



22 February 2007

Your ref:

Our ref:

SB/05/64

Enquiries: John Bailly 9326 2654

Inquiry on School Bus Operators' Charter Bus Operations
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

Dear Sir/Madam

Inquiry on School Bus Operators' Charter Bus Operations

The Public Transport Authority (PTA) would like to make the following submission into the Inquiry on School Bus Operators' Charter Bus Operations.

Under the Terms of Reference the Economic Regulation Authority (Authority) is to consider and report on:

2) *...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 PTA is aware that concerns have been raised about a "level playing field" in terms of school bus operators having a commercial advantage in performing charter operations. In its metropolitan operations, the PTA's Transperth Division has three commercial bus contractors providing bus services around Perth and using buses owned by the PTA but leased to the contractors; they also predominantly use depots owned by the PTA (Government). To remove any issues of competitive advantage, Transperth bus contractors are required to pay a cents per kilometre rebate to the PTA for charter work undertaken. This rebate is 70 cents per kilometre for the use of a new bus and 35 cents per kilometre for an old bus. The PTA considers that a Bus Charter Fee model similar to their Transperth operations could be considered for school bus contractors in order to address competitive advantage for charter operations.

Under a Bus Charter Fee arrangement, School Bus Contractor could use their bus to operate charter work so long as the operation of charter work does not in any way interfere with the full and complete performance by the Contractor of its obligations under the Contract; and, an appropriate Bus Charter Fee for use of the bus undertaking charter work is charged. The PTA acknowledges that some School Bus Contractors occasionally undertake charter operations at either marginal cost rates or even occasionally for free, in support of community groups or local school excursions; it would not be desirable for these community spirited actions to be quashed and a mechanism to isolate such work from a Bus Charter Fee could be considered. It is understood however, that generally most charter work is provided under fairly commercial arrangements.

The Contractor could provide to the PTA a detailed summary (in a form approved by the PTA), of all kilometres travelled in connection with charter Work on a school term basis to enable the PTA to determine the amount payable to the PTA under this clause, and fit in with clause 8.3 of the contract. Any charter work which was provided at no cost to the community could be specifically identified. The appropriate amount could be recoverable as a debt due to the PTA which may be off-set against the Service Charge.

The composition of an appropriate Bus Charter Fee needs to balance a number of factors to ensure there is competition in the market place. In particular, factors that would need to be taken into consideration are:

- a) the type of charter being undertaken eg tourist charter work versus community work or school excursion,
- b) the type of and age of vehicle ie basis for fixed and variable costs,
- c) the size of the business of commercial charter operator versus the size of the school bus operator, and
- d) the number of operators in a particular area.

Due to the potential complexity of the problem, it may be difficult to calculate an appropriate cent per kilometre rebate. The Authority may therefore be required to have a number of different rates which contractors can use depending on the service provided and the degree of community service offered relative to costs recovered.

I trust the perspective offered by the PTA as the contract manager of these services on behalf of Government assists in your deliberation of the issue.

The PTA is also prepared to continue assisting the Authority with any addition requests for information in order for the Inquiry to be completed. If the Authority has any requests for information, they are to be directed to the Manager of School Bus Services on the above number.

Yours sincerely



Reece Waldock
CHIEF EXECUTIVE OFFICER