



SUBMISSION

to the

Economic Regulation Authority

Inquiry on School Bus Operators' Charter Bus Operations

MOTOR TRADE ASSOCIATION OF WESTERN AUSTRALIA (INC.)

224 Balcatta Road, Balcatta WA 6021

PO Box 727, Balcatta WA 6914

Telephone: (08) 9345 3466 Facsimile: (08) 9345 3465

Country Callers: Freecall: 1800 652 300 Freefax: 1800 623 759

Email: mtawa@mtawa.com.au

SUMMARY

On behalf of the Bus and Coach Association of WA which has as its members school bus operators and tourist charter operators in WA, the Motor Trade Association of Western Australia welcomes the Economic Regulation Authority Productivity Commission inquiry into school bus operators' charter bus operations. This issue has been a point of discussion and debate for a considerable time and BCA welcomes any independent inquiry that objectively looks at the actual and not perceived reality of charter work undertaken by school bus operators.

The MTA WA has responsibility for both school bus operators and charter operators. In this capacity it has consulted with both groups in order to determine the current situation in relation to this inquiry and to determine recommendations likely to be acceptable to both sectors of the industry.

In investigating charter work undertaken by school bus operators in WA, the MTA WA would expect that the Economic Regulation Authority will be primarily guided by the financial and safety interests of the end users, that is schools, students and the public.

In particular, it is a matter of concern that there appears to be an understanding by government authorities and competitors in the industry that school bus operators are financially funded by the government via the CRM and TRM contracts to cover all financial and operational costs associated with running a school bus service. A close study of most school bus contractors subject to the CRM model will reveal that due to the averaging nature of the contracts, it is possible to have a contract that is very poor and that is cash flow negative, particularly in the first few years of purchasing a vehicle under finance and this should be taken into consideration. The standard expected by schools and students is increasing and where once air conditioning on buses was a luxury it is no longer considered such. CRM allows for air conditioning in summer months only, however air conditioning is a crucial safety necessity in winter months due to 'fogging'.

There is an understanding that school buses are 'owned by the government'; this is not the case. Remuneration under CRM only covers the school year period.

It is important to note that should the government seek payment from school bus operators for any school based charter or community based charter (in regional WA) the costs will be passed on. Schools may take the decision to operate their own bus which may open up another set of problems relating to student and public safety. It is not in the public interest that schools run their own buses as invariably history shows it can result in sub standard and sometimes unsafe travel for students.

Orange School buses provide a safer service because:-

1. Drivers are professional and have undertaken police checks and hold first aid certificates;
2. The vehicles are generally of a younger age than the community based charter fleet;
3. Buses are inspected randomly;
4. The school bus fleet will be seat belted by 2015;
5. They cater for special needs passengers with the use of CRM wheel chaired vehicles (which are not available through the general charter fleet).

To assist with this inquiry and for the purposes of clarity and governance it is necessary to clearly identify the different categories of what is considered 'charter' work. MTA WA suggests three categories; school based charter, community charter and commercial charter.

ISSUES RAISED IN ERA ISSUES PAPER

1. How does the methodology under CRM contracts for calculating payments to school bus service providers compare with normal regulatory approaches?
2. Are the cost components of the CRM determined in a way that provides appropriate remuneration to school bus contractors?
3. In particular, is the rate of return on investment in the current CRM contract appropriate?
4. Is the charter bus industry in Western Australia adversely impacted by school bus 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?
6. What indications are there that investment and/or service standards in the charter bus industry are adversely impacted by school bus operators?
7. How do service standards in the charter bus industry compare with customer demands?

MTA WA RESPONSE TO ISSUES RAISED IN ERA ISSUES PAPER

1. School bus contractors are part of the competitive market and prices are not adversely affected by their participation in this market.
2. The CRM model provides remuneration to school bus contractors considered to be adequate in covering the school days/hours period only (i.e. this year 190 days). The CRM model remuneration does not cover the full capital, operating and maintenance costs associated with running a school bus. Due to the averaging nature of the contract system, some contracts are untenable. In addition all contracts are cash flow negative during the first five years of purchasing new vehicles.
3. We understand that this varies in many cases and does not cover all expenses.
4. The MTA WA conducted a survey of all its tourist charter members. Survey results show that some charter bus operators competing for business in metropolitan areas were affected by charter work undertaken by some school bus operators. However another competitor came to light which is of considerable concern for a number of reasons. Namely community owned buses owned by sporting clubs, church groups and local councils competing for commercial charter work. These buses/operators without TC plates or licences provide an unfair advantage to commercial charter operators.

Many charter operators are not interested in school based charter work as their coaches are of a standard that they do not wish to risk damage by large groups of students.

The area identified as having a negative impact on commercial charter operators due to the activity of school bus operators is in the Perth metropolitan area. Hence the reason for the recommendations below that school bus operators in the metropolitan area should not be permitted to do community or commercial charter work.

5. School bus contractors often charge significantly more for school based charter vehicles. Rates vary from operator to operator depending on the vehicle and driver (whether they are an owner operator or paying a driver), this is the case whether than are school bus contractors or charter operators. This is part of being a participant in a competitive market.
6. There are no clear indications that investment and/or service standards in the charter bus industry are adversely impacted by school bus operators.
7. Generally customer demands on service standards are met by the charter bus industry.

RECOMMENDATIONS

To secure a fairer and more competitive operating environment for both school bus contractors and charter operators in Western Australia, and to thereby address current anomalies, the MTA WA would urge the ERA to consider the following recommendations:-

1. That the categories of charter be clearly defined and confirmed as:-
 - a) **School based charter.**

This is primarily curriculum based travel in school time, e.g. for camp, swimming lessons, educational visits etc.
 - b) **Community charter.**

This covers local sporting clubs' travel to games and club activities, blue light discos, Red Cross events etc.
 - c) **Commercial charter.**

This covers all touring groups activities and private charters including popular events such as Spring in the Valley, Football Grand Finals, Leeuwin etc.
2. That measures be implemented to ensure that Community buses are not used for activities identified as commercial or school based charter. This is particularly serious as these buses and operators usually do not hold the necessary insurance or public liability and are often driven by inexperienced drivers. Public and passenger safety should be of paramount concern here.
3. That school bus contractors be entitled to do school based charter in metropolitan and regional WA without additional financial burden.
4. That school bus contractors be entitled to do community charter in regional WA only.
5. That school bus contractors operating in the Perth metropolitan are not entitled to do community or commercial charter work.
6. That school bus contractors both regional and metropolitan are not entitled to do commercial charter unless they hold a tourist charter licence to do so.
7. That any school bus contractor eligible to do commercial charter clearly identify/display on their bus that they are a tourist charter licence holder if they do not have TC plates.
8. That added financial burden in the form of a fee not be applied by government to school bus contractors doing school based or regional community charter work. Should a decision be made to implement any fees/charges, it is recommended that an immediate total review of the CRM and TRM rates be conducted to reflect/cover operational costs including covering hours currently outside the designated school days/hours.