

**Public**

**TO: TSTG GOVERNANCE COMMITTEE  
JANUARY 25<sup>TH</sup>, 2016**

**FROM: GENERAL MANAGER**

**SUBJECT: AWARDING OF TRANSPORTATION CONTRACTS**

**Origin:**

Expiration of Transportation Contracts

**Executive Summary**

**The Toronto Catholic District School Board and the Toronto District School Board concluded a seven year contract with our current bus operators plus two one year extensions and have completed evaluations for renewed contracts starting in September 2016. Both Boards have the opportunity to secure contracts that provide fair market value to the Districts in minimizing costs while maintaining a level of service required in the Toronto marketplace. However, although the prices may be fair market value they are considerably higher than current rates and will continue to apply pressure to the Transportation budget.**

**Comment(s):**

1. The Governance Committee at its October 16<sup>th</sup>, 2014 meeting approved the following:
  - a. That staff be authorized to go to the market place through an RFP process to secure student transportation services commencing in September 2014.
  - b. That selected carriers and the public be requested to submit proposals for the provision of transportation services.
  - c. That staff be authorized to enter into negotiations with responding service providers

- d. That the proposed RFP for student transportation services be approved subject to final review by the Board's solicitor.
  - e. That staff prepare a summary report upon the conclusion of the RFP for the TSTG Governance Committee to review, confirm, and adjust the awarding of transportation contracts if required.
2. The RFP was released on November 27<sup>th</sup> and was posted on Biddingo and announcement of the release of the RFP was posted on the consortium's website. Two addendums were issued by the RFP Coordinator to provide answers to questions received from interested parties who submitted inquiries by the December 11<sup>th</sup>, 2015 deadline. Over fifty organizations downloaded a copy of the Toronto transportation RFP. The RFP closed on January 5<sup>th</sup>, 2016 and proposals were received from the following 8 vendors:

- \*Attridge Transportation
- \*First Student Canada
- Landmark Transportation
- \*McCluskey Transportation
- Sharp Transportation
- \*Stock Transportation
- Switzer-Carty Transportation
- \*Wheelchair Accessible Transit

\* Operators currently providing service to the Toronto School Boards

3. The contract award process was designed in three stages. The first is a simple mandatory requirement stage whereby proponents had to submit material that met the very basic requirement of school bus transportation services. Any carrier that did not meet these requirements were eliminated from further review. The second stage involved a technical review of each of the interested parties to ensure that they were capable of providing services that were requested by the TSTG. Any carrier not scoring higher than 50% at the technical stage was also eliminated from further review. The third stage was based on price for services. The final award was based on combining 44.4% of their technical score with 55.6% of their pricing score to determine an award rank. Contract awards were established by vehicle type and awarded to carriers starting from the highest ranking to that of the lowest. Purchasing Department members from both Boards provided oversight to the evaluation team consisting of the following members:

General Manager - TSTG

Transportation Operations & Safety Manager

Transportation Planning & Technology Manager  
Senior Manager, Business Development & Community Services

4. Each of the proponents was asked as part of the technical review section to provide details in each of the following areas:

- a) Driver education & training;
- b) Driver retention/recruitment strategy;
- c) External communication strategy;
- d) Internal communication strategy;
- e) Fleet maintenance & management;
- f) Fuel efficiency;
- g) Administrative and/or operations team;
- h) Operational & administrative facilities;
- i) Safety programs and accident reporting;
- j) References.

5. The evaluation team has identified the following school bus operators as providing the best value for service. The chart summarizes the number of busses by type recommended be awarded to each operator. A pie chart detailing the breakdown is included as Appendix A. All vendors have indicated as part of their bid that they would accept a six year contract with a two year optional extension based on the terms of the contract:

<b>Company</b>	<b>Full-Size</b>	<b>Mini-Size</b>	<b>Mini-Van</b>	<b>WC</b>	<b>Total</b>
Attridge	90	121	0	0	211
First Student	88	0	19	44	151
Landmark	0	0	0	0	0
McCluskey	0	120	0	0	120
Sharp	90	150	30	30	300
Stock	120	446	0	68	634
Switzer-Carty	60	90	0	0	150
Wheelchair Accesible	0	120	30	30	180
<b>Total</b>	<b>448</b>	<b>1047</b>	<b>79</b>	<b>172</b>	<b>1746</b>

6. Market conditions have negatively impacted the school bus industry over the last number of years and rates are in most cases significantly higher than current pricing. Operators have indicated that driver wages are the number one influence in price determination and that higher wages are required to help ensure positive driver recruitment and retention. Companies are having to constantly advertise for drivers and the cost for the recruitment and retention has increased as they compete with other part time organizations

for employees. Since most new buses are manufactured in the United States the cost to purchase new buses has increased due to value of the falling Canadian dollar. Companies have also indicated that the annual rate increases provided by the current contract (which is an increase/decrease of 85% of the Toronto Consumer Price Index) did not keep up with actual costs for operators, leaving some struggling financially at the end of the current contract. The contract award will have all carriers take a piece of the downtown core which is another reason why all rates may be higher in that no one operator wants to locate and operate vehicles in the downtown core as traffic is problematic and real estate costs are high adding to the carriers calculations of transportation rates. The current contract capped vehicle age at 12 years but in order to secure the two one year extension the age of vehicles was increased which also contributed to increased maintenance costs that may not have been calculated on the original contract length. Finally, although fuel is trending lower at the moment there was a large swing with gasoline prices reaching \$1.40 during the term of the current contract and carriers will hedge prices to protect themselves from future price increases.

7. The rate increases by vehicle type range from an average low of 15% to a high of 23%. This is compared to an average of a 9% increase when the Boards went to the market in 2007. These increased rates will further exacerbate the transportation deficit as compared to Ministry grant. The estimated financial impact to the Consortium of the proposed rates is summarized below:

Type of Transportation		2015/2016 Estimates		2016/2017 New Projected Estimates	Increase (Decrease)	% Change
Reg Home to School	\$	18,163,297.00	\$	22,338,216.40	\$ 4,174,919.40	23%
Special Education	\$	44,789,066.00	\$	46,802,713.00	\$ 2,013,647.00	4.50%
Wheelchair	\$	6,520,636.00	\$	7,812,768.64	\$ 1,292,132.64	19.80%
Total	\$	69,472,999.00	\$	76,953,698.04	\$ 7,480,699.04	10.80%

\* Expenditure does not include utilization costs for bus routes exceeding base rate time or taxi costs.

8. The current economic climate however does offer some benefits in terms of mitigating costs. The cost of borrowing is less than 1% allowing school bus companies to finance vehicle purchases at record lows. Also, although fuel is extremely volatile the price of fuel has been trending downwards and market forecasts suggests fuel will remain relatively low for several years before rising again.

9. The new Broader Public Sector (BPS) requirements mandated by the Ministry of Education did impact how the School Boards have historically procured student transportation services. The last two Request for Proposals allowed the School Boards more flexibility in terms of negotiating with proponents to establish conditions and pricing that were agreeable to both parties. The new process requires all the conditions and prices to be set as part of the process and as such when bids are evaluated they are awarded based on the proponent's ability to meet those conditions. The purpose of setting out all the conditions in the RFP are such that the process is transparent and fair for all bidding parties.
10. The Ontario School Bus Association is one the main organizations that provides information and feedback for their members. The association is made up of primarily school bus operators but some student transportation consortia are also members. The OSBA has been focused recently on helping its membership better understand their actual operating costs and how best to prepare bids for student transportation contracts. As part of their central information and data analysis they prepared a report on the 'cost escalation of student transportation services.' It outlines what they consider some of the critical aspects to why costs have to increase in order for school bus companies to be competitive in the marketplace going forward. A copy of this report is attached as *Appendix B*.

**Recommendation:**

1. That the Toronto Student Transportation Group recommend member School Boards enter into contracts for the provision of transportation services for a six year period with two one year optional extensions based on terms and conditions set out in the Request for Proposal commencing September 1 2016 with the following School Bus Operators:
  - Attridge Transportation
  - First Student Transportation
  - McCluskey Transportation
  - Sharp Transportation
  - Stock Transportation
  - Switzer-Carty Transportation
  - Wheelchair Accessible Transit
2. That the TSTG co-chairs along with the Directors and Chairs of the TCDSB and TDSB request a meeting with both political and administrative leaders

at the Ministry of Education to address the significant imbalance in transportation funding.

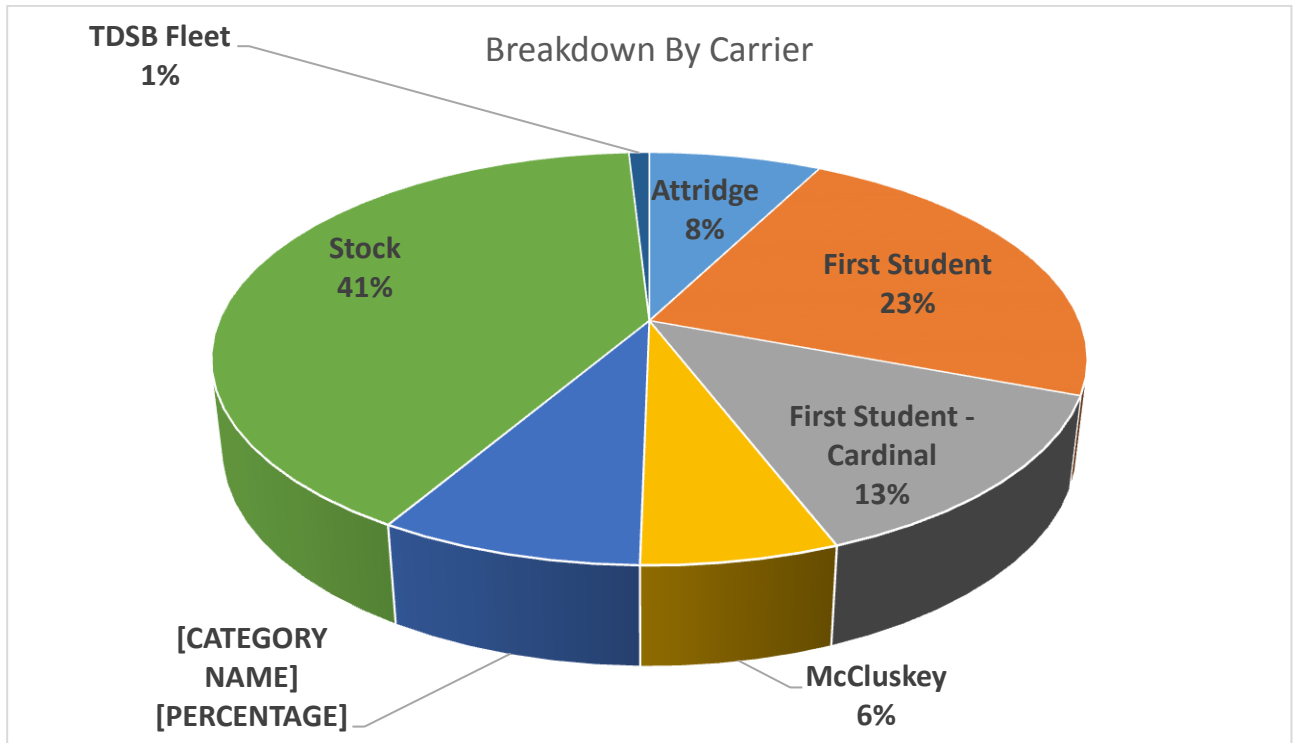
K Hodgkinson  
General Manger

APPENDIX 'A'

## Appendix A

### Breakdown of Current Vehicle Allocation

(Company, % of total)



### Breakdown of Proposed Vehicle Allocation

(Company, % of total)

