

DECISION 2008/2 – PART 1
PANEL: COMPOSITE RATE COMPONENT REVIEW 2008
PUBLIC TRANSPORT AUTHORITY
COMPONENT : ADMINISTRATION
(COST ELEMENTS – ORGANISATION COSTS)

Purpose

1. The purpose of this document is to provide a decision by the appointed Panel for the Composite Rate Model Contract Review 2008 for the component – Administration. This is a complex component and for which there have been submissions with regard to several cost elements. As a result, the Panel will issue a number of part-decisions for this component and this is the *second* part decision.

Background

2. The Public Transport Authority (PTA) has appointed a panel to review components of the Composite Rate Model Contract (CRM). The CRM is the method by which the authority pays school bus contractors their fixed and variable costs for the provision of school bus services.
3. The Panel appointed for the 2008 CRM review is Mr Garry Lawton (Chairman), Dr David Pack (Member) and Mr Mike Wadsworth (Member).
4. The Panel for the 2008 CRM Review is the same as that for the 2007 review. It was initially briefed by Mr John Bailly, Manager, School Bus Services for the PTA and subsequently met together with Mr Bailly and Mr Wally Gargarno of the Transport Forum WA Inc (TF).
5. Consistent with the Panel's objectives of maintaining openness in the evaluation process, all parties have provided copies of documentation to each other. The Panel thanks Mr Gargarno and Mr Bailly for their support of the Panel.

Introduction

6. The Administration Component is a large one comprising many cost elements which have previously been agreed between the parties. The Panel has decided that for the review of this component it will issue a number of part-decisions. This decision covers the submissions relating to the requested payment for Organisation Costs.

Administration – Organisation Costs

7. The PTA submitted that it did not have any issue concerning this cost element and the TF submitted that there was a case for the refund of organisation costs

(or membership fees). The PTA responded to the TF's submissions by submitting that no payment should be made.

Organisation Costs – the TF Submission

8. The TF submits that there should be a new cost element within the Administration Component for the refund of organisation fees (currently \$270 per annum) for those contractors who are financial members of an appropriate organisation. (It is assumed by the Panel that an appropriate organisation would be one with objectives seeking the betterment of school bus transport contractors.)
9. The TF submits that while membership of its organisation is voluntary, currently 70% of the operators belong to the Forum.
10. The TF support their case with the following (abbreviated by the Panel) submissions:
 - (a) the Forum provide weekly and quarterly communications to its members which includes "... vital operational information..." necessary for the correct performance of a school bus contract. The Forum further submits that this information is not necessarily disseminated by the PTA. Members are encouraged to share information with other contractors. (Note: The Panel has not seen any of the TF communications to its members.)
 - (b) the Forum receives at least 20 calls per week from members seeking operational information. If these inquiries were not dealt with by the TF they would need to be dealt with by officers of the PTA.
 - (c) The CRM contract encourages organisation groups in that contractors, who via some grouping make up 10% of the total contractor group, may appointed a Contractor Representative. Appointed representatives in turn require some resources if they are to satisfactorily represent the contractors.
 - (d) It would be impossible for the PTA officers to negotiate with every individual contractor and therefore having organisations makes negotiation easier.

Organisation Costs – The PTA Response to the TF Submission

11. The PTA response to the TF submissions (abbreviated by the Panel) is as follows:
 - (a) during the negotiations to establish the CRM Contract the Minister advised the industry representatives that contractors belonging to an industry organisation was considered discretionary and that any expenses would not be refunded by the Government.
 - (b) not all contractors belong to an industry association.

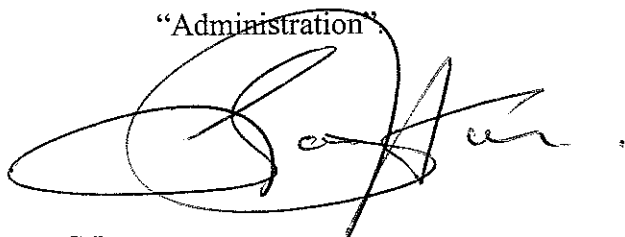
- (c) Operational issues on service delivery are between the PTA and the contractor. The TF, while providing assistance, is not required to do so.
- (d) The PTA has made no request of the TF for assistance in the daily operation of contracts and encourages contractors to contact it for matters relating to services.
- (e) The PTA should not pay for items such as refund of organisation fees which are not required or specified in the contract.

Organisation Costs – Panel Comment

12. The Panel is bound by the CRM Contract provisions and notes the following:
- (a) Schedule 5 Para 9(a) (page 15) which paraphrased states that it must ensure that each Component appropriately reflects the actual net costs incurred by Contractors or which would be incurred by a diligent Contractor operating efficiently; and that the provisions of Schedules 3 and 4 must be applied to all Contractors;
 - (b) Schedule 5 Para 9(b) (page 16) which paraphrased states that the CRM is an average cost model so that the starting point is to be the average actual costs incurred by Contractors; and that the applicant for change to a Component must provide evidence to provide that the current payment is not appropriate.
13. In summary, the provisions described in paragraph 12 above provide that unless otherwise specified in the CRM Contract, payments should be based on the actual average costs and paid to all contractors.
14. The Panel considerations also include the following:
- (a) that while the TF submits that 70% of the Contractors are Forum members, by inference 30% are not members of the Forum, or it is assumed, any other like organisation.
 - (b) Membership of an organisation is not required by the Contract and any initiative of this type is of a voluntary nature.
 - (c) The refund of organisation fees is considered to be outside the scope of the Contract.

Organisation Costs - Decision

15. This is a part-decision for the Cost Component: Administration. The 2008 CRM Component Review Panel determines that Organisation or Membership fees or costs should not be included as a cost element under the heading "Administration"



G Lawton
Chairman
18 November 2008