

# **Appendix 17**

## **Commercial Framing Principles**

## COMMERCIAL FRAMING PRINCIPLES

- The **Commercial Framing Principles** can be defined as follows:
  - Given that the service is either a new service awarded through a tender process or one which has been in existence for some time, it is assumed that the core RPT service is viable (existing service) or has been assessed as viable (new).
  - On that basis, the risk for the continuation of the service lies with the service provider. It is the responsibility of the service provider to develop his markets (patronage) as is essential for continued viability and consistent with a normal commercial enterprise.
  - In the event that an operator's viability waivers, it remains his or her responsibility to take measures to adjust the elements of the business to correct that position. It should not result in any increase in subsidies payable to the operator.
  - If the service provider simply cannot continue to operate the service, the contract between the Government and the service provider will be terminated and tendered. At that point, the terms of the contract can be reset in a competitive environment.
  - As an issue of practicality, it may be necessary to issue a short term contract to the exiting operator (at terms agreeable) in order to ensure the continuation of the service until such times as a new contract and arrangement can be put in place.
  - Should patronage drop, despite the best endeavours of the service provider, to a level where a service cannot be provided, regardless of vehicle or frequency permutations and other business mix dimensions, the service will no longer continue. By inference the service would then be deemed non core under the *Passenger Transport Act*. The service would be reviewed should circumstances change; however, any re-commencement would expect to be subject to trial.
  - Communities, which are, by the requirements of the criteria and Access Principles, eligible for a core RPT service, will not automatically receive such a service until real demand has been established and a commercial business footing has been proven. This is expected to be facilitated by trials coordinated through the Department.
- It is considered that the access principles operating within this commercial framework will allow the Commission to confidently manage the tasks associated with service provision, as required under the passenger transport legislation.