

Simple indexation for school bus services under STAS

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Purpose

The purpose of this document is to outline the policy and methodology in calculating simple indexation and how it is applied in the indexation of rates used for kilometre-based and fares-based service contracts and agreements under the School Transport Assistance Scheme (STAS).

Background

The Queensland Government provides transport assistance to help students travel to and from school under STAS.

STAS is primarily designed as a scheme for those students who do not have a school close to their residence and includes assistance to the most disadvantaged students in the state, with specific assistance targeted at isolated students and low-income families.

The most significant proportion of these payments are made to bus service providers. This document relates to the movement in costs of those services.

Scope

This document outlines the Department's position in relation to the indexation of fixed and variable kilometre-based rates, fares-based payments and other STAS payments, including safety net and conveyance allowances.

This indexation does not apply to any capital funding arrangements that may be in place for school transport vehicles.

Funding received for general route services provided by the service provider under a regional urban bus contract has a separate indexation methodology applied.

General principles

The following general principles apply to indexation of the different STAS rates:

- Simple indexation, as described below, will be used as the indexation methodology for all STAS payment rates. It is designed to be simple, transparent and easy to understand and administer.
- Indexation of STAS payment rates for all approved school transport service providers will occur in July each year, noting that in selected circumstances, parts of the payment rates may be indexed later in line with availability of indices (for example, if the Passenger Vehicle Transportation Award (PVTA) wage determination occurs later than 1 July). The Department will engage with all service providers about the timing of indexation in such circumstances.
- Indexation of other STAS-related payments, such as safety net and conveyance allowances, as well as the School Transport Maximum Cash Fare Schedule, will occur in January each year and will be based on movements in the Consumer Price Index (CPI).
- Fuel will be adjusted quarterly in line with the Fueltrac index. There will no longer be a minimum +/- 5% threshold that must be reached before fuel adjustments are applied.

Cost components

The simple indexation methodology consists of four cost components, where costs are grouped to align to a similar indexation source. See Appendix A for details of the inclusions in each cost component for the kilometre-based NC payment rates:

Cost component	Indexation source (1)
Driver Wages and On-Costs	PVTA (2)
Other Fixed Operating Costs	
<ul style="list-style-type: none"> Admin Wages and On-Costs 	PVTA (2)
<ul style="list-style-type: none"> All Other Fixed Operating Costs 	CPI (3)
Other variable operating costs (4)	CPI (3)
Fuel	Fueltrac (5)

Notes/sources:

- (1) *In selected instances, baseline payment components may need to be adjusted in line with legislative changes. For example, if the superannuation guarantee percentage changes, the Department will adjust superannuation components within the payment rates to reflect the new percentage.*
- (2) *Passenger Vehicle Transportation Award 2020, Schedule B.2.1 Casual employees other than two-driver operations, ordinary hours, Grade 3 employee – percentage change from previous award hourly rate.*
- (3) *Australian Bureau of Statistics, Consumer Price Index, Australia, All groups, Brisbane – percentage change from corresponding quarter of previous year (March – March).*
- (4) *Note that from July 2022, the AdBlue component of the kilometre-based NC payment rates will be adjusted quarterly in line with fuel prices, as per (5), below.*
- (5) *Fueltrac, average diesel pump price, regional Queensland average – percentage change tracked month to month (adjusted quarterly) in line with the below methodology. This will be inclusive of the fuel tax credit rebate whenever it is adjusted by the ATO.*
 - a. *Fuel adjustments for July (calculated in June based on a March, April and May quarter)*
 - b. *Fuel adjustments for October (calculated in September based on a June, July and August quarter)*
 - c. *Fuel adjustments for January (calculated in December based on a September, October and November quarter)*
 - d. *Fuel adjustments for April (calculated in March based on a December, January and February quarter).*

Application to the kilometre-based NC vehicle category rates

For the kilometre-based NC vehicle category rates, the appropriate indexation percentage is directly applied to each of the individual major cost category rates, with the exception of 'other fixed operating costs', which is split into 'admin wages' and 'all other fixed operating costs' sub-categories and the appropriate indexation percentage applied to each. An example is outlined below:

<i>Original rate</i>	Component		Payment Rate Value	Indexation Value	Payment rate Indexed Values	<i>Indexed rate</i>
Fixed costs \$200.00 / day	Driver Wages and On-Costs		\$100.00	1% (PVTA)	\$101.00	Fixed costs \$202.50 / day
	Other fixed operating costs	Admin Wages and On-Costs	\$50.00	1% (PVTA)	\$50.50	
		All Other	\$50.00	2% (CPI)	\$51.00	
Variable costs \$2.00 / km	Other variable operating costs		\$1.00	2% (CPI)	\$1.02	Variable costs \$2.05 / km
	Fuel		\$1.00	3% (Fueltrac)	\$1.03	

Excess kilometre allowance

The Excess Kilometre Allowance is indexed by movement in the PVTA. Indexation to the Excess Kilometre Allowance will be applied each time the PVTA changes.

Application to the kilometre-based C vehicle category rates

For the kilometre-based C vehicle rates, it is assumed that driver wages and fuel costs remain unchanged between the NC and C vehicle categories. The 'other fixed operating costs' category is therefore determined by subtracting the NC driver wages costs from the total C fixed rate, and the 'other variable operating costs' category is determined by subtracting the NC fuel cost from the total C variable rate.

Once the cost component rates have been determined, they are then indexed in a similar way to the NC rates. However, as the 'other fixed operating costs' category is not broken down into individual components, unlike the NC rates, the whole category is indexed via CPI. For example:

<i>Original rate</i>	Component	Payment Rate Value	Indexation Value	Payment rate Indexed Values	<i>Indexed rate</i>
Fixed costs \$210.00 / day	Driver Wages and On-Costs	\$100.00	1% (PVTA)	\$101.00	Fixed costs \$213.20 / day
	Other fixed operating costs	\$210 - \$100 = \$110.00	2% (CPI)	\$112.20	
Variable costs \$2.10 / km	Other variable operating costs	\$2.10 - \$1.00 = \$1.10	2% (CPI)	\$1.122	Variable costs \$2.152 / km
	Fuel	\$1.00	3% (Fueltrac)	\$1.03	

Maximum unloaded payment (MUP)

The MUP will be indexed by the percentage uplift observed across the average of the regional C variable rates. Indexation to the MUP will be applied each time the C variable rates change.

Indexation for fares-based contracts

Simple indexation will also be used to index fares-based contract payments. The Department will apply a percentage uplift to the fares rate based on an annual income formula using the regional NC4/5 rates before and after the application of simple indexation. In all instances, the Department will default to a standard assumption of 200 days and 20,000 kilometres per annum.

		Before Indexation	After Indexation
NC4/5 Fixed Rate	<i>\$ per day</i>	\$200.00	\$202.50
NC4/5 Variable Rate	<i>\$ per KM</i>	\$2.00	\$2.05
Days	<i>Days per annum</i>	200	200
KM	<i>KM per annum</i>	20000	20000
Total income	<i>\$ per annum</i>	\$80,000.00	\$81,500.00
Variance	<i>\$ per annum</i>		\$1,500.00
Fares % change	<i>%</i>		1.8750%

In the above example, fares-based payments would increase by 1.8750%.

Indexation of other STAS related payments

Other STAS payments, such as safety net and conveyance allowances, as well as the School Transport Maximum Cash Fare Schedule, will be indexed in line with CPI (6). This will occur on 1 January each year.

(6) Australian Bureau of Statistics, Consumer Price Index, Australia – percentage change from corresponding quarter of previous year (September – September) for:

- a. All groups, Brisbane (safety net and School Transport Maximum Cash Fare Schedule); and*
- b. Transportation Group, Expenditure Class of Private Motoring (conveyance allowances).*

Capital or bus utilisation payments

These are the subject of an annuity arrangement and will not be indexed annually by simple indexation.

Effect on STAS payment rates

Assuming a net increase in the indexation value, the application of simple indexation in July will increase the STAS payment rates.

The effect of the fuel indexation will be dependent on the movement in price, either positive or negative, for the quarter.

Engagement and Consultation

The Department has developed the simple indexation framework to respond to feedback received from both individual school transport service providers and industry associations.

The Department's intention is to work collaboratively with service providers and industry associations to ensure simple indexation remains accurate and, if any proposed amendments to simple indexation are identified, to work with service providers and industry associations to consult on the changes prior to any changes being implemented.

If any changes to simple indexation are progressed, the Department will ensure that individual service providers and industry associations are appropriately notified and that changes are published on the Department's website prior to their effective date.

Appendix A – Cost component breakdown for kilometre-based NC rates

Driver Wages	Cost Driver Composition
Driver Wages	A daily allowance for four hours wages at Grade 3 casual Passenger Vehicle Transport Award (PVTA) rate across all vehicle categories.
Driver On-Costs (Superannuation)	Application of the superannuation guarantee to four hours of Grade 3 casual PVTA wages across all vehicle categories.
Driver On-Costs (Workcover)	Application of the benchmarked industry percentage for Interurban and Rural Bus Transport to four hours of Grade 3 casual PVTA wages and superannuation across all vehicle categories.

Other Fixed Operating Costs	Cost Driver Composition
Administration Costs	A daily allowance for contract administration.
Administration Wages	A weekly allowance for administration wages at Grade 3 casual PVTA rate. NC1/2 contracts receive three hours administration wages per week prorated into a daily rate. NC3/4/5 receive five hours administration wages per week prorated into a daily rate.
Administration On-Costs (Superannuation and Workcover)	Application of the superannuation guarantee and the benchmarked industry percentage for Interurban and Rural Bus Transport to the administration wages and superannuation applicable for each vehicle category.
Registration	A daily allowance for bus registration costs, dependent on the vehicle category.
Bus Inspection Fees	A daily allowance for bus inspection fees, dependent on the vehicle category.
Third Party Insurance	A daily allowance for third party insurance.
Comprehensive Insurance	A daily allowance for comprehensive insurance, dependent on the vehicle category.
Public Liability Insurance	A daily allowance for public liability insurance.
Fixed Repairs and Maintenance Including Air-conditioning and Seatbelt Maintenance	A daily allowance for fixed repairs and maintenance, dependent on vehicle category.

Other Fixed Operating Costs	Cost Driver Composition
Depot/Garaging	A daily allowance for depot/garaging.
Spare Bus Expenses	A daily allowance for spare bus expenses, dependent on vehicle category.
Other Overhead Expenses Including Driver Training, CCTV Maintenance and Windscreen Repairs	A daily allowance for other overhead expenses, dependent on vehicle category.

Other Variable Operating Costs	Cost Driver Composition
Repairs and Maintenance (Non-Labour-Related)	A per-kilometre allowance for repairs and maintenance expenses dependent on vehicle category.
Mechanic Wages	A per-kilometre allowance for mechanic wages, dependent on vehicle category.
Mechanic Wages On-Costs (Superannuation and Workcover)	Application of the superannuation guarantee and the benchmarked industry percentage for Automotive Repair and Maintenance to the mechanic wages and superannuation applicable for each vehicle category.
AdBlue	A per-kilometre allowance for fuel additive AdBlue

Fuel	Cost Driver Composition
Fuel	A per-kilometre allowance for fuel (inclusive of fuel tax credit), dependent on vehicle category.

