



# OSTA

Ottawa Student  
Transportation  
Authority

## MEMORANDUM

**TO:** Board of Directors  
**FROM:** Vicky Kyriaco, General Manager/CAO  
**DATE:** April 27, 2015  
**RE: OSTA RFP**

OSTA conducted competitive procurement in January 2015 for transportation services using large 72 and 20 passenger buses as well as 20 passenger adaptable (wheelchair) buses for the period of 2015-2019. The procurement plan was established and approved by the OSTA Board in May 2014 and consisted of 254 routes.

OSTA is legally bound by the Broader Public Service Procurement Directive, which requires competitive procurement of any goods or services valued at over \$100,000. OSTA's own procurement policy reflects this requirement.

### Market Conditions

Current market conditions in Ottawa and ongoing litigation involving the Ministry and OSTA's two co-terminous consortia were considered. In addition, OSTA staff understood that the Independent School Bus Operators Association and the Ontario School Bus Association, whose local members currently provide service to OSTA, would be watching proceedings closely to ensure a fair and transparent process is undertaken.

A report has been posted online on [www.ottawaschoolbus.ca](http://www.ottawaschoolbus.ca) since May 2014 outlining OSTA's procurement strategy. The purpose of this report is to outline the RFP strategy, provide details about steps taken and highlight the outcomes of the procurement with the aim of being transparent to the public and to all Operators.

### Procurement Process and Timeline

Activity	Completion
Procurement Specialist through RFP	October 31, 2014
Fairness Monitor secured	December 12, 2014
Request for Information	November 19, 2014
Post RFP	January 9, 2015
Mandatory Proponents Meeting	January 14, 2015
Close RFP	February 17, 2015
Evaluation	March 10, 2015
Bundle Offers	March 12, 2015
Awards Posted	March 20, 2015
Debriefs	April 22, 2015

### **Procurement Specialist(s)**

PPI Consulting, now under the BDO umbrella, was contracted to provide technical support and expertise in the creation and management of OSTA's Request for Proposals. The team has been involved in numerous procurement activities of consortia in Ontario and is well-versed in the issues surrounding procurement in the student transportation industry. Certain members of the team have also acted as Fairness Monitors for those consortia. Given the size of the contract, the Procurement Specialist services were procured via RFP.

The OCDSB and OCSB Managers of Procurement for their respective boards assisted in reviewing documentation to ensure the process was being followed.

### **Fairness Monitor**

OSTA contracted Samson and Associates to act as the Fairness Commissioner during this RFP. As the PPI team has often been used for Fairness Monitoring, their suggestion was to bring in a Fairness Commission once the RFP document was near completion. The Fairness Commission reviewed the results of the RFI as well. He, and/or his designate, was present during any meetings, reviewed questions/answers and addenda, and part of the evaluation process and debriefing. An interim report and a final report were written and are available for review with this report.

### **Evaluation Team**

The evaluation team included four individuals all of whom are well-versed in student transportation for OCDSB and OCSB.

### **Request for Information**

In order to gain additional insight into issues affecting procurement in the Ottawa market, and to be inclusive of all Operators interested in OSTA's procurement process, OSTA posted a Request for Information on MERX on November 4 2014, which closed on November 19 2014.

Operators were asked to provide comments and/or information for the following questions:

#### **Driver Retention**

1. Please describe the industry best practices for driver retention.
2. In the Ottawa market, there are challenges with driver retention, how do you think this could be resolved?
3. Please describe some challenges you see with evaluating driver retention rates.

#### **Communications**

4. What are the leading best practices for internal communication?
5. What are the leading best practices for external communication?

OSTA is interested in better understanding how specific aspects affect safety. OSTA is seeking further information which may be included in a future competitive procurement process.

### CVOR

1. CVOR scores have been evaluated in different ways by different Consortia. What are the advantages or disadvantages of each methodology listed below:
  - (a) CVOR as a Mandatory – Each Operator must provide their CVOR report from within the last 6 months. The rating of the report must be Satisfactory – Audited or Unaudited to pass to the next stage of the evaluation.
  - (b) CVOR as a rated criteria – Each Operator must provide their CVOR report from within the last 6 months. The numerical score assigned will be evaluated using a mathematical calculation where the Operator with the highest CVOR score received the full number of points and all others receive points based on their proximity to the highest scored CVOR using the following formula:  
$$\text{Highest CVOR}/\text{lowest CVOR} * \text{total number of points available} = \text{CVOR score}$$

### Programs

2. Please describe programs (training/education) to improve the safety of students riding the bus.

### GPS

3. Do you have one or more GPS solutions in your vehicles (Y/N)?
4. If yes, please provide the name of the GPS solution(s). What are the advantages and disadvantages of each solution?

### Pricing

1. What information would be of use as part of an RFP to allow you to better assess the potential business and provide a more competitive price?
2. Please describe the advantages/disadvantages when preparing a pricing response when routes are bundled or not bundled. Is there an alternate route presentation that could be used in an RFP?
3. Please describe the types of information and/or conditions that increase the price for student transportation services.
4. Pricing is an important component of an RFP process. Please describe one or more industry best practices/models for pricing that could be used in a future OSTA RFP for Student Transportation services.

OSTA received 8 responses from large and medium-sized Operators, mostly from the greater Ottawa Capital area. The following issues/feedback was provided:

### **RFI Outcomes/Feedback**

#### Driver Retention

A general challenge in the industry across the province, and certainly in Ottawa. All respondents suggested that rate of pay was the primary method to retain drivers, given the competition for this type of workforce in Ottawa. Other best practices included:

activities to connect with drivers, maintain the same routes year over year, ensuring an adequate ratio of support staff to drivers, etc. Respondents preferred to have RFP's that did NOT rate driver retention rates and different Operator bids whose information were from other markets might not have the same challenges as in Ottawa. A common suggestion was for OSTA to establish a minimum wage or rate of driver pay that would be adhered to by all Operators.

### Communications

All respondents provided similar information regarding communication with drivers and outside stakeholders. Some are using social media more than others, but for the most part, no new methods were identified that were previously unknown to OSTA.

### CVOR

In some earlier correspondence with the school boards, ISBOA had suggested that the point system of a CVOR would more accurately determine an Operator's overall safety than the MTO's general "satisfactory" or "unsatisfactory" rating currently used by OSTA to qualify Operators. Most respondents suggested that the 6-month rating system used by the MTO was inadequate as there were potential errors and the timeline was too short to determine improvement over time. The point system, however, does not take into account the size of the Operator nor the types of routes the Operator services. It tends to favour small Operators with rural routes over large Operators having urban routes where MTO enforcement is more likely and there is a high risk of traffic issues leading to collisions. Overall, respondents agreed that the MTO formulas for calculating the safety ratings were complex and difficult to assess fairly and equitably.

### Programs

Safety is of great importance to OSTA. Most Operators demonstrated a keen interest in safety programs for staff and students alike and had developed numerous programs to deal with safety issues. This gave OSTA some background information that will be useful when evaluating this section of the RFP.

### GPS

Use of GPS data to conduct audits and to compare actual to planned mileage has been identified as leading practice in Ontario consortia. Over time, however, it has become apparent that consortia cannot, and do not, process the reams of data that flows from GPS, the cost of which they bear annually. Most Operators have GPS on their vehicles and currently provide OSTA the information for free. It begs the question as to whether OSTA actually needs to invest in GPS software in order to gain the same efficiencies that might be found in other ways.

At least half of the respondents use Synovia (the next iteration of Everyday Solutions) and the other half uses Zonar. Both have similar functionality with a few drawbacks unique to either system.

### Pricing

Pricing has been the most contentious issue with small and large Operators throughout many procurements. The following issues/suggestions were raised:

- Operators require as much information about routes as possible ie km, type of area, geographic locations, etc, in order to provide the best bid
- Have a mix of small and large bundles that might allow small Operators an equal chance of getting some business while giving large Operators the economies of scales with multiple routes.
- Include bids for life-cycle costs and not just route costs
- Pricing should be over a minimum of 5 years and possibly up to 10 or 12 years
- Ensure formulas don't allow exaggerated pricing differences
- Make sure technical weight is adequate to differentiate Operators from pricing element
- There should be full disclosure or public opening
- Allow negotiations as part of RFP process
- Have no average age by class for bus fleet
- Contract extensions should be according to CPI and not according to GSN

Other feedback from Operators has been included in OSTA's May report regarding its Procurement Strategy and is available online.

### **Request for Proposal Strategy**

The OSTA recognizes the challenges small and large Operators face in the Ottawa Market. Staff also recognizes the volatile legal environment in which this procurement is taking place and has taken the appropriate steps to mitigate the risk of any legal implications. The RFP Strategy takes into account a number of Operator concerns while respecting the BPS Procurement Directive to every extent possible.

There is only one contract expiring at the end of June 2015, and these are the only routes put out for competitive procurement.

The following issues and/or Operator concerns were included and/or addressed in this RFP:

- 1) The weighting of pricing over technical aspects in other RFP's has been considered unfair by Operators and inappropriate for the Ottawa market. OSTA's approach of blending the technical and pricing elements to gain an overall total addresses this concern. In addition, placing the benchmarking element in with pricing ensured that the bids would be within acceptable parameters and realistic for the Ottawa market. In this evaluation scheme, technical components such as safety, training and driver retention can become deciding factors when bids between Operators are very close.
- 2) New entrants' potential underbidding and predatory pricing is addressed using the local market benchmarking element which requires Operators to identify their estimated costs within the Ottawa market. The benchmarking cost items were taken directly from the Ministry of Education's Student Transportation Benchmarking and Costs Study, produced in 2007, but the expectation was that submissions would take into account the Ottawa market only, and not the province-wide average. Any Operators too far out of the average range would receive lower points. Their response could be an indication that they do not understand Ottawa's market or their business. This element would also highlight areas where the proponent is

deliberately, or mistakenly, under-estimating certain costs in order to win the award causing the delivery of the service to be at risk.

- 3) Identifying and pricing for different types of routes. OSTA recognizes that shorter urban routes have different challenges ie traffic, more wear and tear, than longer rural routes. Rural routes may have less wear and tear, but deadhead miles might be an issue. Operators have consistently expressed that their business viability in Ottawa, under the current pricing scheme, depends on a blend of routes with some losing money while others make money. OSTA's proposed pricing structure allows bidding for different types of routes based on an absolute minimum threshold daily rate and a variable kilometer rate. Minimum kilometer threshold has been removed. The Operators were also able to price each type of route more competitively and be able to identify the areas they wish to service.
- 4) OSTA will continue to require a "satisfactory" (audited or unaudited) rating by the MTO rather than evaluating any CVOR point systems. The feedback from the RFI indicates that the variability and rate of error with the point system can ultimately disadvantage Operators servicing urban routes vs Operators servicing rural routes. The size, and make up, of the Operator's fleet can also be a variable factor which can create an unfair advantage. The CVOR point system is complex and it would be onerous for OSTA to apply any rating factors to this element.
- 5) By organizing routes servicing specific schools into geographic bundles, OSTA is able to create large and small bundles which provide different sized Operators various options for bidding. Operators may opt to bid on none, one or many bundles and have the opportunity to identify their preferred bundles. Once the evaluation is completed and the top proponents are identified, the award of bundles will be made by OSTA. An overall discount for larger groupings of bundles has not been included as this favours large Operators over smaller ones who could not service larger areas.
- 6) The contract is being revised to include best practices found in other consortia contracts and more accurately communicates expectations. A more robust "special needs" article was included as well as other customer service requirements. The bus age requirement was updated to include an average age along with the maximum age which will ensure a constant investment in equipment by contracted Operators. A defined safety training program was outlined.

Contract language was inserted to prevent any contracted Operator from exceeding route allocation caps by directly or indirectly controlling another busing organization.

- 7) Providing as much information about current routes and estimated routes after efficiencies was the key to ensuring Operators felt confident in providing the most competitive pricing available. OSTA was able to identify the schools, the loop km, the time factor, the general location of the first furthest pick up points, the type of route, etc.

- 8) A cap of 35% of OSTA's overall large vehicle routes (ie 180 routes of 513) is necessary to ensure the Ottawa market cannot be dominated by any one Operator. The objective was to ensure "critical mass" for an Operator to establish a viable operation and facility within our market. Current Operators may use a blend of current and new business to achieve the cap, or a new entrant may be awarded as many bundles as possible before reaching the cap. The wheelchair buses, however, were at a 50% cap.
- 9) Routing efficiencies OSTA anticipates as the result of the bell time review and new walk zones have been incorporated in this analysis. OSTA has ensured that the same number of routes and distances have been reserved for those Operators currently under contract. The remainder of routes have been reconfigured into double and triple tiered runs in preparation for this RFP.
- 10) OSTA incorporated many elements defined by the Ontario School Bus Association's study regarding RFP's as possible. Some elements were not compliant with BPS Procurement Directive or were not in the best interest of OSTA and were therefore not included.

### **RFP Structure and Evaluation Process**

<b>Stage 1 - Mandatory</b>	
RFP Delivery Location	Pass/Fail
RFP Deadline for Submission	Pass/Fail
Form of Offer (Appendix B)	Pass/Fail
Tax Compliance Declaration Form (Appendix D)	Pass/Fail
Customer Reference Form (Appendix E)	Pass/Fail
Bundle Preference Form (Appendix F)	Pass/Fail
Ability to Meet Insurance Requirements	Pass/Fail
MOT Annual Inspection Certificates	Pass/Fail
Financial Standing	Pass/Fail
Separate Envelope - Rate Bid Form (Appendix C)	Pass/Fail
Must pass all Mandatory Requirements to proceed to Stage 2	Pass
<b>Stage 2 - Technical Requirements</b>	<b>60</b>
Operator	20
Driver Education, Training and Retention	15
Vehicle Maintenance, Service and Management	15
Communication	10
Score out of 60	
Must receive a minimum score of 65% or 39/60	
<b>Stage 3 - Financial Proposal</b>	<b>40</b>
Yellow Bus and Wheel chair	30
20s	5
Benchmarking	5
Score out of 40	
<b>Total Score out of 100</b>	<b>100</b>

## **Addenda, Questions and Proposals**

OSTA posted 5 addenda and responded to 105 questions. OSTA received 11 proposals.

## **Bundle Allocation**

Once technical and financial cumulative scores established the ranking of proponents for each bundle, OSTA's GM and AGM proceeded with bundle allocation. ML Bradley, having won 1<sup>st</sup> place, was automatically allocated their 3 bundles. Quesnel/Campeau was the only bidder on the 2x 72 adaptable special needs buses and was automatically awarded that bundle.

Voyageur, having won 1<sup>st</sup> place on all other bundles, exceeded the 35% cap established by OSTA. The logic behind the allocation of bundles to Voyageur is as follows:

1. Voyageur is a new entrant. Their proposed garage was in the South East end of Ottawa. They have plans to establish 1 or 2 remote locations for bus parking and fuelling in the West, should they be given those routes.
2. In order to support their garage selection, OSTA staff allocated the bundles closest to the garage, namely in the Barrhaven area.
3. The greatest number of routes is in the West end. "Critical mass" in terms of maximizing number of routes is required to support the cost and necessity for remote locations. Therefore, all West end routes were allocated to Voyageur.
4. Voyageur was allocated the West end wheelchair routes as well.
5. Voyageur was allocated the maximum 180 routes which is 35% of OSTA's total large bus routes.

All other bundles (48 routes left) were allocated based on 2<sup>nd</sup> place rankings to Roxborough, Quesnel, 417 Bus Lines and First Student. OSTA allocated routes to proponents on the basis of reducing costs. Although First Student's overall ranking was 2<sup>nd</sup> place in most bundles, their pricing component was actually higher than the other 2<sup>nd</sup> place proponents (and other lower ranked proponents).

Each proponent was sent a Letter of Offer outlining the bundle allocation for their organization. In accordance with the terms of the RFP, each proponent has the option to accept or refuse the offer. Roxborough, Quesnel, ML Bradley, 417 and Voyageur each accepted their bundle allocation.

First Student declined its bundle allocation. The routes were then re-allocated to the 3<sup>rd</sup> ranked proponents for those bundles, namely Stock, Roxborough and Quesnel/Campeau. All three proponents accepted the offer.

## **New Entrant – Voyageur**

Voyageur Transportation Services has been in operation since 1979 and provides transportation services using 72 passenger and wheelchair buses to other Southwestern Ontario consortia. Their technical submission was well done and they ranked 3<sup>rd</sup> out of 11 proponents. OSTA staff had the opportunity to ask them about their plans for the new

garage and they responded more than adequately. They demonstrated knowledge of operational needs and requirements, had their Executive staff assembled on the conference call and addressed OSTA's concerns. The call was necessary in order to assist staff in the bundle allocation process and was attended by the Fairness Monitor.

Voyageur Transportation Services has been servicing three other consortia in Southwestern Ontario for 10-35 years.

#### Returning Entrant – 417 Bus lines

417 Bus Lines/Lalonde Bus Lines is currently servicing one route for OSTA. At one time, they provided wheelchair bus services for the OCDSB. They will be taking over wheelchair routes in the East end.

#### Returning Entrant – Stock Transportation

Stock has returned to service 10 routes for OSTA in the Centre West region. They are well-known to OSTA and schools in the area.

#### Other Successful Proponents

M.L. Bradley, Roxborough and Quesnel Campeau are all currently servicing OSTA routes.

First Student will no longer be providing student transportation services to OSTA as of the end of June 30 2015.

#### **Award Notification**

The Award Notification Summary was posted on OSTA's website due to its complexity and size. A copy was emailed directly to each proponent and a message was posted on MERX directing interested parties to the link on OSTA's website. All contracts have been signed.

#### **Debrief Meetings/Conference Calls**

OSTA held 10 debrief meetings at Operators' request. One Operator advised OSTA that a debrief was not necessary. Debrief calls and/or meetings were attended by PPI and the Fairness Monitor. PPI reiterated the evaluation process and the rules for the debrief. At no time were other proponents' proposals discussed, and no answers were provided regarding pricing in terms of actual amounts, degrees of differences between proponents' financial submissions or cumulative scores, etc. The GM/CAO then proceeded to go over comments made by the evaluation team with a view to give the proponent the opportunity to ask questions and discover ways to improve their next submission.

#### **Fairness Monitor's Final Report**

The Fairness Monitor has deemed OSTA's competitive procurement process to have been fair and transparent throughout (see attached).

### **Financial Considerations**

Estimated gross savings for 2015-16 school year:

2014-15 forecasted cost of current contracted routes (not including reductions due to snow days, deductions, etc)	18.07M
2015-16 RFP projected cost	(-12.32M)
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Estimated savings year 1 based on RFP and efficiencies	5.75M
2015-16 additional buses due to route variability (20x\$48,501)	(-0.97M)
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Total Estimated savings 2015-16 (year 1 of contract)	4.78M

### **Next Steps**

First Student is working collaboratively with the successful proponents to transition as many drivers and staff to other Operators as possible. OSTA continues to monitor various activities, particularly those of new entrants who have a great deal of work ahead of them to establish their operation here in Ottawa.

This report and the Fairness Monitor's final report will be posted on OSTA's website. OSTA has also created an updated "sample" of the RFP incorporating the addenda such that there is now one clean reference document for any interested parties. This will also be posted on the website.

### **Submitted for Information**