



18th November 2021

Ms. Lisa O'Malley MLA

Chair

Public Accounts Committee – STAP Framework

4 Harvest Terrance

WEST PERTH WA 6005

Via email: lapac@parliament.wa.gov.au

Dear Ms O'Malley

Thank you for the opportunity to provide comments in relation the Public Accounts Committee inquiry into the Western Australian Student Transport Assistance Policy (STAP) framework.

I, together with my wife Kym operate a family farm and school bus Contractors in Western Australia and Victoria. Following in my parents' footsteps, Kym and I have operated school bus services for 25 years.

In 2016 we purchased 21 Evergreen Contracts. We've since purchased a further 15 contracts and currently provide 36 school bus services via the Evergreen Contract Model (ECM). Our services are operated in Kojonup, Katanning, Boyup Brook, Donnybrook, Bunbury, Narrogin, Dalwallinu and Esperance.

Our experience in transport also extends to charter, mining transfers and rail replacement services. We are members of BusWA and BusVic and currently sit on the Committee of Management for both Associations.

Whilst formally contracting arrangements have not changed, over the past 18-24 months I have experienced and observed a shift in the application of the Public Transport Authority's (PTA) policies, processes and interpretation of contractual requirements. As such, I welcome this inquiry as an opportunity to examine current contracting and service deliverables.

Our family has invested a significant amount of money in the purchase of 36 ECM contracts for the past five years. On average, an ECM contract has a value of 1.5 to 2.5 times of the annual contract value. This business decision was made on the basis that the Contract was just that, Evergreen.

The relocation of an ECM contract was a policy of the previous Government and a practice under the current Minister of the Industry. In 2016, we were offered to relocate a Contract from a Wheatbelt town with dwindling student numbers to Bunbury, where there was a requirement for a new service due to growth. This practice is reasonable and beneficial to both a Contractor and the PTA.

Benefits include:

- An asset (bus), already partially paid by the Government which was no longer required in one location and could be transferred to benefit a community in another location;
- Immediate contract start date i.e.: service ceased at the end of a school term and commenced at the beginning of the next term in the required location;
- Proven and known experience by Contractor operating the service continued;
- No cost to Government for the procurement of a new contract.

Recommendation: Relocation of Mainstream ECM Contracts to be formally acknowledged in the ECM Contract utilising Item 4.6 – Metropolitan Fringe Contract

There is a misconception that the Tendered Rate Model (TRM) contract is more cost effective than the ECM. A limited financial review of the cost difference between the two contracting types would lead to this conclusion however, it is important to note the two most significant cost factors to the contracts are capital and wage expenses.

A tenderer would not be competitive or successful in the tendering process if they proposed to operate an Australian manufactured bus. As an ECM Contractor, I always purchase Australian manufactured buses, as do the Government in purchasing vehicles to operate the TransPerth services. From my experience, an Australian manufactured bus will ensure the terms of the contract, specifically 12 or 17 year bus life can be met.

The second significant financial difference between the ECM and TRM relates to wages. The ECM contract references wage rates considerably higher than the relevant Employment Award compared with a TRM Contractor only being required to comply with the minimum rates of the Employment Award. Assuming the drivers'

hours are four hours per day, multiplied by 195 school days, TRM wage component would be \$23,000 compared with \$33,000 for an ECM contract.

It should be noted that the PTA has given approval to Contractors who operate both TRM and ECM contracts, to average the hourly rate paid to drivers across both contracting types e.g.: the tenderers annual wage cost may be declared at tender as \$30/hr however, the tenderer pays \$35/hr as it applies wages paid under the ECM contract to the driver of the TRM contract.

Recommendations:

- **Government to consider their Policy in relation to Australian manufactured buses for school bus tendering**
- **Equity required in relation to wages**
- **Explore the benefits of the reintroduction of tendered ECM contracts including revenue which would offset the perceived TRM contract cost savings and would result in the PTA only being required to manage one contract model**

It is widely known within the School Bus Industry there is significant inconsistency and inequity with regard to the wage component within the ECM contract. The hourly rate paid to casual drivers by Contractors varies from \$30/hour to \$45/hour. The ECM contract states

“The Contractor agrees that it will remunerate Drivers, Bus Aides and Bus Wardens based on the amount of Remuneration it receives, to the intent that the Contractor will not make any windfall or profit in respect of the Remuneration.”

As mentioned earlier in my correspondence, the PTA allows the practice of Contractors to utilise wages paid as part of the ECM contract to pay drivers employed to undertake driving duties of a TRM contract. Furthermore, Contractors are approved to utilise ECM wages to average a drivers' hourly rate for non-Government activities such as Charter.

Inconsistencies are also present with regards to payroll tax. I understand the PTA make additional financial contract payments to some ECM Contractors however, not all Contractors who are required to pay payroll tax receive reimbursement.

In my case, I deem that I am not making a “windfall gain” by allocating payroll tax expenses within the wage component of the contract. The PTA allow the allocation of items such as uniforms, staff attendance at training and meetings as approved wage expenses however, will not formally recognise payroll tax as a cost to business within the ECM contract.

The inconsistencies cause much unrest between employers and employees, particularly when drivers are employed by different Contractors within the same rural town.

Recommendations:

- **Drivers hourly wage rate to be explicitly detailed in ECM contract to ensure all school bus drivers in Western Australia receive the same remuneration and remove ambiguity; and**
- **Other wage expenses such as drivers' attendance at training, meetings, uniforms and payroll tax to be individually itemised components within the ECM Contract as are other wage items such as workers compensation.**

The ECM Contract is based on an average cost model. In essence, sometimes you are remunerated adequately on a component within the Contract and at other times you may be under or over. Over the past 18 months, the temporary distance variation process has become extremely laborious, time consuming for both the PTA and Contractors. The reporting now required for kilometres travelled each day is extremely precise as opposed to all other contractual elements .

Recommendation:

- **To endorse the recommendation made to PTA at the BusWA AGM that Contractors submit temporary distance variations for each day the service did not operate; and**
- **For any significant variances e.g.: 50km / day (under or over)**

With regards to the Student Transport Assistance Policy framework, I would like to make the following comments and observations to redirect the Government's focus back to the 'grass roots' regarding our core business i.e.: to provide services to deliver rural students (often located on farms) to school.

Recommendations:

- **Policy to recognise 'School of Choice.' The Department of Education enrolls a student at attend school however the PTA policy does not acknowledge the student is eligible for transport;**
- **Routes should be designed on practicality to pick up students from farm gates and not based, as often occurs on policies such as 5km or 7.5km 'spurs'. If a service can collect all students who require transport to school within the 90-minute timeframe, allow this to occur.**

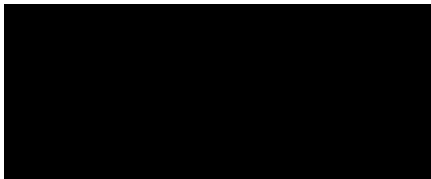
I do not have specific recommendations regarding the resourcing of the School Bus Services division within the PTA however, I often reflect on the value of some processes within the division and the benefit to Contractors and families being provided with a service. For example, both the PTA and Contractors spend an exorbitant amount of time updating a route map and narrative, often to result in a financial change of less than a dollar a day.

I will note that the timeliness of responses and processing by PTA can be delayed beyond what I would describe as reasonable. For example, a new bus commenced in April and I was only remunerated for this in November 2021 including a back payment of approximately \$50,000. Also, with regards to bus replacements, of recent times I have not been notified of approval to purchase a bus in time for the vehicle to be delivered, which results in the cessation of depreciation costs until the new bus arrives.

In closing, Swanhaven attended a number of BusWA consultation meetings regarding this inquiry across WA and observed that the theme of our issues and concerns were mirrored by almost all other contractors who attended those meetings.

I am available on [REDACTED] to discuss the content of my submission further with you or if preferred, would be more than willing to meet with the Committee in person.

Yours sincerely



Legh McGinty
Director
Swanhaven Pty Ltd