

To Whom it May concern.

Attached is correspondence sent to both The ACCC and South Australian Parliamentary Enquiry.

I would be prepared for an interview or questioning by the Parliament if they require.

My Frustration.

How long can [REDACTED] run ,hide and continue to ruin the lives of innocent hard working people who invest and believe all that is promoted by the "Spin Doctors" that [REDACTED] employ or control.

The answer to this question is, as long as they are allowed too.The ACCC investigation was to help investigate the claims made by former Franchisee's.How do we as a group of people who have a legitament complaint review the investigation if the ACCC will not make available to us any of the response's that [REDACTED] put forward in response to our claims.

It's like asking a thief if they have stolen,of course they will answer No!

I bet when [REDACTED] were asked ,if the had a policy that promotes "Churning" the answer would have come back as no! Maybe they might be telling a lie.

When i was informed by The ACCC that they would not investigate [REDACTED] further,i contacted [REDACTED] of the ACCC to discuss,i asked if i could see a report into the investigation ,i was told i could not.I asked why they believed that [REDACTED] would be investigated and he would not elaborate.

To me it sounded like it was all to hard.The ACCC has submissions from multiple Franchisee's all with the same outcome ,massive loss of invested money,i don't think [REDACTED] are going to line up and confess knowing that if found guilty they would have to compensate.Again ask a thief and a liar if they have stolen or deceived people,what do you think they will answer.

This investigation has the power to subpoena and question people involved,[REDACTED] is an organisation that abuse's it position within the community and should not be allowed to continue. Financiers to the suppliers,workers to management should be subpoenaed to give evidence.

As an elected officials it is up to you protect the people that you represent,i am only one,but my story of loss is the same as many others.Don't stand by and turn a blind eye to the behaviour that allows [REDACTED] to ruin the lives of hard working people.

Thank you for reading my submission,i hope you bring [REDACTED] to justice.

Colin Varacalli

Chronology of events for my time in [REDACTED]

April/May 2002 made my first contact with [REDACTED], had info sent out, and went through interview process.

June/July 2002 started franchisee training at the Munno Para [REDACTED] store. That franchisee owned Gawler [REDACTED] as well, my training was divided between the two stores.

10/12 weeks into my franchisee training is when [REDACTED] showed me what businesses were on the books for sale, (this process has changed since they now disclose to anybody at any stage what businesses are for sale).

I had several meetings with [REDACTED] the state manager at the time, at the point of time new franchisees were up for sale from between \$350k to \$450k. There were new franchisees for sale and some existing businesses. After sometime we quickly discovered that the sites being offered were the B and C grade sites.

The process was becoming frustrating at that point [REDACTED] suggested that I contact Franchisees that were multiple owners and "rattle the cage to see if there would be anyone out there that could be convinced to sell". He also mentioned that the Burnside Franchisee might be looking to sell, that was the rumour.

Through out my training I started negotiating the purchase Burnside [REDACTED]. Monthly profit and Loss figures were provided to me by the Franchisee.

I asked [REDACTED] if these figures were a true reflection of the business.

He said The Profit and Loss statements are true and correct as they are audited by [REDACTED].

November 2002 completed my training

At the conclusion of my training I expressed my disappointment at the lack of training I had received by my training franchisee, especially in the bookwork and [REDACTED] procedures. I had these discussions with [REDACTED], and training coordinator [REDACTED], and other executives from Melbourne. They all said it would be fine, it would be taught to me by my Business Consultant once I was in my own store.

"Prior to taking over [REDACTED] Burnside, I had to sit and do my budget for the store, I sat down with my Business Consultant [REDACTED], we took the current trading figures and put the bench mark figures in place, and were both confused when the figures showed a loss, to this day I will never forget the next comment made by [REDACTED], "it's o.k. it's well known that a new franchisee grows the business by 10% in sales."

Feb 14 2003 we started trading at [REDACTED] Burnside. Part of the training fee to become a [REDACTED] franchisee (\$8k) includes the training franchisees for a week to work in the store along side you to help iron out any problems. This did not happen in my case. the training franchisees would not come and help me because their head baker came to work for me. No-one from [REDACTED] came to assist, I saw my Business consultant once in the following two weeks.

With in 3 months my bookkeeper and I were getting worried about our profitability, I spoke with [REDACTED] about my concerns, no action was taken by [REDACTED] the problems that we faced were, we could not hit any of the bench make figures, our turnover had increased by \$2.5k a week but so had our costs. All the equipment I had bought with the business that had been examined and service by a [REDACTED] authorised dealer needed repairs and money spent on it.

My discussions continued with [REDACTED] he said as a franchisee I had control over my cost of goods, my finance payments and wages, pretty much everything else was fixed or a direct % cost of turnover.

He gave me advice at this stage to contact my bank and see if we could change our loan from P and I to an interest only loan.

“His next piece of advice was to make sure I paid all my accounts, and if I were having difficulties do not pay my taxes, this is what he did when he was a franchisee, the A.T.O did not chase him so why would they chase me. “

We continued to negotiate with the bank to restructure, About June /July 2003 we injected \$50 k to satisfy some debt.

All along [REDACTED] and [REDACTED] were congratulating me for having increased my turnover ,but my profits were not there, so how could a business that has increased sales by \$3k a week be losing \$3k a week if the figure from the previous franchisee showed a \$163k Nett profit for the year.

That question was asked, the only response was that the figures supplied to me were inaccurate, taking to other franchisee's once I became a franchisee, they all new that the figures supplied to me were unattainable, so I could [REDACTED] not now.

Nov 2003 after discussions with the bank I received verbal approval from [REDACTED] [REDACTED] from the [REDACTED] bank my application for restructure was approved ,only to have that approval taken away 2 days later.Dont know what happened but he resigned not long after that.

My profits were still not there; my discussions continued with [REDACTED], every one still congratulated me on the way Burnside was being run.

[REDACTED] asked if there were any more funds I could inject to keep the business a float, there were none.

The problem with Burnside was lack of profit ,sales were growing product was good, his advice was to grow my sales further whist keeping my costs the same ,try to hit the bench mark figures. That meant I would have to increase my sale a further \$4k.

My roster for staff was duplicated from the previous franchisee. Monthly wages for them was \$18 to \$20 k mine was \$30 to \$35k a month.

I kept highlighting this to [REDACTED], he said that to survive we had to find a way to improve my profits by \$2k to \$4k a week, reduce costs or increase turnover.

Or became a multiple franchisee and use the profits from the other store to support Burnside.

There were stores for sale, one was the Firlie [REDACTED], it was company owned store we firstly negotiated with the Westpac bank and we received in principal approval as long as we could get the store for \$450k, [REDACTED] would not sell for that price, I thought this was the end.

I was contacted firstly by [REDACTED] and then by [REDACTED] finance controller for [REDACTED]

Feb 2004 started negotiation for Firlie, [REDACTED] funded the purchase of Firlie they new all about my debt levels and my increasing debt with A.T.O, they were happy to over look this because the logic behind the purchase was for Firlie to make enough profit to subsidise Burnside. this was all done because they wanted committed franchisee's involved in [REDACTED] who had passion, eventually the profits for both stores would kick in and everyone would be happy.

Firlie also improved its sales under my management, by \$2.5k a week; its profit was between \$1.5k and \$2.5K a week.

When I bought Firlie it was to improve my situation, the discussion I had with [REDACTED] and [REDACTED] were great they wanted committed franchisee's and I wanted to grow my network.

Things that were promised to me because of this purchase were, further training, assistance in negotiating a better deal with the banks, becoming a training store, all along they new of my increasing debts and my lack off profits.

We took over the store March 2004, [REDACTED] and [REDACTED] visited at end of April, singing my praises once again, within 12 months they would not talk to me.

[REDACTED] **resigned May 2004** straight away the deal I had put together must have upset people within [REDACTED], nothing was a problem and any thing could be fixed. Then everything was a problem and no-one new anything about my debt level and nothing could be fixed.

From the time [REDACTED] left they did not replace the position of state manager till Dec 2004, so I started discussions with [REDACTED] and [REDACTED], who had positions in Melbourne and were flying in and acting as replacement state managers.

[REDACTED] was appointed state manager in December 2004, starting in January 2005; as soon as he started we had meetings to bring him up to speed with my situation.

My property at 14 Hermitage Drive had a sales contract on it and was due to settle in February 2005, discussions were taken place between the A.N.Z bank and my accountants and myself to put in place new finance arrangements and use the funds from the sale. Letters were being sent back and forth.

January/February 2005 was very interesting I had a couple of meetings with [REDACTED] asking for assistance and advice; they paid the rent for the Burnside store, and then served me with a franchisee breach notice straight away. Another for Firlie for the none payment of the loan repayment for Firlie.

This was the start of the end we had endless meetings with [REDACTED]; there solution to the problem was to buy Firlie of me for the same Price I paid for it. Transferring other loans to the Burnside store, Burnside could not pay its way and certainly could not handle more debt.

Meeting after meeting we laid all our cards on the table not keeping any secrets, I'm not sure what happened but they said that because they did not know the full details of my circumstances, they were unable to offer any solutions.

They finally enacted there breach notice April 2005 on the Firlie store, taking the only profitable section of my business. It was suggested by [REDACTED] of [REDACTED] and [REDACTED] that he believed that if I kept trading I could face prosecution for trading insolvent. After much discussion with the ANZ Bank, and my accountant, we had no choice and we walk away from The Burnside store.

The R.V Sunraysia Pty.Ltd entered into Liquidation September 2005 and myself into bankruptcy June 2006. My initial cash investment was \$450k plus a further \$50k injection plus \$135k from the sale of my home. It has been estimated that in total my loss from my two year involvement with [REDACTED] is in the order of \$1.7million

This is brief time line of events that happened whilst a [REDACTED] Franchisee.

Thank you and have a great day.

Colin Varacalli

Former [REDACTED] Franchisee
Burnside February 2003 to April 2005
Firlie March 2004 to April 2005