

HOLDEN
LET'S GO THERE



Dear <MP Name>,

I write to you as President of the Victorian Hire Car Association (VHCA) on behalf of our members and your constituents. We don't believe there is a single electorate in Victoria that does not have a Taxi or Hire Car driver (and their families) living there.

We are writing to you to express our frustration, anger and disappointment in the Andrews Government's proposed reforms concerning the Taxi and Hire Car industries in Victoria. These proposed changes are already creating great uncertainty, dismay and distress.

I have met with Transport Minister Allan (numerous times); her staff, and members of the Taxi Services Commission. We were invited to participate in the Government's Taxi and Hire Car Ministerial Forum and nominated for the Ride-Share Working Group. At no point did the Andrews Government indicate that the plan was to de-regulate the industry. We had been assured that the need for 'fairness' would be taken into account when considering industry change. The VHCA feel that we have been *taken for a ride* by Government; that no attention was paid to anything we (or others) had said, or indeed anything that was put forward at the Ministerial Forum, this is extremely disappointing.

Please allow us to put this issue into some perspective.

TAXIS

CURRENTLY the Victorian Government requires a taxi to own a licence in order to operate as a commercial passenger vehicle in Victoria. Under the current legislation taxi licences can be sub-let to operators; thus creating three levels within the industry:

1. Licensee (Plate Owners [Investors])
2. Operators
3. Drivers

A 'licensee' may assign the licence to an 'operator'; or they may choose to operate the licence themselves. The 'operator' may then in turn drive for themselves, or they can appoint 'bailee drivers' to drive the taxi for them.

As a result of this, and to counter some unseemly trades that were occurring at the time; on March 28th 2006 the then Minister for Transport, Peter Batchelor, legalised the trading of taxi plates on the BSX Taxi Market; a part of the Bendigo Stock Exchange. Since that time, and until the Fels enquiry draft documentation was released in May 2012, taxi licences traded as a separate commodity – underwritten by the service

provided by the 'operators' and 'drivers'.

In 2010 a taxi licence value was approximately \$500,000 (<http://www.atia.com.au/taxi-statistics/>)

In 2014 a taxi licence value was approximately \$285,000 (<http://www.atia.com.au/taxi-statistics/>)

The average price for all taxi licences sold in Victoria in July 2016 (latest available statistics) is \$159,350 (<http://taxi.vic.gov.au/.../metropolitan-taxi-licence-transfer...>). This drop in price is a direct result of both restrictions on the value of taxi assignments (put into place by the Government as a result of the Fels enquiry and uncertainty in the marketplace since the enquiry); and particularly in the last two years with the presence of the illegal ride-share operator Uber. This has been exacerbated by the Government's total lack of ability to effectively police the industry via the Taxi Services Commission.

HIRE CARS

Initially the Government issued licences to approved applicants with some applicants more successful than others. This process was overseen by the then Victorian Tax Directorate (VTD, now TSC). Prior to 2004 Hire Car licence's were sold on the open market with this restricted supply set and controlled by Government. Prior to 2004, Hire Car licences reached a high of \$80,000. In 2004 the Labor Government began selling hire car licence's directly and opened the market with unlimited supply. The Government set a new price of \$66,000 and then shortly after a review by the Essential Services Commission (ESC) they recommended the price be reduced to \$60,500 this was then accepted by the then Victorian Government. **Given the price was reduced by Government all licence holders that had purchased at \$66,000 from the Government were compensated \$5500.** The period between 2004 and 2014 Governments sold in excess \$33,000,000 in licence's to those in the Hire Car industry doubling the Victorian Hire Car fleet. Prices remained at \$60,500 until the previous Napthine Government accepted the majority of the Fels recommendations and reduced the Hire Car licence purchase price by 30%. No compensation paid.

The Government now sell Hire Car licences for only \$40,000.00 (<http://taxi.vic.gov.au/.../applying-for-a-metropolitan-hire-c...>). Unlike taxi licences, a Hire Car licence may not be assigned to a third-party 'operator'; so only 'licencees' and 'drivers' exist within the industry.

Hire Car licences and Taxi licences are necessary requirements to legally operate under the current legislation. Under the new framework proposed by the Andrews Government on August 23rd 2016, all Vehicle Licences will be removed:

(<http://economicdevelopment.vic.gov.au/.../legisla.../ride-share...>)

A colleague had cause to visit the Taxi Services Commission offices in the days following the Government's announcement of 23 August. He enquired if the TSC was still selling licences for hire cars and was answered "yes". He also overheard another staff member advising a member of the public that if he wanted to operate a hire car he had to purchase a licence at the current price of \$40,000.00. In fact, the TSC have

confirmed that one person has purchased a licence against advice.

This is after the Government has announced that any new hire car licence acquired after 15 August will receive \$0 compensation. In the opinion of the Victorian Hire Car Association, it is quite simply **immoral** for Government to continue to sell hire car licences today at their 'full' price, knowing full well that (a) they are removing the requirements for them in the very near future; and (b) such licences would not be eligible for any compensation whatsoever!

Effectively, 'assets' (licences) that Hire Car and Taxi Operators are **legally obliged** to acquire in order to operate their 'assets' (vehicles), are **now being compulsorily removed by Government, which forced their acquisition in the first place!**

Under legislation mooted to be introduced in 2017 / 2018 (<http://economicdevelopment.vic.gov.au/.../Information-for-tax...>) the industry will be opened up to all operators and eventually the current licencing system will be scrapped. The Government has announced that they are prepared to give 'assistance payments'. Their proposal is for Taxis, a licensee would receive \$100,000.00 for their first licence, and \$50,000.00 for a second licence. For Hire Cars, a licensee receives \$25,000.00 for the first licence, and \$12,500.00 for a second license. No additional 'assistance' is being offered for third or subsequent licences. The harder we have worked, more jobs we created, the bigger the penalty we receive.

Before anything else, it needs to be said that these should **NOT** be regarded as 'assistance payments'. The Government's proposed buyback amounts to a poor attempt at compensation for having an **ASSET (that operators were forced to acquire from Government to legally operate)** compulsorily acquired by Government. The view of the Victorian Hire Car Association is that these proposals **do not meet the obligations of Government to compensate at a fair price.**

The industry understands that this "assistance" is to be made over an 8 year period. What guarantee would we have that any future Governments would honour this arrangement?

Here are some questions and concerns that we have for the industry going forward:

- More dependence on Government handouts

Hundreds (if not thousands) of small business operators (voting families) are seeing the value of their lifetime's work taken away from them.

Picture Mr and Mrs 'Con X'. Con has worked in the taxi industry for 30 years, and over that time has managed to save up to purchase three licences; all to produce his on-going income, and more importantly to provide him and his wife with an annuity stream (superannuation) so they do not become a burden on the Government when they are no longer able to actively participate in the workforce. This has just been taken away from him with the recently proposed legislation;

- How many people have borrowings against their Taxi and/or Hire Car licences?

In order to generate enough income to service their debts, they may need to charge

higher prices than somebody entering the industry post-reform who is not encumbered with these significant financial burdens (as a result of operating in the previous government-regulated industry).

- Social impact

Should things go pear-shaped for operators financially, we know that the banks will make calls against other securities in an attempt to get their money back. Previously a licensee always had the option to sell their licence(s) to pay back debts, but with this option no longer an option with the new proposals; what about the potential social impact these changes may have?

- Lowering of standards / safety etc

As more people enter the industry the 'race to the bottom' will begin.

- Greater danger on the roads as more drivers out at more times – working harder and longer hours for lesser dollars
- Vehicles will not be annually tested?
- Will driver accreditation continue?
- Safety of Public – how are vehicles going to be recognised as a commercial passenger vehicle?

These are just the main concerns that we as an industry body have. It should be noted that the industry operates under legislation to protect the safety of the consumers – the travelling (and voting) public!

No reasonable person in the Taxi or Hire Car industry has a problem with competition from so called "Ride-Share" operators operating in a **level playing field**. But you do not create a level playing field by decimating the established industry to accommodate new 'players'...rather, you insist that all newcomers have to follow the same rules, legislation and costs as existing operators do, or alternatively remove the financial handcuffs that this Government and previous Governments have applied on the industry! The Andrews Government has moved the goal posts and it's simply just not fair.

Could you please explain to me (so we can explain to our members, consumers and the public) how this proposal is justified, reasonable and fair? How does this create a level playing field, when the established operators move into 2017/2018 crippled with debt that was forced upon them by Government, to compete against new players who enter with virtually little to no cost?

If this issue is not resolved to the satisfaction of Taxi and Hire Car industry, it could very well have an impact at the ballot box come the next State Election. We elect MP's to represent us and our interests, not make decisions that favour tax-avoiding arrogant global corporate giants at the expense of honest hardworking Victorian taxpayers.

I welcome the opportunity to discuss this matter further with you and I can be contacted on the details below.

Kind regards,

Rod Barton

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