

ISSUE NOTIFICATION FORM

Reviewable Component	Air Conditioning
Party Making Notification	Public Transport Authority (Authority)
Nature/Description of Issue*	<p>The Authority acknowledges that under item 3(b) of Schedule 5 of the contract the Review of this Component is to be limited to potential changes in the rate ascribed to the variable 'ACR'.</p> <p>The Authority does not have an issue with current variable 'ACR' based on supporting data used to date. The Authority considers that the DENSO and Coach Air bus fleet data as used in the design of the Service Charge methodology, was a comprehensive assessment that appropriately reimbursed contractors for their costs, acknowledging that the CRM is based on average cost model. Any proposal to amend the current payment model would need to prove that it has substantively more rigour as evidence across the relevant school bus fleet.</p> <p>The Authority does have an issue with the effect that charter work has on this reviewable component with respect to repairs and maintenance on air conditioning equipment. See the Issue Notification headed 'Use of School Bus to Earn Outside Income'.</p>
Evidence to Support Claim*	The Authority will refer to the DENSO and Coach Air bus fleet data as used in the design of the Service Charge methodology of the existing Contract.
Proposed Contract Variation	
<i>Schedule 3*</i>	Nil
<i>Schedule 4*</i>	Nil
<i>Contract*</i>	Nil

The following extract from the Contract does not form part of the Issue Notification Form and is provided as information for the Authority, Contractor Representatives and the Review Panel.

Review Principles [Item 9(b) of Schedule 5]:

1	The purpose of the Composite Rate Model, including the review procedure set out in Schedule 5, is to balance the interests of the Authority in procuring school bus services for a commercially fair value and the interests of Contractors in receiving a commercially fair income for provision of those services in the absence of a competitive tender process.
2	The Composite Rate Model is an average cost model so that the starting point is to be the average actual costs incurred by Contractors in providing the services the subject of the School Bus Contracts.
3	The cost elements set out in the Components will primarily be spread across the service life of each school bus rather than being paid in a lump sum or being varied across the service life of each school bus.
4	<p>It may be determined that a payment for a Reviewable Component not be averaged across Contracts or spread over the service life of the school bus where:</p> <p>A) it is administratively practical to do so;</p> <p>B) there is no material increase in the administrative costs to the Authority; and</p> <p>C) the administrative obligations and commercial outcomes imposed by the Composite Rate Model on the Parties are reasonable when compared with contracts for school bus services awarded under a competitive tender process,</p> <p>and for the avoidance of doubt, this includes the application of regional uplifts where the considerations in (A) - (C) above apply and it can be clearly shown that material regional cost differences exist.</p>
5	<p>Each of:</p> <p>A) actual income earned by Contractors from sources other than the Authority from assets for which Contractors are compensated under School Bus Contracts; and</p> <p>B) the fact that there is potential to make savings across School Bus Contracts through bulk purchasing of inputs, is a relevant consideration.</p>
6	The Party seeking to change a Reviewable Component must present sufficient evidence to reasonably prove that the current quantum paid to Contractors in respect of the Component is not appropriate.

7	Evidence must be based on: A) benchmarks that are directly relevant to the particular Reviewable Component; or B) detailed sampling of the Western Australian school bus fleet, provided that the data generated from such sampling is representative of the costs across the industry.
8	Each of: A) the Return on Investment Component; and B) the determination or meaning of the Approved Depot, insofar as it relates to the calculation of the Standard Daily Kilometres, is not a Reviewable Component and can only be varied by agreement of the Authority.