I'm sorry, I cannot provide a comment
22 on the factors that are driving those relativities
23 beyond -- beyond the response that I provided in this
24 Information Request, which was as full a response as I
25 was -- as I could provide. That's it.

1 MR. ROBERT WATCHMAN: Thank you.

2 Now, if we look at the -- the decrease
3 in the -- for the 2021 GRA, would you agree that could
4 be potentially due to some impact of COVID?

5

6 (BRIEF PAUSE)

7

8 MR. JEFF CROZIER: I believe that
9 there might be a very small front-end impact if the
10 data goes to the end of March 2020. Most recent loss
11 -- although the most recent loss year is 2019/'20, I'm
12 -- I'm sorry. It says "the most recent lost year is
13 2019." Give me a moment. I'll see if I can infer
14 anything else from...

15

16 (BRIEF PAUSE)

17

18 MR. JEFF CROZIER: Table 14, which is
19 the source of -- of the raw pure premiums, which are
20 used to calculate the raw relativities, has a column
21 entitled Loss Year. It doesn't specify if it's loss
22 year '19/'20 or if -- so if the '19 is the first part
23 of the year or the -- or the -- sort of the second
24 half of the year after January.

25 If the loss year is -- labelled 2019

1 reflects '19/'20 to the end of March 2020, then there
2 would be a small, I believe, COVID effect. I bel --
3 as memory serves, the -- MPI's application in the
4 springtime identified -- application for -- for a
5 rebate identified that there was a COVID effect in
6 mid-March.

7 MR. ROBERT WATCHMAN: Thank you.
8 Kristen, if we could turn to PUB-TC-1-4.

9 And this deals with the Fleet rate --
10 rebates and the fact that the taxis don't qualify.
11 And if we scroll down to the response to (a) on page
12 2.

13

14 (BRIEF PAUSE)

15

16 MR. ROBERT WATCHMAN: Actually, it's -
17 - it's the top of the next page. Scroll down a little
18 more, please.

19 The gap -- there is a gap in incentive
20 program availability, which could be corrected through
21 program design.

22 Are there any program designs that are
23 not in place that the Taxi Coalition would suggest to
24 improve that gap or eliminate it?

25

1 (BRIEF PAUSE)

2

3 MR. JEFF CROZIER: None come to mind
4 that are perfect solutions. There appear always to be
5 tradeoffs. So one (1) of the questions that was put
6 to MPI, I believe, in the first round would -- was to
7 the effect of expanding Fleet Program eligibility so
8 that smaller fleets could participate.

9 MPI rightly responded that decreasing
10 the size of the fleet would increase volatility, and
11 at some point, that becomes adverse and we don't know
12 when that point is, but it's somewhere.

13 So there are -- there are -- I know you
14 could -- just thinking off the top of my head, you
15 could -- you know, instead of having a single year's
16 experience, you could maybe use multiple years'
17 experience for those smaller fleets, for instance, in
18 an effort to try to smooth things and dampen the
19 impact of -- you know, and eliminate whipsawing.

20 It's -- you know, I'm -- I'm sure there
21 are a number of -- of possibilities. That's one (1)
22 of them. But I -- I suspect that the answer to this
23 problem is in revising and sort of, you know, taking a
24 hard look at the program design.

25 MR. ROBERT WATCHMAN: Thank you. If

1 we could turn to PUB-TC-1-5. And this question
2 related to the issue of an increase in the credibility
3 weighting.

4 And as I understand your evidence today
5 is that this was an exercise that you went through,
6 correct?

7 MR. JEFF CROZIER: Yes, that's
8 correct.

9 MR. ROBERT WATCHMAN: And -- and so it
10 was based on -- and -- and it was -- it was a results-
11 oriented sort of exercise, where you started with a 15
12 percent increase in rates and then related it back to
13 credibility weighting.

14 MR. JEFF CROZIER: That's -- yes,
15 that's a way of describing it. We -- using a goal-
16 seek approach, yeah.

17 MR. ROBERT WATCHMAN: Right. And so -
18 - and the reason you selected the 15 percent is
19 because that is the cap for experience adjustment?

20 MR. JEFF CROZIER: Yes.

21 MR. ROBERT WATCHMAN: And so then, if
22 I understand your evidence, relating that back to cred
23 -- credibility weighting would change the credibility
24 weighting from 10 percent to 40 percent.

25 MR. JEFF CROZIER: Roughly, yes. The

1 -- I sort of had to run through it twice because we do
2 credib -- sorry, MPI does credibility weighting before
3 adding in the credibilities for territories, so you --
4 I had to sort of find the minimum credibility
5 adjustment and then reapply it to all of the
6 territories.

7 But -- but, yes. I mean, it's --
8 effectively a 40 percent credibility weighting at the
9 -- at the sort of raw and current level would
10 translate into a maximum of 15 percent for I believe
11 it's territory 1 and some smaller adjustments for the
12 other territories.

13 MR. ROBERT WATCHMAN: Thank you. And
14 so I take it your position is that that adjustment to
15 the credibility weighting would still be consistent
16 with setting just and reasonable rates.

17 MR. JEFF CROZIER: So there are a
18 number of factors that need to be considered in
19 setting just and reasonable rates. One (1) of them is
20 the PUB's existing rules around experience
21 adjustments.

22 How -- how this panel decides to weight
23 that experience adjustment rule, maintaining the --
24 let's say, the integrity of that rule or -- or, you
25 know, setting it aside temporarily against the impacts

1 on the marketplace and the other sort of principled
2 reasons that have been discussed in the evidence is a
3 consideration.

4 But to have that -- to sort of know
5 where that marker is was something I felt would be
6 useful for the panel. It -- you know, should you
7 exceed it, how far are you going, as an example? Or
8 how far do you have to go even just to get there,
9 right, to know -- know where that -- that line is --
10 or, sorry, not a line, but to know where that -- that
11 point is, that marker?

12 MR. PATRICK BOWMAN: Do -- do you mind
13 if I add to --

14 MR. ROBERT WATCHMAN: Thank you.

15 MR. PATRICK BOWMAN: -- Mr. Watchman?

16 MR. ROBERT WATCHMAN: Certainly.

17 MR. PATRICK BOWMAN: I was just going
18 to say, as I noted, this was a point that Mr. Crozier
19 and I discussed as he was preparing his evidence, and
20 it certainly wasn't an attempt to test or come up with
21 a -- an outcome that is the limits of just and
22 reasonable rates by any stretch of the imagination.
23 Our entire submission was about just and reasonable
24 rates.

25 The -- the basis for it was

1 effectively, as an initial exercise, to test MPI's
2 proposal in respect of the two (2) different sort of
3 reasons that I was talking about for why one uses a
4 credibility weighting. Well, one (1) is the
5 analytical reason. And the question was, Do they have
6 to apply a 10 percent because the other data's 90
7 percent credible, where this is only ten (10)? And we
8 -- and we concluded no.

9 But then the other one (1) was the --
10 the customer-impact reason. And it was, Do they have
11 to apply a 10 percent to prevent people from going up
12 15 percent? And again, the answer was no. They --
13 like, you could go up to forty (40) and still at least
14 be within that measure.

15 Whether that measure's relevant or not
16 is a separate question I addressed, but it was not an
17 attempt to -- to apply a -- a just-and-reasonable-rate
18 standard and -- and figure out the outer bounds of it.

19 MR. ROBERT WATCHMAN: Okay, thank you.

20 And I -- and I understand from that is
21 that neither of you gentlemen nor the Taxi Coalition
22 is actually recommending a 15 percent increase to the
23 passenger vehicle VFH.

24 MR. PATRICK BOWMAN: No, no. And as a
25 matter fact, it was simply a measure of testing, you

1 know, on this scale of -- of potential is -- does one
2 have to go to MPI's approach because they're intending
3 to hang their hat on the 15 percent? But they're --
4 they're clearly not. They're not even a quarter of
5 the way to that, you know, the ten (10) instead of
6 forty (40), so.

7 MR. ROBERT WATCHMAN: Okay. Kristen,
8 could we turn to, then, the presentation today, I
9 believe it's TC Exhibit 4-1, and all the way to the
10 end, slide 29.

11 And -- and, Mr. Bowman, you recall Mr.
12 Guerra questioning you about this. And, as I
13 understand what you're saying is that, based upon the
14 experience data that is available, that data could
15 actually justify a rate increase of 56 percent or
16 more?

17 MR. PATRICK BOWMAN: Yeah. And -- and
18 further, I think, you know, like I said, had we known
19 that two (2) years ago, it's probably the rate people
20 would have used.

21 MR. ROBERT WATCHMAN: And so -- and
22 just picking up on the second point there, you're
23 talking about, what I understand is, is that a large
24 increase now would put the -- the -- MPI in a position
25 that in the next following GRA they could use the

1 adjustment capping rule -- the experience adjusting
2 capping rule so that they would only need another 15
3 percent in a future GRA application?

4 MR. PATRICK BOWMAN: Yes, that would
5 be an alternative, is to go not all the way to 56, but
6 to go effectively one (1) step before so that next
7 year, within the -- the rules and the standards that
8 have otherwise been applied, you could get there.

9 I -- I'm a little bit cautious about
10 that because, as I noted, you know, there's no serious
11 losses in these numbers for one.

12 Number 2 is as this price signal is
13 improved and the subsidization is removed, we could
14 very well find that the -- the TNC drivers consolidate
15 into those who are a lot more serious about it than
16 weekenders, and that may lead to a lot more loss
17 incidents because they're just on the road more.

18 And so, if you don't get there, to the
19 56, we might say, well, 15 percent, we'll get there
20 next time. But it may be by the time we get here next
21 time, there's a serious loss and there's been a lot
22 more kilometres being driven and we're chasing
23 ourselves a bunch of years of 15 percents trying to --
24 trying to get the -- the -- you know, the loss ratio
25 where we would like it.

1 MR. ROBERT WATCHMAN: And just in that
2 second point, towards the end, you indicate that the
3 15 percent increase would be reflected without
4 imposing any new rate shock.

5 So, can you just tell us a little bit
6 about your interpretation as to what constitutes rate
7 shock?

8 MR. PATRICK BOWMAN: Well, in that
9 respect, I was working with the -- MPI's rate design
10 criteria, that 15 percent is a -- is a limit for
11 experience base. And -- and that was -- I'm not sure
12 if they used the term 'rate shock', but I think it's
13 the sort of commonly understood term for what they're
14 trying to achieve with that limit.

15 It's also not uncommon, there's other
16 jurisdictions I've been in, that those type of
17 numbers, 10 or 15 percent, might be considered the
18 limits of -- of rate shock for certain types of
19 regulated services.

20 So, I'm not trying to put words in
21 their mouths. I -- I use the term 'rate shock', but I
22 was intending to represent the rate design criteria
23 that they apply in any event.

24 MR. ROBERT WATCHMAN: Okay. Thank
25 you. And so, do -- do you accept that avoidance of

1 rate shock is an acceptable policy consideration in
2 setting just and reasonable rates?

3 MR. PATRICK BOWMAN: Yes, it's -- it's
4 very much so. And it's one (1) of the nine (9) or ten
5 (10) Bonbright criteria I cite in the first page of my
6 appendix, yes.

7 MR. ROBERT WATCHMAN: Thank you. So,
8 if we could turn then to the report that was prepared
9 by Mr. Crozier and Mr. Bowman. And if we could go to
10 Appendix 1, page 4. I believe it's page 30 of that
11 presentation.

12

13 (BRIEF PAUSE)

14

15 MR. ROBERT WATCHMAN: And it's the
16 paragraph at the bottom, Kristen, there there's -- or
17 second from the bottom.

18 And I take it this is perhaps an
19 expanded explanation as to what you were saying, Mr.
20 Bowman?

21 MR. PATRICK BOWMAN: Is it the -- the
22 based on appropriate application paragraph?

23 MR. ROBERT WATCHMAN: Yes.

24 MR. PATRICK BOWMAN: Okay. Yes, this
25 is the one I referred -- I referred MPI counsel to

1 when I was indicating that the 56 percent rate
2 increase had, in fact, been recommended in the
3 appendix.

4 MR. ROBERT WATCHMAN: Yes. And so,
5 what you were talking about in terms of taking a step
6 now so that future rate increases could be limited
7 would be an increase now or for the 2021 GRA of
8 something in the order of a 40 percent rate increase?

9 MR. PATRICK BOWMAN: Right. And
10 remember that 40 percent, 56 minus 15 for simple math,
11 is based off of numbers that says a 56 percent
12 increase would be needed on top of the adjustments MPI
13 is already here proposing.

14 So, it's -- it's 40 additional percent,
15 if you like, yeah.

16 MR. ROBERT WATCHMAN: Yes. And are
17 you aware, sir, that there is another Board policy
18 that the combined effect in any one (1) year should
19 not result in a rate increase or decrease of more than
20 20 percent?

21 MR. PATRICK BOWMAN: Yes. I think
22 it's coming from the same broad desire to provide
23 great predictability and stability. And I would -- I
24 would point you to the same slides where I had
25 presented why, in this case, as one is balancing the

1 nine (9) or ten (10) Bonbright criteria, that one
2 would -- would appropriately receive much less weight
3 and the others would receive more, and the key one
4 being this is a very new rate, and it's information
5 that had we had, we would have -- we probably would
6 have said it that way to begin with.

7 MR. ROBERT WATCHMAN: And so, of
8 course, a 40 percent rate would be nearly double the
9 Board policy on an absolute rate cap.

10 Is it your position that the
11 circumstances in the present case are sufficient to
12 justify the Board overriding its own policy?

13 MR. PATRICK BOWMAN: Yes, absolutely.
14 That is exactly the position.

15 MR. ROBERT WATCHMAN: And so, again,
16 just -- just so we're perfectly clear here, are -- are
17 you or is the Taxi Coalition actually recommending a
18 40 percent increase to the passenger -- private
19 passenger Vehicles for Hire rate?

20 MR. PATRICK BOWMAN: I'll leave it to
21 Mr. Hacault to provide the final submission. In my
22 view, the 56 percent increase is -- is appropriate and
23 -- and warranted and is in the -- frankly, it's in the
24 best interest of making sure that -- that the
25 marketplace appreciates -- or receives the appropriate

1 pricing list.

2 MR. ROBERT WATCHMAN: Okay. Thank
3 you, gentlemen. Those are all my questions, Madam
4 Chair.

5 THE PANEL CHAIRPERSON: Thank you, Mr.
6 Watchman. Mr. Williams...?

7 DR. BYRON WILLIAMS: Thank you and
8 good afternoon. My question will be focussed on Mr.
9 Bowman's evidence, Appendix 1.

10

11 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

12 DR. BYRON WILLIAMS: And we can never
13 have a conversation, Mr. Bowman, without talking about
14 Bonbright, so let's go to the next page of our -- of
15 the material.

16 And, Mr. Bowman, you're here, taking
17 into account your twenty-two (22) years of experience,
18 to provide your insight in terms of the Application of
19 rate-making principles to the determination of rates
20 for the passenger Vehicle for Hire -- for Hire class
21 and, in doing so, you're taking into account those
22 normal regulatory considerations applicable for
23 customers served by a monopoly service provider,
24 agreed?

25 MR. PATRICK BOWMAN: Yes, in the

1 regulated context. I think 'regulated' is an
2 important aspect of that.

3 DR. BYRON WILLIAMS: And not just
4 regulated. The fact that we're dealing with a
5 statutory monology and we -- we're relying upon the
6 regulatory system to both maintain the health of that
7 monopoly, but also to take -- take into account the
8 interest of captive ratepayers, agreed?

9 MR. PATRICK BOWMAN: Yes.

10 DR. BYRON WILLIAMS: And in the -- as
11 we look at the complex deliberation, sir, of rate
12 setting, without asking you to elaborate, there's
13 often competing imperatives or considerations in the
14 public interest, agreed?

15 MR. PATRICK BOWMAN: Yes.

16 DR. BYRON WILLIAMS: And what you've
17 set out here, at the first full page of your evidence,
18 is some of the guidance by the -- Mr. Bonbright in
19 terms of some of the competing considerations in rate
20 design, agreed?

21 MR. PATRICK BOWMAN: Yes.

22 DR. BYRON WILLIAMS: And, sir, the
23 thrust of your advice in this Hearing is one (1) of
24 the key criteria is -- if we go down to number 7 on
25 this -- of Bonbright's criteria, is the avoidance of

1 undue discrimination in rate relationships because
2 you're suggesting, based upon the information before
3 you, that the rates for the private passenger Vehicle
4 -- Vehicle for Hire are unduly preferential, agreed?

5 MR. PATRICK BOWMAN: I -- I agree. I
6 would not discount the importance of number 8. It --
7 it may in fact be more important.

8 DR. BYRON WILLIAMS: We'll come to
9 number 8 in a second, sir. But you're agreeing with
10 me on number 7?

11 MR. PATRICK BOWMAN: Yes.

12 DR. BYRON WILLIAMS: And in coming to
13 the conclusion that the -- the rates for that class
14 are unduly preferential, you're -- you're relying on --
15 -- on the -- the loss costs and the conclusion that
16 this class is not fully recovering their rates --
17 fully recovering their costs, excuse me?

18 MR. PATRICK BOWMAN: I am relying on
19 the work of MPI's actuaries, yes.

20 DR. BYRON WILLIAMS: And in light of
21 fairness considerations, you're concluding that the
22 rates they're paying are unduly preferential or
23 discriminatory, agree?

24 MR. PATRICK BOWMAN: Yes.

25 DR. BYRON WILLIAMS: And just backing

1 away for a second -- and we will get to criteria
2 number 8 in a second, sir -- but at the high level of
3 regulatory con -- considerations, what makes price
4 preferences or price discrimination unduly
5 discriminatory or unduly preferential? What are the -
6 - kind of the -- the considerations that make that
7 undue?

8 MR. PATRICK BOWMAN: Well, you've
9 certainly hit on the art, not the science, of applying
10 the Bonbright criteria and the balancing of the
11 factors. But in general, I would say materiality is
12 one.

13 The degree to which the rates vary and
14 that the -- the amounts -- and -- and when I say
15 'materiality', I mean materiality in this case to the
16 class who's -- who's paying the rates.

17 But I don't think you can ignore the --
18 the relevance of item 8 to defining what undue is in--

19 DR. BYRON WILLIAMS: Okay.

20 MR. PATRICK BOWMAN: -- in item 7.

21 DR. BYRON WILLIAMS: So we'll come --
22 we'll come back to that in a second because you're --
23 you're cautioning me that you can't look at these
24 factors just in silos, that they do -- that they have
25 to be considered as part of a package, although you

1 are focussing in your evidence on seven (7) and eight
2 (8) really.

3 MR. PATRICK BOWMAN: Mostly on seven
4 (7) and eight (8), yes.

5 DR. BYRON WILLIAMS: And, sir, when
6 you speak of materiality -- and let's move away from
7 this -- the specifics of this example -- is there a
8 magic number? Is it 5 percent, 10 percent? Is it the
9 magnitude? What makes it material?

10 MR. PATRICK BOWMAN: There isn't a
11 magic number, but -- but, you know, measurable --
12 measurable to extent that -- that it's credible.

13 For example, you and I will sit in
14 Manitoba Hydro hearings where someone will say, well,
15 I can measure that a customer is underpaying its
16 costs, but they're underpaying to a degree where
17 they're paying 98 percent.

18 Do we really believe the precision in
19 the study is -- is that excellent that that last 2
20 percent is really -- is really missing from the rates
21 they pay? You know, we -- we wouldn't consider that -
22 - that material or --

23 DR. BYRON WILLIAMS: Okay.

24 MR. PATRICK BOWMAN: -- or reasonable
25 to pursue, for example.

1 DR. BYRON WILLIAMS: And in
2 materiality, is there also a temporal element of that,
3 sir? For example, if -- if it's -- if it's 5 percent
4 for two (2) years versus 20 percent for five (5)
5 years, like, does the duration of the undue preference
6 play -- pay into -- come into play, sir?

7 MR. PATRICK BOWMAN: Well, duration
8 does, and the -- the pattern, you know, the -- we --
9 we would talk about it in different language as -- the
10 zone of reasonableness would be a term that -- that
11 you and I will have run across in other proceedings.

12 And if we're talking about ninety-five
13 (95) to one-o-five (105) range being reasonable, it
14 doesn't mean you've got a free pass to take one (1)
15 class and sit at ninety-five point zero (95.0) for all
16 time.

17 That -- that ninety-five (95) to one-o-
18 five (105) is meant to be sort of representing an --
19 an imprecision, and you might -- you might vary about
20 that, notwithstanding some classes may sit at that
21 level for other reasons.

22 DR. BYRON WILLIAMS: Okay. Thank you.
23 And when we look at item number 8 in -- in Bronbites -
24 - Bonbright's criteria:

25 "...efficiency of the rate class and

1 rate blocks in discouraging wasteful
2 use of service while promoting all
3 justified types and amounts of use."

4 One (1) of the concerns you've outlined
5 in this appendix, sir, is you're saying that, by
6 virtue of what you characterize as a pricing
7 distortion, the wrong signals are being sent to
8 potential entrants into the private passenger Vehicle
9 for Hire marketplace in -- in terms of their
10 decisions.

11 And -- and you argue that that is an
12 inefficient -- it -- it is encouraging a wasteful use.
13 It is encouraging wasteful entry into the marketplace
14 which is not based on price signals.

15 MR. PATRICK BOWMAN: Yes, existing and
16 entry, yeah, so, you know, persistence for existing
17 and -- and also entry, yes.

18 DR. BYRON WILLIAMS: Just looking at
19 that item number 8, sir, are -- are you arguing
20 farther than that, that the entry of private passenger
21 Vehicle for Hire is also damaging other players in the
22 marketplace?

23 Are you suggesting that, at -- at this
24 early stage of the marketplace that, for example, the
25 taxicab industry is being injured by the -- by this --

1 this entry?

2 MR. PATRICK BOWMAN: I would -- I
3 would highlight three (3) parties who are being --
4 being injured by the mistake in pricing.

5 One is -- is all of the other customers
6 in that major class who are picking up the bill; that
7 -- that is the easy cross-subsidization point.

8 The second is outside of -- of this
9 room, if you like, in the marketplace, the -- the
10 thumb-on-the-scale effect of -- of pricing or of
11 availability of the different services. And that's
12 where one might -- might highlight the -- the
13 taxicabs.

14 If -- and I just want to emphasize,
15 raise the rates for passenger VFH as much as you want,
16 it's not going to lead to a decrease for taxis. It's
17 going to lead to a decrease for other private
18 vehicles.

19 But the taxis are the ones who are
20 harmed in the -- in the marketplace outside this room
21 when they're trying to offer services in a competitive
22 market. So there's where the thumb-on-the-scale
23 aspect of -- of MPI's proposal is.

24 And the third is the -- the ruthless
25 economist in me who would say mispricing a product is

1 not doing a favour to the people who purchase the
2 product if they're not getting the right price signal
3 to be able to make appropriate decisions.

4 And you said I focussed on seven (7)
5 and eight (8), but also number 5 of Bonbright's
6 criteria, stability of the rates themselves with a
7 minimum of unexpected changes.

8 If we -- if we look at this pricing and
9 say that, based on the data we know -- and it may be
10 the only data we have for quite a while -- we're going
11 to be sending a signal to people to make decisions to
12 participate in a market, a TNC market, despite the
13 fact that we are sitting on evidence that shows that
14 year over year we're going to be driving their --
15 their prices up, removing the cross-subsidization, and
16 -- and, as a result, they will have had the wrong
17 information to make decisions in the next few years.

18 DR. BYRON WILLIAMS: Thank you. Now,
19 you were no doubt paying -- watching with rapt
20 attention where Mr. Crozier was discussing with Mr.
21 Guerra the -- the circumstances of the taxicab
22 industry.

23 And you would have seen the slide
24 suggesting that the industry's been in Manitoba for
25 around sixty (60) years, something like that, sir?

1 MR. PATRICK BOWMAN: I saw the slide.

2 DR. BYRON WILLIAMS: Subject to check?

3 MR. PATRICK BOWMAN: Yes.

4 DR. BYRON WILLIAMS: And in the
5 Manitoba marketplace, in the Winnipeg marketplace,
6 generally, we'll see that the taxicab -- the taxi
7 industry has a well-established presence in the
8 marketplace. You'll agree with that, sir?

9 MR. PATRICK BOWMAN: Yes.

10 DR. BYRON WILLIAMS: And the new kids
11 on the block, whether in Winnipeg, Manitoba, or
12 nationally or globally, the disrupters, are those --
13 the private passenger Vehicle for Hire.

14 Would that be fair, sir?

15 MR. PATRICK BOWMAN: Yes.

16 DR. BYRON WILLIAMS: And in a way
17 played out in this debate within the hearing room is
18 that classic confrontation between a well-established
19 industry and -- and disrupters seeking to entrace --
20 enter the marketplace and change it profoundly,
21 agreed?

22 MR. PATRICK BOWMAN: I'm not sure I
23 agree, Mr. Williams, because I think that the essence
24 of that clash, if you -- if you call it that, would be
25 a submission to this Board suggesting that, under the

1 Crown Corps Act, section 25(4), they should be
2 choosing to reflect a compelling policy consideration
3 in the decision about what rates to set, and that they
4 -- they might have a reason for saying, We're going to
5 encourage the -- the entrant -- the -- the new kids I
6 think may have been a term you used -- through setting
7 below-cost rates.

8 And -- and they have that power under
9 the Act, and -- and I specifically looked at the
10 Board's Order in 2018 to see if they were choosing to
11 exercise that power as a principle in setting rates,
12 and it is not referenced.

13 Very specifically, it references we're
14 trying to avoid cross-subsidization.

15 DR. BYRON WILLIAMS: And I guess what
16 I'm just trying to get my head around, Mr. Bowman,
17 recognizing you're not quite walking all the way with
18 me in terms of the classic confrontation, but those
19 regulatory principles that -- that we -- we know and
20 love flowing from Bonbright and decades, century --
21 over a century of jurisprudence, should they be
22 applied differently or are there different
23 considerations when you're dealing with kind of a
24 well-established industry and market entrants?

25 Would that be a valid consideration,

1 sir?

2

3

(BRIEF PAUSE)

4

5 MR. PATRICK BOWMAN: Mr. Williams, I
6 could imagine situations where that case could be
7 credibly made. But I think predominantly I would
8 imagine that, where the case is made, that an entrant
9 faces a cost hurdle that they have to get over. And
10 once they get over that hurdle and establish a large
11 enough presence, the costs will come down to meet the
12 rates, if you like.

13 One (1) -- you know, if you -- if you
14 had for some reason a service where you were saying
15 that there's a short-term adverse impact that we want
16 to be careful about using as a barrier because over
17 the long-term that impact will average out or -- or,
18 you know, be muted for some reason.

19 I'll give you an example. If we were
20 sitting here with the -- with the passenger Vehicle
21 for Hire rates showing a monstrous serious loss in the
22 first year they operated in Manitoba and no reason to
23 expect that that is a -- you know, that is a common
24 thing, where, you know, a giant number that -- that
25 means that, even though we're only applying 10 percent

1 credibility, we're -- our -- our rates would be headed
2 through the roof for this class even though we expect
3 over time that will average out to a more reasonable
4 level, then you might say, okay, we're -- we might
5 want to vary our -- our rules for that.

6 This -- this broader question about
7 sort of public interest by imbedding a fairly blatant
8 cross-subsidization that is nothing more than delaying
9 them paying their costs.

10 It's not -- it's not letting them pay
11 what we expect the long-term cost to be but avoiding
12 some kind of short term aberration, but it's avoid --
13 it -- it's delaying them paying what we reasonable
14 expect their cost to be.

15 I'm not saying that couldn't be a
16 compelling policy consideration under Section 25(4) of
17 the Act, but I would expect it to be -- need to be
18 addressed fairly explicitly.

19 And -- and probably it's -- it's a
20 significant overreach from anything you'd see in -- in
21 a Bonbright or elsewhere.

22 DR. BYRON WILLIAMS: Let me pull that
23 back just a minute -- just a minute, sir. Let's
24 accept for a moment the premise that it would take a
25 56 percent rate increase to eliminate the undue

1 preference in one (1) -- in one (1) swoop.

2 Would you accept that it would be a
3 legitimate consideration of the Board, taking into
4 account the limits of the data being only two (2)
5 years, as well, taking into account that you do have a
6 new -- a new entrant into the marketplace to take a
7 more cautious approach, such as a 15/15/15 get you
8 close kind of approach?

9 Just conceptually, is that a legitimate
10 regulatory consideration, recog -- recognizing this
11 new entrant in the marketplace?

12 THE PANEL CHAIRPERSON: Just a moment,
13 please. There's someone who's on the live stream
14 who's got a mic that is not muted. Could you please
15 mute your mics? Sorry, Mr. Williams.

16 DR. BYRON WILLIAMS: I was hoping it
17 was a kitten.

18

19 CONTINUED BY DR. BYRON WILLIAMS:

20 DR. BYRON WILLIAMS: You heard my
21 question inelegantly asked as it is, Mr. Bowman.

22 MR. PATRICK BOWMAN: Would it be out
23 of line to ask you to repeat?

24 DR. BYRON WILLIAMS: Sure. Without
25 asking you to elaborate, I'll ask you to confirm that

1 one (1) alternative to -- to correct the alleged undue
2 preference is a 56 percent rate increase, agreed?

3 MR. PATRICK BOWMAN: Yes.

4 DR. BYRON WILLIAMS: And again,
5 without asking you to elaborate, because I'll give you
6 a chance in a couple seconds, the data underlying the
7 case that -- that it would take a 56 percent rate
8 increase is two (2) years --

9 MR. PATRICK BOWMAN: Yes.

10 DR. BYRON WILLIAMS: -- agreed? And
11 recognizing, as well, that it's a new entrant into the
12 marketplace and recognizing the data limits that
13 exist, would it be a legitimate regulatory approach to
14 phase in that rate increase in three (3) sequential
15 years that would roughly equal that 56 percent?
16

17 (BRIEF PAUSE)

18
19 MR. PATRICK BOWMAN: It's
20 mathematically possible. I don't think it's advised
21 for a couple of reasons. But I think it all starts
22 from this premise that is implicit in the question
23 that somehow the rate we're paying now has some
24 significant meaning.

25 And -- and I reflect on the question I

1 heard earlier today, I believe, about, you know, why
2 didn't we start with taxi rates. Had we started with
3 taxi rates, we'd be talking about decreases here. And
4 I don't know whether -- quite -- quite how the -- the
5 situation would have played out.

6 But I think we want to be careful at
7 this moment in time putting too much sort of weight or
8 -- or considering sacrosanct the -- the 2018 rates
9 that were set.

10 They haven't been paid for long. They
11 haven't been paid by very many people participating in
12 the market. Major players are only now showing up.
13 This is still our chance to fix a problem. And if we
14 -- we over focus on the -- the carryover, the burden,
15 the -- the hurdle we've put in place by the 2018
16 decision without applying fault or something to the
17 2018 decision, but if we over focus on that, we get in
18 the situation you describe where you say, you know,
19 three (3) years.

20 Well, I think it's -- you know, three
21 (3) won't get you there; it'd be upwards of four (4).
22 MPI's not even proposing that, but you'd be upwards of
23 four (4). That's before we have any serious losses.

24 So, you know, by that point, are we
25 going to see serious losses? Are we talking five (5)?

1 Okay, not we have five (5) years of compounding 15
2 percent rate increases.

3 Who are we doing a favour to by going
4 that route rather than fixing the problem now quickly
5 before people are -- are -- you know, before this
6 market gets going too much in order to improve the
7 price signal?

8

9 (BRIEF PAUSE)

10

11 DR. BYRON WILLIAMS: I won't belabour
12 this point, but it -- is it conceptual that the --
13 that what we're seeing in the two (2) years of data is
14 random fluctuations and that it doesn't -- I take your
15 point. It -- it could be a higher indication. It
16 could be a lower indication, too, with a bit more
17 experience, agreed, sir?

18 MR. PATRICK BOWMAN: It -- it could be
19 random, but -- but it's far enough off -- first of
20 all, it's -- it's reasonably stable over two (2)
21 years.

22 Second, it's far enough off that in --
23 in my back-of-the-envelope math, it is easily
24 significant enough to change the decisions people will
25 make, which is why I said your under discrimination

1 point needs to be flavoured by -- by point number 8,
2 are you encouraging a use that is wasteful, in the
3 language of Bonbright, but someone to consume
4 insurance services that -- that they are significantly
5 underpaying for that they are -- they are wasting that
6 were the faced with the proper cost, they would choose
7 not to consume.

8 That -- you know, given that degree of
9 -- of difference, I guess the -- the likelihood is
10 that, even if this number is -- is off by some random
11 degree, it's still suggestive that rates are too low
12 and that that would have a tendency to remove from the
13 market people who don't drive very much. People only
14 do this as a weekender thing.

15 And as that occurs, you would expect,
16 if anything, this -- this value to go up.

17 DR. BYRON WILLIAMS: So doesn't a 15
18 percent increase send a pretty powerful price signal,
19 sir? Directionally, it says that, take care. Agreed?

20 MR. PATRICK BOWMAN: Directionally, it
21 says take care. But I don't disagree with that. But
22 I'm -- I'm attentive to the fact that a 15 percent
23 price signal is somewhere on the -- on the order of --
24 of three hundred dollars (\$300) in rough numbers on
25 the sort of two thousand (2,000) that is the starting

1 point.

2 MPI used some numbers when they
3 estimated Saskatchewan's pricing, where they said
4 Saskatchewan is charging 11 cents a kilometer. And
5 the 11 cents a kilometer, they applied over thirty-
6 five hundred (3,500) kilometers and said that that's,
7 you know, three hundred and fifty dollars (\$350) or
8 something.

9 If thirty-five hundred (3,500)
10 kilometers is a reasonable estimate of a -- a
11 weekender -- I think it sounds low, but if it's a
12 reasonable estimate of a weekender -- that's a -- that
13 three hundred dollars (\$300) we would raise the rates
14 would -- would raise their costs about 10 cents a
15 kilometer for operating.

16 And, you know, is that a hurdle to --
17 to participate in the market? Is that a strong
18 signal? It might be, but it's a lot less of a signal
19 than the 30 to 40 cents a kilometer that -- that the
20 full pricing of the service they're consuming is --
21 suggests it costs.

22 DR. BYRON WILLIAMS: Okay. So just
23 so I'm clear. Are you suggesting that a 15 percent
24 rate increase is not a strong price signal into a
25 marketplace? Over three hundred (300) bucks?

1 MR. PATRICK BOWMAN: I'm suggesting
2 that it's -- in this case, it's -- it's a lot less
3 than the data suggests we need. And -- and it's -- my
4 concern would be it's not a big enough signal to -- to
5 deal with the -- the sending prospective participants
6 or market participants the -- the pricing that they
7 need to make a decision, whether they want to put
8 their toe in or participate.

9 DR. BYRON WILLIAMS: So in your view,
10 a 15 percent price increase would invite market
11 participants?

12 MR. PATRICK BOWMAN: It -- it may not
13 be enough to send the signal that we know is needed
14 and that failing to send the full signal could very
15 easily, at this time, be -- be altering people's
16 decisions.

17 DR. BYRON WILLIAMS: Just a couple
18 more questions. I want to turn -- under background,
19 which should be on the fourth page of your evidence,
20 to observation 11, under 'Background'.

21 MR. PATRICK BOWMAN: Yes.

22 DR. BYRON WILLIAMS: Just one --
23 yeah, right -- thank you, Ms. Schubert.

24 And if you want to invite Mr. Crozier
25 to chime in on -- on this one, feel welcome to.

1 But you indicate that MPI has -- to
2 your knowledge, has not investigated whether the
3 passenger Vehicle for Hire should be included in the
4 public class, rather than the private class. Agreed?

5 MR. PATRICK BOWMAN: Yes.

6 DR. BYRON WILLIAMS: What are the
7 types of considerations that should be taken into
8 account in making that determination of whether it
9 belongs in the passenger Vehicle for Hire or the
10 private passenger class? At least from a high
11 regulatory principle perspective.

12 MR. PATRICK BOWMAN: Mr. Williams, I -
13 - I may suggest Mr. Crozier to tag off at the end of
14 this response.

15 I would just generally say the scope of
16 the evidence I was asked to look at really focuses on
17 the relativities and the outcomes of table 15 and
18 beyond. So when we -- sorry -- when we've had
19 questions about table 14 and before, that's really not
20 where the focus has been. All of those aspects that
21 lead to the minimum bias procedure and the actuarial
22 work that -- that MPI does.

23 I can't tell you the practical impacts
24 of whether these vehicles were included in the -- the
25 -- a different major class, if we were to switch the

1 major classes.

2 But there may be and it would be
3 interesting to see -- I guess, in the first instance -
4 - and a mathematical assessment of the impact -- and
5 then try to understand why that's occurring.

6 Clearly, major classes have a meaning
7 and have an impact; otherwise, MPI wouldn't bother to
8 go through the exercise. But they -- they reside in
9 that part of the application that I haven't spent
10 nearly as much time on.

11 The main point that I'm focusing on
12 there is that the 2018 application appears to have,
13 you know, been built on the premise that passenger
14 Vehicle for Hire is primarily people who are going to,
15 you know, pick up somebody on the way to work and do
16 one (1) or two (2) rides a day, each way. It's sort
17 of this very casual type of participation. As a
18 matter of fact, it even -- it even references that in
19 the application.

20 In practice, there's other material
21 that's been filed and -- and information coming from
22 the -- the taxis that that is not the only way these
23 services operate. There are many people who are
24 operating this effectively as a -- as full-time
25 occupation. And if so, their -- their vehicle use

1 might look a lot more like -- like a professional
2 driver. And -- and being in a different class might -
3 - might really make a difference at the end of the
4 day.

5 But I'm not in the details of the math
6 to know -- to know what that would mean. It just --
7 it was just intended to be a point showing that I'm
8 not sure that degree of thought has gone into it.

9 DR. BYRON WILLIAMS: And just before
10 we get to Mr. Crozier, what I hear you say, Mr.
11 Bowman, is given what we know now and that some of the
12 analytic considerations -- like, the weekenders -- may
13 be different, it would be worthwhile exploring whether
14 the evolution of the industry and the actual
15 mathematical outcomes suggest that -- that this is
16 more analogous to professional drivers, rather than
17 the class in which it currently resides.

18 Is that what you're saying, sir?

19 MR. PATRICK BOWMAN: Yes. Or -- or,
20 indeed, is evolving in that direction which is one (1)
21 of the other reasons I think we need to be a little
22 bit careful about the credibility weighting process is
23 credibility weighting is designed around the idea that
24 the past is predictive of the future.

25 But in -- as this is a new service and

1 an evolving concept and -- and less -- appears to be
2 less favourable economically to -- to weekenders --
3 particularly, if the full insurance costs are included
4 -- that evolution may occur in any event. And to --
5 to higher relativities and look a little more like
6 taxis.

7 DR. BYRON WILLIAMS: Okay. I'll let
8 Mr. Crozier chime in as -- if he wants.

9 MR. JEFF CROZIER: I don't think I
10 have anything to add that hasn't already been put on
11 the record. Thank you.

12 DR. BYRON WILLIAMS: Okay. Thank you.
13 Madam Chair, those are our questions. Thank you.

14 THE PANEL CHAIRPERSON: Thank you, Mr.
15 Williams. Mr. Gabor...? Ms. Hainsworth, do you have
16 any questions?

17 MS. CAROL HAINSWORTH: No, I do not.

18 THE PANEL CHAIRPERSON: Thank you.
19 Mr. Hacault...?

20

21 RE-DIRECT EXAMINATION BY MR. ANTOINE HACAULT

22 MR. ANTOINE HACAULT: I have a couple
23 of questions on re-examination.

24 In the questioning by Mr. Guerra, you
25 recall, Mr. Crozier, that he brought you to -- and

1 perhaps, Ms. Schubert, can you go to the application
2 attachment A, please.

3

4

(BRIEF PAUSE)

5

6

MR. ANTOINE HACAULT: I think it's
7 Taxi Coalition Exhibit 1-1 in this proceeding.

8

9

(BRIEF PAUSE)

10

11

MR. ANTOINE HACAULT: Yes. That's it,
12 at the top before the reasons.

13

One (1) of the questions that Mr.
14 Guerra asked you was whether or not today the evidence
15 was only on behalf of Duffy's and Unicity.

16

Could you elaborate further on whether
17 it's -- Duffy's and Unicity is only taxis, firstly,
18 and secondly, whether there was an effort to consult
19 with other companies?

20

MR. JEFF CROZIER: Sure. I can -- I
21 can advise that I am aware there was a -- an effort to
22 consult with other taxi operators in the province.

23

If my memory serves, there was
24 correspondence with operators in Thompson and Brandon,
25 and I believe the nature of the correspondence was to

1 describe the objectives of -- of the Taxi Coalition's
2 intervention in this proceeding and seek either
3 agreement or input on -- on those objectives. I
4 believe there may also have been any request for -- or
5 -- or, let's say, laying the foundation for -- for
6 data gathering.

7 I did not make these -- I did not make
8 this correspondence myself, so I can't speak to the --
9 I can't speak to the specific conversations that were
10 had, but I also believe that those particular points
11 were mentioned by the Taxi Coalition members in their
12 public presentation at the beginning of this
13 proceeding.

14 MR. ANTOINE HACAULT: And as noted in
15 the application, Duffy's and Unicity not only are in
16 the taxi Vehicle for Hire class, but also have 22
17 percent of the accessible Vehicles for Hire in
18 Manitoba?

19 MR. JEFF CROZIER: Yes, that's my
20 understanding, yeah.

21 MR. ANTOINE HACAULT: Another line of
22 questioning which -- on which Mr. Guerra focussed was
23 under the reasons for intervening in this proceeding.
24 He focussed uniquely on the first sentence of a series
25 of three (3) pages of reasons.

1 Was the only objective of the Taxi
2 Coalition to test the reasonableness of insurance
3 premiums for taxi Vehicle for Hire against passenger
4 Vehicle for Hire use?

5 MR. JEFF CROZIER: No. I mean, that
6 might be characterized as the headline reason, but I
7 think this intervention was fairly broad.

8 As you note, there were several
9 additional pages of issues that were expected to
10 possibly be material, and I believe the Information
11 Requests that were submitted canvassed that full range
12 of issues reasonably effectively.

13 MR. ANTOINE HACAULT: Okay. And one
14 (1) last area, which Mr. Guerra was pressing you on,
15 is as to whether you were an advocate for the Taxi
16 Coalition, implying perhaps that you are not here as
17 an independent expert.

18 Could you re-affirm what your role is
19 here today?

20 MR. JEFF CROZIER: Yes. So I am not
21 here in an advocacy position or an advocacy role. I'm
22 here to provide my independent analysis and opinion to
23 the Board.

24 MR. ANTOINE HACAULT: Thank you.
25 Those are all my re-exam questions.

1 THE PANEL CHAIRPERSON: Thank you, Mr.
2 Hacault. Could you just give us one (1) moment?

3

4 (TAXI COALITION PANEL
5 STANDS DOWN)

6

7 THE PANEL CHAIRPERSON: Thank you. I
8 just wanted to address what will be happening now with
9 regard to the response to undertakings.

10 Mr. Guerra, I understand, has advised
11 that the responses are anticipated to be completed by
12 the end of the day tomorrow.

13 MR. ANTHONY GUERRA: Yes, Madam Chair.
14 I can advise most recently from my team that we expect
15 to have seven (7) of the outstanding undertakings
16 completed by the end of today. And we expect to have
17 the balance, with the exception of Undertaking number
18 35, which was one (1) of the CMMG undertakings,
19 completed by the end of business tomorrow.

20 With respect to Undertaking number 35,
21 I can advise that the team has indicated that they
22 will not be in -- in a position to provide the
23 response to that prior to November 5th. And so MPI's
24 position with respect to Undertaking Number 35 is that
25 because we wouldn't be able to provide the response

1 prior to the closing arguments for the CMMG, we are
2 refusing to provide the undertaking to number 35.

3 THE PANEL CHAIRPERSON: And has that
4 been communicated to Ms. Meek?

5 MR. ANTHONY GUERRA: This is fresh off
6 the press.

7 THE PANEL CHAIRPERSON: Fresh off the
8 press, okay. I think that that will have to be
9 something that is -- yeah, she'll have to be advised
10 of that.

11 What we're proposing for the balance of
12 the undertakings is that as the information is
13 available, if they could be made available to counsel
14 as they're being finalized, that would be helpful.

15 In order to give people an opportunity
16 to develop the questions that may arise as a result of
17 those, we're proposing that we adjourn today and
18 reconvene on Tuesday morning so that the -- any
19 further questions can be asked on Tuesday morning, and
20 we will then proceed with the final submissions.

21

22 (BRIEF PAUSE)

23

24 THE PANEL CHAIRPERSON: Yeah, and so
25 we'll anticipate that through the weekend counsel will

1 be communicating with one another.

2 We'll certainly be advising MPI of --
3 of the question -- the number of questions, how long
4 it might take, and of what witnesses so that that can
5 be organized and those witnesses can be available --
6 witness or witnesses can be available on Tuesday.

7 We would then proceed with closing
8 remarks of both Board counsel and MPI counsel on
9 Tuesday. We've done some retrospective reviews, and
10 it looks like that normally takes between two and a
11 half (2 1/2) and three (3) hours.

12 So as long as the questions resulting
13 from the undertakings as they're received don't exceed
14 what would be the balance of the day, that will work.

15 I can advise you, though, that the
16 Board is prepared to sit past our normal end of day in
17 order to get that concluded on the day on Tuesday so
18 that we're not delaying this proceeding in any way.

19 So if you could all communicate with
20 one another over the course of the next few days, that
21 would be great. Mr. Hacault...?

22 MR. ANTOINE HACAULT: I have an
23 unusual statement that I guess I'm making maybe more
24 kind of as an officer of the court.

25 But in the -- in the light of COVID and

1 Ms. Charlotte Meek not being here and not being able
2 to react at all to MPI's statement, I find it really
3 unusual that if it was, indeed, an undertaking, that
4 without a prior ruling of this Board, that MPI would
5 unilaterally decide not to continue working on an
6 undertaking which has been numbered.

7 So I -- I know I'm not -- I can't make
8 a submission on behalf of Mrs. Meek -- Ms. Meek, but
9 it's just an observation. And it would be probably
10 appropriate, as I'm saying, more as an officer of the
11 court or -- that that be dealt with sooner than later,
12 because if MPI is in fact, then, not doing any work on
13 an undertaking without having a Board direction on
14 that, that would lead to a -- a foregone conclusion it
15 won't be done.

16 THE PANEL CHAIRPERSON: Thank you, Mr.
17 Hacault. I appreciate that, but I think that that is
18 an issue that we're going to have to deal with on
19 Tuesday morning, with the expectation that she will be
20 present.

21 THE CHAIRPERSON: Right, and -- and,
22 quite frankly, Mr. Hacault, there were a number of
23 undertakings of CMMG where the indication was that
24 they would have to see if the information was
25 available and how long it would take. So it wasn't a

1 commit -- it wasn't an undertaking in the sense of,
2 Yes, we will provide it.

3 And I don't, quite frankly, remember
4 exactly what 35 was, but there were a number where it
5 -- it required an extrapolation of a number of
6 different columns, and they didn't know if they had
7 the information in the format and all that. So we'll
8 have to -- we'll have to see that, and she'll have to
9 speak to it on Tuesday, if she wants.

10 THE PANEL CHAIRPERSON: Yeah.
11 Certainly, if -- if MPI could advise Ms. Meek of the
12 position on that and --

13 MR. ANTHONY GUERRA: Yes. I can
14 advise Madam Chair that this is the iss -- it's a data
15 issue. It's -- the data can't be retrieved from the
16 warehouse in time to answer the question, and it's not
17 something we can work on in -- you know, while we're
18 working on another undertaking.

19 I do have some other responses, though,
20 to undertakings I did circulate earlier today that I
21 have not read on the record, and I can do so very
22 quickly.

23 THE PANEL CHAIRPERSON: Yes, please
24 do.

25 MR. ANTHONY GUERRA: So --

1 THE PANEL CHAIRPERSON: Just one (1)
2 moment though.

3 MR. ANTHONY GUERRA: Sure. File --
4 filed as Exhibit MPI-63 is its response to Undertaking
5 Number 28.

6

7 --- EXHIBIT NO. MPI-63: MPI's response to
8 Undertaking No. 28

9

10 MR. ANTHONY GUERRA: Filed as Exhibit
11 number 64 is its response to Undertaking 38.1.

12

13 --- EXHIBIT NO. MPI-64: MPI's response to
14 Undertaking No. 38.1

15

16 MR. ANTHONY GUERRA: Filed as Exhibit
17 Number 65 is its response to Undertaking Number 17.

18

19 --- EXHIBIT NO. MPI-65: MPI's response to
20 Undertaking No. 17

21

22 MR. ANTHONY GUERRA: And filed as
23 Exhibit MPI-66 is its response to Undertaking Number
24 43.

25

1 --- EXHIBIT NO. MPI-66: MPI's response to
2 Undertaking No. 43

3

4 THE PANEL CHAIRPERSON: Thank you, Mr.
5 Guerra. Are there any other items that anyone would
6 like to raise at this point before we adjourn for the
7 day?

8 Okay. I'd like to thank the Taxi
9 Coalition Panel. Thank you for your attendance and
10 your independent expert evidence today. And we will
11 be back then Tuesday morning at nine o'clock. Thank
12 you.

13

14 --- Upon adjourning at 4:32 p.m.

15

16

17 Certified Correct,

18

19

20

21 _____
22 Donna Whitehouse, Ms.

23

24

25