

ISSUE NOTIFICATION FORM

Reviewable Component	Garaging
Party Making Notification	Public Transport Authority (Authority)
Nature/Description of Issue*	<p>That there are issues as to the appropriateness of the continued existence of the Garaging Component, the range of contractors to which it applies and the method of its calculation.</p> <p>Additionally, the Authority notes the relevance to Garaging of the fact of school buses being used for private (ie non school bus) charter work (Use of School Bus to Earn Other Income) and cites this as a critical aspect of the reviewable Garaging Component.</p>
Evidence to Support Claim*	<p>The Contract currently provides for an annual amount of \$430 payable to a contractor for the provision of garaging.</p> <p>The provision of a garage is not required by the contract and is not relevant to the provision of a school bus service. The Garaging Component was preserved in the contract on the basis that the continuance of its existence would be reviewed in 2005. The Authority has not changed its view that garaging is not a required specification for the performance of a school bus service, and as the Contract Principal, does not want to pay for an item which is not required, not desired and not specified.</p> <p>The Authority will support its assertion of the existence of issues relating to Garaging by reference to evidence that bus fleets operating to supply other Government public transport services in the State, including those operated by Transperth and Regional Town Bus Services contractors, are not required to be garaged – a situation which is not viewed by those contractors as affecting the quality of service they can offer or as significant to the maintenance of the overall condition of their vehicles. That is, more than a thousand public transport buses around the State operating under contract to the Authority operate very successfully and safely without the need for garaging. These buses are retained in service and operate safely for service lives equivalent to or longer than; the school buses, and also perform considerably more by way of services. There is simply no requirement for school buses to be garaged inside a shed or under overhead protection, and any choice to do so is a decision made by the contractor.</p> <p>If the Garaging Component continues to exist, then its value and the method of calculation ought to be re-articulated. The current value is an historical figure that no longer reflects the range of applicable costs which would actually be incurred by a prudent school bus contractor. It may be appropriate to consider those cases where a contractor is required to lease some land space (but not garaging) in order to park their bus, where they either do not have sufficient space on their own property or where such an arrangement is required by Local Government regulations. Notwithstanding this, the Authority is aware that many school buses are parked on contractors' property in the Metropolitan area and in regional towns, and it would be incorrect to assume that such Local Government restrictions are therefore widely applied. The Authority considers that any payment for a piece of land to park the bus, on a lease type basis, would require some evidence that the school bus contractor was definitely making such a payment and the land was owned by a genuine third party.</p> <p>The Authority will present evidence as to the range of actual net market costs which would be incurred by a reasonable and prudent contractor. The Authority will also submit that many School Bus Contractors have already been reimbursed for all or part their garage or shed under previous payment arrangements. It would therefore be inappropriate to consider any</p>

	submission that treats the garaging item as a "greenfields" issue.
Proposed Contract Variation	
<i>Schedule 3*</i>	That the Description of the Garaging Component in Part 2 of Schedule 3 be deleted.
<i>Schedule 4*</i>	That the terms referring to garaging situation in Part 1 of Schedule 4 and to indexation of the Garaging Component in Part 2 of Schedule 4 be deleted.
<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	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: A) it is administratively practical to do so; B) there is no material increase in the administrative costs to the Authority; and 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, 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.
5	Each of: A) actual income earned by Contractors from sources other than the Authority from assets for which Contractors are compensated under School Bus Contracts; and B) the fact that there is potential to make savings across School Bus Contracts through bulk purchasing of inputs, is a relevant consideration.
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.