

*"Let Us Coach You"*

# *Gannaways Charters & Tours*

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Mr Lyndon Rowe  
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Dear Lyndon

Thankyou for the opportunity to contribute a submission on the "School Bus Charter" issue, with regard to the general Charter & Tour Industry.

## Our Background

We have a fleet of 12 Coaches operating as "Gannaways Charters & Tours". Our base is located in Busselton, Western Australia.

All of our 12 Coaches are fully licensed for Charter & Tour operation. Nine of the Coaches are painted in our company colours and three are "Orange" School Buses. Our Charter & Tour License Number is 734. Since commencing operation over a decade ago all of our fleet has been fully licensed for all types of Charter & Tour work.

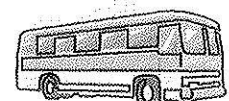
When we purchased the School bus Contracts in 1997 it was under the then Standard Rate Model Contract with the continuous 5 year "roll over" system in place as it had been since the inception of the "Orange" School Bus system.

In January 2004 we saw the introduction of the new Contracts based on the CRM, (Composite Rate Model). From a Contractors perspective we entered a contract that embraced many changes.

The security of the 5 year roll over system has gone and now we work in an industry where our asset is worth less every day. Our concern over the high capitol cost of replacement buses and their poor return of 2.7% after financing for the first 10 years lead us to develop further our Business plan and Charter & Tour Operation.

Our Business will have funded 3 x New Mercedes 1830 type C buses between 2006-7. Our Investment in the industry with new school buses far exceeds \$1.125m during this period. We have to maximise the return on this investment. To do this we have built a much safer more versatile bus that can cater to all forms of school & Charter transfers at no "extra" cost to Government.

————— *"There's more to the Cape than the Grape"* —————



*The CRM consists of fixed and variable cost components based on the school transfers of the bus through it's contract with PTA. Charter work also has fixed and variable elements that have to be funded by the operators who are licensed to perform Charter & Tour work.*

*We incur extra costs for all aspects of our Charter & Tour operation.*

*Administration,*

*Tour Licenses, (Currently at \$2,500.00).*

*Insurances (our Insurances on a Bus worth \$375,000k as against the \$283,664k prescribed in the CRM)*

*Public Liability Insurance*

*Personal Effects Insurance to the value of \$20,000k.*

*Repairs & Maintenance (on the extra Charter & Tour Km's.)*

*Cleaning Products.*

*Air Conditioning, running costs.*

*Workers Compensation, through higher wage payments.*

*Wages, Superannuation*

*Fuel.*

*Tyre wear.*

*Staff Training. First Aide Courses, Fire Extinguisher courses.*

*Installation of TV, DVD, VCR, CD Equipment, \$4,000k*

*Installation of Air Conditioning, \$35,000k*

*Installation of Full Through Luggage Bins, \$9,000k*

*Installation of overhead luggage racks, \$5,000k,*

*Installation of Interior Soft Furnishing, \$10,000k*

*Fitting of Roo Bar & Tow Ball Structures \$3,000k*

*Window treatments & Double Tinting, \$6,000k*

*All of these extra expenses are reflected in our Charter & Tour pricing. All of the above expenses are "real" and obviate any perceived advantage we may have in the CRM "fixed" cost components of the CRM, that are based on a much lower bus price.*

*It became very obvious to us that with the introduction of the new Contracts and working under the CRM our viability in school buses was threatened. The CRM is a model that averages across bus sizes. The Charter aspect of our school bus fleet continued to be the only avenue to viability.*

*When faced with the prospect of bus (two buses) replacement in 2006, we discovered that in the CRM had no facility to cover Interest Charges on the Bus purchase price. With the CRM giving only a 10.5% return on investment, the interest rate of around 7.8% at that time left us with a return of 2.7% for the first 10 years of the contract. Our accountants advised against pursuing this aspect of our industry.*

*With the Class C bus priced at \$283,366.00, without Air Conditioning, we decided our best business option was to bring the new school buses up to a the standard of the rest of our fleet, a suitable quality for all forms of charter work. We invested an extra \$80,000k in each bus to create a much safer more comfortable bus for school and general charter.*

*The Bus is contracted to the PTA for transfers during the school year, between 190 and 196 prescribed days per year. Best business practice is to utilise the bus to offset the 2.7% return on Investment for remaining days in the year.*

*There is a notional thought from the PTA that they own the buses. It is our assets that secure the finance for the purchase of the bus, there is no doubt the Contractor owns the bus.*

### *Charter Operation.*

*As Contractors and Charter & Tour Operators we work in all levels of transfers, from 1 to 5 star levels. There is potentially client resistance to a big "orange" box on wheels, we have invested heavily and work hard to overcome this barrier.*

*Under the CRM all of the Daily school run expenses are met through the averaging process. All Charter expenses are met by the Contractor.*

*We provide a safe, quality vehicle for all levels of transfer with fully trained drivers. Our upgraded school bus fleet provides a safer more comfortable transfer for the students at no expense to the PTA. Our region is not classified as requiring air conditioning, however I challenge any member of Government or Public Service to drive a school bus with 40+ students on board on a winters day and not consider it a very dangerous situation as the windows "fog up". It is true we may only have around 55 days of hot weather in the school year, but it is the lack of vision in the wet winter's we have that cause the most concern for us.*

*The Charter work allows us to keep quality drivers in employment. Our Charter work is done on open competitive quoting, with all the appropriate licenses.*

*We believe that all School Bus Contractors that undertake Charter work should hold a Tour & Charter License. This would also cover the "grey area" of Insurances, Liability and they would have to meet the obligations that go with customer service and Industry standards. This guarantees a level playing field.*

*To hold a Charter & Tour License is a relatively small price to pay even if you are only engaged in School & Community based charters.*

*We are members of Transport Forum and support their submission. The Forum Submission covers the Industry as a whole, our submission relates to our operating procedures and thoughts under the current CRM & licensing system.*

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