

INQUIRY ON SCHOOL BUS OPERATORS' CHARTER BUS OPERATIONS

TERMS OF REFERENCE

I, ERIC RIPPER, Treasurer (following consultation with the Minister for Planning and Infrastructure), and pursuant to section 38(1)(a) of the *Economic Regulation Authority Act 2003* (the ERA Act), request that the Economic Regulation Authority (the Authority) undertake an inquiry into the participation by school bus contractors in the commercial bus charter industry.

In conducting its investigations the Authority is to report on the following matters:

- 1) the impact the participation by school bus contractors in the commercial bus charter industry has on:
 - (a) competition within the industry;
 - (b) prices and pricing policy in respect of services provided in the industry;
 - (c) investment and business practises in the industry, and
 - (d) quality and reliability of the services provided in the industry.
- 2) To the extent necessary to report on the previous matter, the Authority should consider and report on the revenues and commercially benchmarked costs of school bus contractors under their contracts (based on the payment model known as the Composite Rate Model) with the Public Transport Authority.
- 3) Whether a change in the calculation of the service charge paid to the school bus contractors under the contract, to reduce the extent to which the Public Transport Authority reimburses school bus contractors for fixed overheads (i.e. by adjusting components which form part of the composite rate model) by reference to the proportion of the kilometres travelled by the school bus for the purposes of charter work; whether such a change, could remedy any competitive unfairness which may otherwise arise from the participation by school bus contractors in the commercial bus charter industry.

If the Authority reports in the affirmative in relation to item 3, then the Authority ought give consideration to, but will not be limited to the following matters:

- The preferred methodology for calculating an appropriate reduction on the service charge with reference to charter work undertaken by school bus contractors.
- The dollar amount returned to government for charter work that allows commercial operators to compete competitively.

The Authority will release an issues paper as soon as possible after receiving the reference. The paper is to facilitate public consultation on the basis of invitations for initial written submissions from industry, government and all other stakeholder groups. The Authority will also release a draft report for further public consultation.

A final report is to be completed by no later than 31 May 2007.
