

PERSONAL STORY – ENQUIRY INTO COMMERCIAL PASSENGER VEHICLE INDUSTRY ACT 2017

To the committee;

I write to tell my personal story and to describe the gross unfairness of the unintended consequences of this legislation. My story will be different to many; I did not go bankrupt; thankfully I did not suffer mentally (that I am aware of) and I am still in the industry, albeit in a much-reduced capacity.

BUT, my story will be similar to many too – like many others I invested time, energy, expertise and money into this industry only to be “rewarded” with ... nothing.

Initial Foray into the CPV Industry

Some 30 years ago when I was studying at the UNSW in Sydney, I took a university summer job driving taxis around Sydney. In those days, like now, it was tough to make a dollar and even back then there were stories of drivers not even making their shift money at the end of a 12-hour shift.

After finishing university, I married my wife and moved to Melbourne where I worked with my father-in-law in his business for 8 years. Due to changing family circumstances I didn't want to remain there, and my late father-in-law suggested I go back to taxi driving while I worked out what I did want to do.

Re-joining the Industry

In 2004 I did the taxi driver's course as offered by Silvertop Taxis. This was a week long course that covered every aspect of driving, from vehicle maintenance through budgeting, from courtesy to road and landmark knowledge and everything in between. At the end of this course, if you passed your knowledge test and satisfied the instructor of your capabilities, you were awarded your taxi passport.

I did pass and I started driving as a bailee driver for an operator based in St Kilda, Vic. I drove day shift Monday to Friday. I found that I enjoyed driving, enjoyed meeting people and realised that it was possible to make a living in the taxi industry.

Initial Purchase

I wanted to put a Silver Service vehicle on the road as I had quickly worked out that there was a demand for good service and quality vehicles. At the time the only taxi licence I could purchase was assigned to an operator, so I ended up entering the market as an investor, while still driving as a driver for someone else.

After a few months I realised that the returns being offered as an investment from a taxi licence were worthwhile – positive cashflow and capital growth – so I invested in a second licence a few months later.

Changing Gears

After a few more months of driving both my father-in-law and a friend I had made in the industry who was a Chauffeur (VHA) Car Driver pointed out an ad in the paper for a Hire Car business for sale.

I investigated and liked what I saw; liked how the industry worked; and made the decision to purchase this business. I went from being a taxi driver to overnight being a manager of a small fleet of VHA cars – operating on purchase 3 cars and two MH licences. I quickly purchased a 3rd MH licence to ensure that all operations were being done legally.

It took me a while to fully understand the Hire Car industry, but when I did I really liked the model and I liked what I saw. As the years progressed I acquired a couple of little businesses from single vehicle operators that wished to exit the industry, and at the time of the introduction of the reforms I was operating a business running 6 cars, with 6 MH licences, and a turnover of approximately \$1.2M annually.

The beginning of the demise

Uber entered the market illegally and started buying market share by use of heavy subsidies. This had an immediate effect on our business with an almost overnight loss of 20 – 30 % of business; predominately the dinner transfer and weekend leisure transfer segments of the market. Instead of booking a car to pick them up at 10PM the clients would just call an Uber when they finished eating; thus saving costs on both waiting time and transfer costs.

The effect of the Legislation

The Andrew's Government CPV legislation passed and the Government made the ridiculous decision that assets – real property – that were worth tens and hundreds of thousands of dollars were overnight worth \$52.90.

The Government's attempt at compensation was frankly laughable.

In what world is a second asset worth half as much as the first one; and fifth and subsequent assets worth nothing? This was simply theft.

In what world is it remotely fair and equitable when people got different levels of compensation depending on who owned the asset; as opposed to who the beneficial owners of the asset were? I had the foresight to structure my business such that all the MH licences were held in one entity and the MT licences in another entity. I was lucky, this "saved" me \$25,000 that I got for the third and fourth MH licences....

The so-called Fairness Fund

When this fund was introduced it was advertised as a fairness fund. In reality it was a mean means-tested way to appear to be doing good by giving something back to some of the people that really suffered financially.

In my case, my application didn't get past first base. I filled in the application form and gave all the relevant data – when I purchased the licences, for how much, dates etc etc.

I refused to give any other financial data because it was (and still is) irrelevant to the issue at hand – the “fairness” of the Government taking my licences **that they had sold to me** away for (close to) zero compensation.

My initial lodgement to the Fairness fund was made on 20 April 2017 and I got my first response - as my form was considered incomplete - on 14 September 2017; almost six months later.

I sent my response back to the Fund on 25 September 2017. In my response to Mrs Williams I explained that the requested information about where I lived, who owned the house I was in, who my wife was and what she owned, what other assets we may have owned, what our personal borrowings were etc etc was totally irrelevant. I concluded my letter to her by stating that

The entire process is about fairness, not about means testing to see what other income / assets / liabilities etc myself or my partner have.

It is UNFAIR of the Victorian Government to destroy the value of my licences and rental income stream. Whether I have income and assets that total several million dollars, or zero dollars, DOES NOT change the unfairness. It is purely on the basis of this unfairness that I applied to the Fund, and it is on the basis that the FAIRNESS FUND exists to right the wrong of the Government’s UNFAIRNESS that you should respond positively, both to myself and all other applicants. The existence, or otherwise, of assets and income and debt is totally irrelevant to the question

The response I got was galling. After another long wait of almost five months on the 15th of February 2018 the Chair, Mrs Marnie Williams, wrote that “... you did not meet the eligibility criteria for the Fund and do not qualify for a payment”. What is worse is “This result is final and there is no opportunity for review”.

There never was an opportunity to discuss any of this with the so-called “Fairness” Fund, let alone to review it.

I was disappointed, but not surprised, to receive this letter. However, the worst of all, both for myself and for everyone else in the same position as me, was the inordinately long times it took for the Fairness Fund to communicate. This process took just under 10 months from application to rejection. I am very lucky that unlike many I was NOT relying on funds to continue living.

Effects on Business

The turnover of my business continued dropping as more and more customers moved to Uber. Unfortunately, and as is always the case in business, the fixed costs (staff, rental, insurance etc) didn’t drop. While there was a drop in variable costs this was more than offset by the decrease in gross revenue.

I was lucky – I was able to sell my business, despite it's book showing trading losses to someone else.

As stated above I am still working in the industry. I have one car and a couple of small clients and I am satisfied with that. Obviously, this is no longer my main source of income

Concluding Thoughts

In every business plan there is always a contingency plan for an "X factor" – something that no-one could have seen coming and therefore didn't prepare for. In no way, shape or form did I, or anyone, ever think that a Government that was selling licences, regulating the industry, controlling supply and demand and pricing (taxes) would ever totally destroy an industry overnight. In the past when Governments have compulsorily acquired property they have paid fair and reasonable compensation for it.

What this Government did is neither fair, nor reasonable.

In my case, I lost approximately \$1,000,000 of assets; I watched my income stream drop from \$70,000 per annum to approx. \$45,000 per annum and then vanish overnight.

I was "conned" by the Government that they cared, that they were fair ...

I suggest to the committee that they ask themselves – how long would they have to work to build up \$1,000,000 of assets and how would they feel to have that taken away from them overnight?

What happened was wrong. The compensation was wrong. The actions of the Government in trying to fix up the mess they created created more mess, more stress.

I would recommend that the committee find a way to make-good on the disaster that the Andrew's Government created. Full compensation for confiscated property is a good start and an apology to all for the ham-fisted handling of this situation to allow a foreign company that doesn't pay tax in Australia wouldn't go astray either

In conclusion, and as I said before, I am one of the lucky ones. Despite my losses (of both revenue and capital) I still have food on my table, I still have a roof over my head and I still have (more or less) my mental capabilities. Unfortunately, there are many that don't.

I welcome the opportunity to further discuss this submission with the committee if desired.

André Baruch
