

26 February 2006

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
GPO Box 8469
Perth Business Centre
PERTH WA 6849

Dear Mr Rowe

Inquiry on School Bus Operators' Charter Bus Operations

Please find attached a brief submission from the Goldfields-Esperance Development Commission in relation to the above inquiry. There have been some issues raised in the past in relation to school bus operators in the area of Esperance so the GEDC did a quick "survey" to establish the feeling in the sector in relation to the matters raised in the Issues Paper.

Please see a summary of our research attached. Generally speaking, operators had few complaints.

Thank you for the opportunity to make a submission to this Inquiry.

Yours sincerely

Robert Hicks
Chief Executive Officer

attach. Goldfields-Esperance Development Commission Submission to the Inquiry on School Bus Operators' Charter Bus Operations

**GOLDFIELDS-ESPERANCE DEVELOPMENT COMMISSION
SUBMISSION TO THE
INQUIRY ON SCHOOL BUS OPERATORS' CHARTER BUS OPERATIONS**

Below are the responses from school bus operators and charter bus operators in Esperance – 20/02/07.

ISSUES

- 1. How does the methodology under CRM contracts for calculating payment to school bus service providers compare with normal regulatory approaches?**
 - Methodology is appropriate however there is too much paperwork for the everyday requirements to maintain these contracts.

- 2. Are the cost components of the CRM determined in a way that provides appropriate remuneration to school bus service contractors?**
 - The cost of replacement of buses is not accounted for adequately.
 - Cost allowed for things such as tyre replacement for buses that travel a designated distance on dirt roads are not a true record of actual costs as compensation is not made for all kilometers traveled on dirt roads.

- 3. In particular, is the rate of return on investment in the current CRM contract appropriate?**
 - Rate of return on investment is approximately 7% which is not a great return when considering that the business has no good will component when trying to sell it.
 - Many school bus operators need to offer private charters as well to allow for the down time during school holidays. Payments still need to be made on the buses.

- 4. Is the charter bus industry in WA adversely impacted by school bus operators?**
 - Not in locations such as Esperance, Ravensthorpe, Munglinup, Condingup, Salmon Gums etc as the school bus services provide the charter service that would not otherwise be available.
 - Private Charter buses in Esperance are owned by school bus contractors and there seems to be an accepted rate used by all operators.

- 5. How do the prices charged by school bus operators for their charter bus services compare with the costs of providing charter bus services?**
 - The price charged in the Esperance area is cheaper than the charter rates in the city as the users of the services are generally service clubs, community groups or schools. The exception is the bus service provided to employees at the Ravensthorpe Nickel Operation.

6. What indications are there that investment and /or service standards in the charter bus industry are adversely impacted by school bus operators?

- There is no evidence that this is the case in Esperance.

7. How do service standards in the charter bus industry compare with customer demands?

- As the number of specific charter buses is limited in Esperance, school buses are often used to supplement the service. This means the standard (comfort wise – not safety wise) is compromised. There is not enough demand to have more charter specific services in Esperance and the clientele are satisfied with the options provided to them in the main.