

Gordon Ramsay
Attorney General
Minister for Regulatory Services
Minister for the Arts and Community Events
Minister for Veterans and Seniors
GPO Box 1020
CANBERRA ACT 2601

7 April, 2017

THE ACTTPOA PROPOSAL FOR THE PARTIAL BUYBACK OF PERPETUAL TAXI PLATES

Dear Mr Ramsay,

Minister The ACT Taxi plate Owners' Association submits the following proposal for government agreement to a Partial Buyback of perpetual taxi plates. Briefly this recommendation is made for the following reasons:-

Government Perspective:

- (a) The government's "ownership" and leasing of all plates would then make it the major player;
- (b) Privately owned "Perpetual" taxi plates would, but for a few, cease to exist;
- (c) Government control over the numbers of plates operating at any given time is facilitated;
- (d) The absence of another larger stakeholder group (perpetual plate owners) involvement facilitates government control;
- (e) The release then of greater numbers of government plates may motivate more drivers to take up leases becoming self-employed operators;
- (f) In its then universal control of lease fees and additional registration and other charges the government is then able to ensure taxi fares are kept at their lowest for public benefit;
- (g) The public will benefit from the competition taxis will generate with other on-demand operators whose fares would also need to be kept to a minimum.
- (h) Increase in annual government revenue from increase in number of government licences issued at \$5,000 pa. (from \$455,000 to \$1.8 mill)
- (i) This does not set a precedent as the ACT Government has in the past (2005) bought back hirecars.

Perpetual Plate Owners' Perspective:

- (a) We see no place in a future ACT taxi industry for any private investors;
- (b) We believe that we no longer have the support of the ACT Government and that the government has in fact reneged on its sale of property to us;
- (c) We are greatly depressed seeing the devaluation of our perpetual taxi plate and the predictable fall in income that will ensue as lease fees drop;

- (d) As our investments in the industry were made with our retirement plans in mind we cannot and do not accept that our “superannuation” income will drop from \$20,000 to just \$5,000 pa;
- (e) Too many owners and their families have been so adversely affected by recent government decisions that have had a deleterious effect upon them physically and emotionally to the point in time that something has to be done;
- (f) In a just and fair society this would not be tolerated and the only fair and just path for the government to now take is to buy back our plates; In a just and fair society this would not be tolerated and the only fair and just path for the government to now take is to buyback our plates;
- (g) We are “fed up” and want out of an industry in which we see no future for private enterprise;
- (h) We do not want “Compensation” but rather a buyback of property (once purchased from the government with assurance that we were purchasing an ongoing business guaranteed by the government)
- (i) We simply want our investment money returned so that we can invest elsewhere and get on with our lives.

Our Proposal and Pathway to Negotiation and Resolution:

We believe that success with our proposal is only likely if:

- (a) You consider a buyback and the expenditure of taxpayers’ dollars is fair, appropriate and justified;
- (b) You consider taking out a loan (as had been the case before) from the Macquarie Bank (or elsewhere) for the purpose of a “buyback” of perpetual taxi plates;
- (c) You accept that information / data (the sums) support a buyback;
- (d) The buyback amount for each plate is perceived to be reasonable by all parties;
- (e) You appreciate that there are savings to be made in a “Partial Buyback”;
- (f) You appreciate the likely adverse impact on your government if, in the event of our proposal not being accepted and or negotiations failing, we take our case to the public and other arenas, where we believe, there is considerable support for our grievances.

Minister, it is an indubitable fact that in most other states, UBER’s arrival on the scene has naturally resulted in outrage and rebellion from taxi plate owners. In those places taxi fleets (mostly all privately owned) number from 1 or 2 thousand to 5 and 6 thousand plate owners – most of whom value their plates from anywhere between \$250,000 to \$450,000 depending upon where they are. The cries for compensation have been muted by State Governments obviously because they have problems in raising the billions involved.

This is a weighty problem for governments to resolve. Unfortunately their reaction has been piece meal to say the least: in one state \$20,000 for a plate and the same for a second or in another state \$100,000 for one and \$50,000 for a second while in another longer term plans like \$1 and \$2 fare loadings to gather compensation over time have been suggested. It truly has been a “hodgepodge” with no definite outcome or resolution. Owners have been left dangling in despair as their property value withers like grapes on a vine during a drought! Class actions now likely to occur in those other places.

It would serve little purpose to “compensate” perpetual plate owners in the ACT \$15,000 for their loss of an annual lease income (from their present \$20,000 pa to \$5,000 pa). “Ownership” following in such an event would remain with the owners who were merely given temporary financial relief.

Fortunately, in the ACT we are in a different position in that there are only 217 privately owned plates- so the problem, whilst just as serious as elsewhere, is smaller in proportion. Even more so in a partial buyback proposal being embraced. “Ownership” with the acceptance of our buyback proposal would be surrendered to the government.

Our Association would be prepared to negotiate a just and fair buyback on the understanding that our members would be relinquishing ownership of our plates. In doing so those bought plates which are currently leased would provide the ACT Government with an immediate return on the government’s expenditure of up to \$4 million (until leases reach full term) at which time the lease fees could be dropped to the current government rate of just \$5,000 pa - much to the delight of the lessees involved. Our Association understands that the lessees involved would agree to this arrangement which avoids disruption to them while assuring them of the smooth guaranteed continuation of their businesses.

Ultimately this would see all taxi licences owned and leased by the ACT Government at the lowest lease rates in the Commonwealth an innovative move to reduce taxi fares in the ACT.

There may be a very small number of owners (non-members of ACTTPOA) together with some of our members (2 or 3 only) who at present prefer to continue owning their plates, possibly because they are operators who are currently active in the taxi industry. Our negotiations will stipulate that the number of plates involved in our “Partial Buyback” would be those owned by those members who are in agreement with this proposal. This will represent a considerable saving of government expenditure that we believe should be acceptable.

Unfortunately the fact is that since the Chief Minister’s announcement in October, 2015, when he clearly stated that lease fees for all government taxi plate licences would reduce over time to \$5,000 pa the value of perpetual taxi plates has fallen. By the end of your taxi plate release the program in twelve months’ time it is more than likely that the pressure on owners to reduce their lease fees to that rate will be peaking. This will occur as lessees cancel their agreements with perpetual plate owners to take up government plates issued.

From the very outset the “model” presented to government by the Centre of International Economics alerted the government to consider plate owners when stating in their report - “In making a decision on the extent to which lease values are reduced, the ACT Government must weigh up what is considered “fair” for licence plate owners against the best interests of consumers and the community more broadly.” What unfortunately has transpired in the transition has been grossly unfair to 217 perpetual plate owners (who mostly have in the past served the community) their families and friends who also suffer and support them.

Given that most of our owners are retired, that their investment in a perpetual plate is their superannuation and their lease payments provides the income to support them in their retirement, they are not prepared to sit and watch that income, which allows them to “put bread on the table”, drop from \$20,000 pa to just \$5,000. They can see no way that value could be restored to their perpetual plate property other than there being a government buyback of plates that would then at least determine a value for those small number of owners who may wish to retain their plates so they can remain active in the industry.

It is our hope that you will embrace our proposal as being the only just and fair way forward. The outcome that we envisage from your involvement will be positive in meeting your government’s aims in innovating the on-demand transport industry in the ACT. A positive outcome will surely be seen as a model for other government administrations to follow.

Phil Button
Chairman
ACTTPOA

Appendix (A)

TABLE OF COSTS THAT MAY BE INCURRED IN EITHER A “FULL BUY BACK” OR “PARTIAL BUYBACK” OF ACT PERPETUAL TAXI PLATES FROM OWNERS.

No. of PLATES in Buybac k	VALUE \$300,000 Cost \$million	VALUE \$260,000 Cost \$million	VALUE \$250,000 Cost \$million	VALUE \$240,000 Cost \$million	VALUE \$230,000 Cost \$million	VALUE \$220,000 Cost \$millions
217	\$65.10	56.42	54.25	52.08	49.91	47.74
190	57.0	49.40	47.5	45.6	43.70	41.8
170	51.0	44.20	42.5	40.80	39.10	37.4
150	45.0	39.00	37.5	36.00	34.50	33.00
140	42.0	36.4	35.00	33.60	32.20	30.80
135	40.5	35.1	33.75	32.40	31.05	29.70
130	39.00	33.80	32.50	31.20	29.90	28.60
125	37.5	32.50	31.25	30.00	28.75	27.50
120	36.0	31.20	30.00	28.80	27.60	26.40
117	35.1	30.42	29.25	28.08	26.91	25.74
115	34.5	29.90	28.75	27.60	26.45	25.30

*A Partial Buyback of 135 Plates at \$230,000 would represent a saving of nearly \$19 million on a full “buyback” of all plates 217 at that value.

Similarly A buy back of 135 plates at their previous value of \$300,000 would be saving almost \$25 million on a full buyback of all 217 plates at that same value.

- NB:
- (a) A number of owners paid in excess of \$300,000 for their plate. Values over the preceding years leading up to the Chief Ministers announcement in October 2015 ranged between \$300,000 and \$250,000 for this reason those figures are shown above;
 - (b) As the three (3) sales over the last twelve months were for \$240,000, \$230,000 and \$220,000 these sale values have been listed in the table;
 - (c) The ACTTPOA represents the owners of 135 perpetual plates and a Partial Buyback would be taken up by all of that number except two (2) or three (3) who may wish to retain ownership;
 - (d) The owners of 60 odd plates are not known to the Association and a remaining number of owners of 22 odd plates are associated with Aerial Capital Group who have not demonstrated any support of the ACTTPOA or intention of joining it;
 - (e) Our proposal for a "Partial Buyback" is for those owners who are members of our Association.

Appendix (B)

TABLE OF LEASE FEES AND INCOME AND REVENUE INVOLVED WITH – PERPETUAL PLATES AND THOSE RELEASED AND CONTROLLED BY GOVERNMENT.

No. Of Plates Bought / released	Present (Av \$20,000 pa)	After "Partial Buyback" (Each at \$5,000 pa)
217	\$4.35 mill	\$1.08 mill
190	\$3.8 mill	\$950,000
170	\$3.4 mill	\$850,000
150	\$3.0 mill	\$750,000
***141 as at Mar 2018	\$2.82 mill	\$705,000
*135	\$2.7 mill	\$675,000
*130	\$2.6 mill	\$650,000
125	\$2.5 mill	\$625,000
120	\$2.4 mill	\$600,000
**101 From 1 Mar 2017	\$2.02 mill	\$505,000
91* pre 1Mar 2017	\$1.82 mill	\$455,000

NB:

- (a) * Present annual income from 91 government leases is **\$455,000**.
- (b) **Extra income from 1 March (\$50,000 pa) takes annual income to **\$505,000**
- (c) ***After 50 plates released annual income from 141 plates will be **\$705,000**

(d) * Partial Buy Back of 130 or 135 Plates will realise an extra \$650, to \$675,000 pa at \$5,000 pa. However it may add up to \$4 million extra over a two year period until the terms of the leases expire. Thereafter the government in “ownership” then say 276 plates should realise \$1.38 mill pa from lease fees.

(e) Ownership of the remaining 82 plates not included in the” Partial Buyback” could then be further developed when actual ownership and intentions are determined. An additional 70 plates bought back could raise the annual revenue by another \$350,000.

(f) Ownership of all “capped” 358 plates at \$5,000 pa would ultimately result in a total annual lease fee income of \$1,790,000.

Appendix (C)

TABLE OF “PARTIAL BUYBACK” PROGRAM TAKEN OVER TIME (BASED ON FIGURES FOR TOTAL NUMBER AND 25% OF THE NUMBER IN PROGRAM EACH QUARTER)

Number	Value \$300,000 Cost \$mill	Value \$260,000 Cost \$mill	Value \$250,000 Cost \$mill	Value \$240,000 Cost \$mill	Value \$230,000 Cost \$mill	Value \$220,000 Cost \$Mill
All 217	65.1	56.42	54.25	52.08	49.91	47.74
54 Plates each quarter	16.2	14.04	13.5	12.96	12.42	11.88
All 135	40.5	35.1	33.75	32.4	31.05	29.70
34 Plates Each Quarter	10.2	8.84	8.5	8.16	7.82	7.48
All 125	37.5	32.50	31.25	30.00	28.75	27.50
32 Plates Each Quarter	9.6	8.32	8.0	7.68	7.36	7.04
All 120	36.0	31.2	3000	28.80	27.60	26.40
30 Plates Each Quarter	9.0	7.8	7.5	7.2	6.9	6.6
All 100	30.0	26.0	25.0	24.0	23.0	22.0
25 Plates Each Quarter	7.5	6.5	6.25	6.0	5.75	5.50
20 Plates Each Quarter	6.00	5.20	5.00	4.80	4.60	4.40

10 Plates Each Quarter	3.00	2.60	2.50	2.40	2.30	2.20
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NB :

The above illustrates a “Partial Buyback” of plates spaced over time with a number of buybacks being undertaken each quarter until the desired number has been bought.

Such a program would allow for the prioritising of owners whose circumstances are deemed to be dire.

It could facilitate a smooth transition from perpetual plate owners to government ownership as the terms of leases are reached. Then those bought would be released at the government’s desired \$5,000 pa lease fee.