



# Luxury Ground Transport gets a raw deal

The luxury ground transport sector in South Africa is battling to survive in the current economic climate and if tour buyers continue to squeeze coach hire prices, many operators will fall by the way side, writes

**Fanie van Zyl .**

The luxury ground transport sector, and by that I mean Tour Coach and Bus operators are still getting a raw deal when it comes to prioritising prices during trip planning and budgeting.

Ground transport should be considered as one of the first and most important factors when compiling an itinerary, especially when considering the passengers safety and comfort, yet this aspect appears to be left as the last item on the list. The perception of ground transport in tour and itinerary planning, is that it is not as important as flights or accommodation or attractions.

Many ground transport operators have experienced that just about everyone involved in tour planning do not realise that Tour Coaches are very expensive commodities to purchase, operate and maintain. It's clear from a price parity point of view, that buyers do not have a clue or understanding why coach operators charge, what buyers perceive to be, exorbitant prices.

Buyers are not aware of the fact that a Luxury 48 to 52 seater tour coach costs around R3.2 million to purchase, which incurs monthly instalments of approximately R70,000. Add the coach driver at R10,000 and insurance at R9,000 and it's clear to see that a coach operator has incurred R89,000 in fixed expenses alone. Add to this the cost of fuel, which can be as high as 25% of the tour price, vehicle maintenance costs, permit costs, road toll costs and the costs associated with running a legally compliant business.

## Example:

To illustrate the point, let's take a 21 day round trip overland tour at an average travelling distance of 250km per day. Fuel expenses excluding toll fees would equate to approximately R37,500. Add the fixed expenses, inclusive of depot and cleaning fees, and we are looking at R126,500. Thus, in a 21 day recovery month the price that a coach operator should charge is R7,500 per day inclusive of a marginal 20% mark-up. This does not even cover operational

expenses like maintenance and tyres and repairs. If the operator were to add the latter, a price of up to R9,500 would need to be quoted, which the market cannot support at the moment.

Here is the sad part! For a passenger to travel in comfort, safety and style the going rate is only R156.25 per day - much less than the price of a 1-star rated room and probably equal to a dinner bill at an average restaurant.

Passengers travel in a R3.2 million super luxury vehicle, with passenger liability of R100 million included in the deal. Is that fair?

It's no wonder that only a few operators can afford to upgrade their fleet of coaches and the going rates certainly make it very difficult for anyone to enter the market as a novice. Only a few new BEE operators can enter the market unless they are able to secure funding from a Government Agency or through a BEE Empowerment Deal. Unless one has won the lottery or inherited a fortune, which if that were the case the fortunate entrepreneur would certainly not be investing in the luxury ground transport sector!

In addition to the above, one should also consider that the Luxury Coach fleets in South Africa are ageing rapidly. Even the large Coach Operators are finding it difficult to upgrade or acquire new vehicles. We therefore see that the average 'Full Luxury Coach' fleets are already 4-5 years old. Thus all coaches acquired by Government for the 2010 Soccer World Cup are already three years old with high mileage.

So if Tour Operators prefer to book the latest and newest model vehicles they can expect to fork out more than on the older generation vehicles. So what do they offer their travellers? A Full Luxury Coach of five years and older or the latest and most modern vehicles.

Maybe the Coach and Bus fraternity through the Coach Operators' Association of South Africa should introduce a Grading system for motor coaches as well as a Service Maintenance Manual similar to the Aircraft industry to keep track of the maintenance and service records of vehicles as we take the lives of travellers into our own hands.

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