

## **A Message from the FMA President:**

As we all struggle to recover from the economic impact of the recession of 2009 – 2010, are we hurting ourselves with our pricing policies for charter and shuttle work?

We have long known that the price structure dictated by the Central Florida (Orlando Area) marketplace is well below the industry averages for providing charter and shuttle services. In some studies, the area lags that rest of the country by 30% or more.

There are a number of factors which impact the price structure in the Orlando area, including:

There are a great many operators and much excess capacity in Central Florida for operations in slow times. This factor alone is responsible for the pricing objective of “keeping the wheels turning” at any cost. We are all guilty of this practice and we quote deep discounts in response to either slow periods or customer demands. Anyone responsible for pricing has seen eye popping prices quoted by competitors.

The marketplace, including the DMC’s, Receptives, and Tour operators demand these lower prices. We provide shuttle service for conventions at rates that operators in other major convention cities would not consider. Receptives and Tour Operators demand quality equipment and yet pay low daily and hourly service rates.

The State of Florida also contributes to our fair pricing problems. There are numerous operators who operate on an “Intrastate Authority” and are required to carry only \$1,000,000 in Liability Insurance. Such operators have a competitive advantage and are generally willing to work for lower prices than the Interstate operators who must carry the higher liability limits. Florida Motorcoach Association should work with our legislators to require that all bus operators carry the Federal minimum of \$5,000,000 in liability insurance. In the event of an injury accident, \$1,000,000.00 in insurance will not go very far.

The marketplace has grown in sophistication in recent years. Customers have learned that they can demand new equipment and lower prices – and we have given in to these demands and in some cases appear to be offering prices that are at or even below the actual cost of providing the service. There appear to be many operators who are not aware of their cost per mile or who have not established minimum gross margins for selling their services.

The point of my editorializing is that all Florida operators should know what their true operating costs are and establish their own minimum acceptable margins. If operators are able to make these calculations and understand their own business model, we will have eliminated the “keep the wheels turning at any cost” deep discounting and any discounted prices that are offered to customers will actually provide a reduced profit margin to the operator.

The industry is currently experiencing major actual and potential increases in our operating costs. The cost of new equipment has risen dramatically in the past few years and new technology in engines and electronics will drive the costs even higher. Fuel costs and employee benefits continue to increase and the coming advent of seatbelts will increase the pressure on operators to upgrade existing equipment – yet without a fair return on investment more companies will fail and few will be able to afford the upgrades to equipment that will be required in the marketplace. I hope you have made plans to attend the annual FMA Marketplace meeting at Innisbrook September 27-30. Encourage as many folks as you can to come and help make the meeting a great success.

Sincerely,  
Bob Rial  
FMA President