

# What's up with online brokers

BusRates.com red flags Internet charter service

By Kathryn Eber



The Internet has changed the way many customers search for and select a charter bus company. Each year new listings appear that increase the visibility of bus charter and tour services and attest to the popularity of charter bus travel.

Bus charter brokers who operate legitimately provide a valuable service, but there are those that mislead customers about the value they claim to offer.

However, many third-party re-sellers — namely online national bus brokers — are gouging prices and misrepresenting their service; promising a high level of quality that goes undelivered to unsuspecting customers.

The more disreputable online bus brokers assure customers they have evaluated the bus companies they use, though recent evidence suggests this is not always the case.

An honest and reliable broker can be of great value to charter customers. For a premium, this specialist can connect customers with an available company best suited for their transportation plans. The broker's fee also acts like an insurance policy. If the original bus owner fails to provide the service, the fee guarantees a replacement at no extra cost to the customer.

The sad reality of this relatively new industry niche is too many charter customers are disappointed with their experience with brokers.

Research by BusRates.com reveals

that many online national brokers are excellent at pitching their services, but marginal in their delivery. Brokers of this ilk typically overstate their value to capture a greater portion of the market, and mark up the charges significantly with little or no research performed for the customer. BusRates.com says that some even lead customers to believe that they own the buses they are booking, when in fact they have never seen the vehicles.

When brokers adhere to the standard 10 percent gross-net rate commission system, the customer incurs no extra cost booking through them. But national online brokers in particular seem to have abandoned the traditional commission relationship by grossly overcharging for their service. In fact, BusRate.com found charter quotes ranging from 25 percent to 50 percent above market; and smaller trips, such as airport transfers, are often marked up over 100 percent of the going rate.

When BusRates.com requested quotes for a three-day 550-mile round-trip charter, the average rate quoted from bus-owning companies was \$2,325. BusRates.com reports the online brokers averaged \$3,216 for the same trip — a 38 percent mark-up over the going rate.

Even more disturbing, says BusRates.com, is that despite assurances of charter quality, these brokers

are not adequately researching the companies they engage. Jan Van Eck, owner of Flying Dutchman Motorcoaches, East Haven, CT, attests that brokers never did any research on his company before contracting his services.

"In my years of subbing from brokers, not once have I been required to provide proof of insurance, details of equipment, maintenance protocols, driver selection," says Van Eck. "No broker has ever made an on-premise visit or asked for references. As far as I can tell, the brokers make zero inquiries."

BusRates.com says if brokers are telling customers they thoroughly researched companies when they did not, they are defrauding their customers.

"Nowhere has this been more evident than in the horrific bus fire last September near Dallas, TX, that claimed the lives of 24 elderly Hurricane Rita evacuees, says BusRates.com CEO and founder, Mark Greer. "In this case, the bus broker assured the customer that it adhered to a rigorous evaluation process. Yet tragically, the broker failed to research the company as promised."

Greer reports that had the broker done the research, it would have found obvious reasons not to book that particular charter company. >>

The company's registration was expired. The driver's safety rating was 97 where 100 is the worst.

Over the past two years, four drivers and three vehicles were ordered out of service.

The company filed for bankruptcy protection in February 2005. Since 2001, the police pulled over its drivers more than a dozen times.

The accident investigation further revealed 168 federal safety violations, of which over half related to substandard vehicle and maintenance conditions.

Because brokers are eroding the margins that bus-owning companies need to be profitable, more and more bus owners are refusing to take trips from them.

One bus owner in Minnesota reported that he had done several trips for a prominent national online broker. "Not one of them went smoothly," he says. "Communication

is essential when planning a trip, and when you can't speak directly with the client, important details are left out."

He says the broker that booked his trips failed to ask the client the most critical questions. He also noted that brokers make a practice of collecting the driver's gratuity ahead of time, but do not pass it on to the driver.

Finally, he pointed out that when customers decide to extend their trip, they pay an additional charge to the broker. Yet this money never makes it back to the bus owner.

"I refuse to take anymore trips from them," says this operator.

### Work with industry veterans

Customers can look to the small local brokers, tour operators and travel agents for the best value. The experienced industry veterans that usually run these specialized operations know their market. They price their services reasonably and

tend to adhere to the industry standard 10 percent commission rate.

Many have met with the bus owners in their area, and have actually seen the buses they book for their customers.

Bus owners should encourage their prospects to:

- Always see the actual vehicle before they book.
- Search the company's record in the Federal Motor Carrier Safety Administration (FMCSA) database, [www.safer.fmcsa.dot.gov/CompanySnapshot.aspx](http://www.safer.fmcsa.dot.gov/CompanySnapshot.aspx).
- Get a feel for how involved a company is in its area of operation.

Motorcoach owners considering work from these brokers should keep in mind that though a broker might have a strict policy only to pay 60 days

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after travel, owner-operators also have the option to demand faster payment.

Brokers typically collect payment in full from the customer up front and so can the bus owner. BusRates.com reports that a number of bus companies it researched indeed received advance payment from national brokers before travel.

Another important option is to negotiate higher rates with the broker.

Motorcoach operators can offer brokers the same rate they offer their own customers. The gist of this is, if everyone involved in the motorcoach industry can help more customers become aware of the best business practices, the online national brokers will have to learn to represent their service accurately.

#### Get quotes directly

BusRates.com offers the first free searchable database made up wholly

of charter bus-owning companies in the U.S. and Canada. It is also an informational guide to charter bus operations and includes bus descriptions.

Greer says the site works like "a souped-up yellow pages directory." For a small fee, bus owners can post their fleet specs, amenities and rates for customers. In return they receive calls and direct quote requests. The site lists over 5,300 company listings, which are searchable by bus types, and 340 companies that post their fleet specs and rates.

Since November 1, 2004, BusRates.com has been working to reach more online customers to create awareness of industry going rates so customers can assess the amount of the premium brokers collect for their service.

Greer established BusRates.com because he believed most customers were not aware of the brokers who

quote substantially higher rates above the market. Bus owners that post rates help make customers aware of broker's typical 50 percent hidden premium.

"We just want customers to know what's really going on before they make a purchase," says Greer. "If more brokers begin representing their service accurately, there is still a portion of the market willing to pay for this type of service."

Kathryn Eber serves  
on the BusRates.com, Inc.  
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