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VIVA BUS RAPID TRANSIT OPERATIONS AND MAINTENANCE SERVICES CONTRACT EXTENSION WITH YORK BRT SERVICES LP

The Transportation Services Committee recommends the adoption of the recommendations contained in the following report dated May 27, 2010, from the Commissioner of Transportation Services.

1. RECOMMENDATIONS

It is recommended that:

1. Based on the contract extension provisions in the current contract for Viva bus rapid transit operations and maintenance, that Regional Council authorize the contract extension with York BRT Services LP (formerly 4286847 Canada LP and Connex North America Inc.) for the bus operations and maintenance of the Region's Viva bus rapid transit service, operated by Veolia Transportation in partnership with Tokmakjian Inc. on the following terms:
   a) The term of the contract be for a period of three years, to September 7, 2013, on the same terms and conditions outlined in this report with the option to negotiate two additional years to September 5, 2015.
   b) The total estimated cost of the contract for three years be $68,850,252 based on an effective 2010 hourly operating rate of $97.
   c) The Region compensate York BRT Services LP $1,500,000 ($500,000 annually) in vehicle maintenance payments to extend the life of vehicles, increase service reliability to customers by reducing the risk of catastrophic vehicle failure, and lower overall hourly operating rate.
   d) York BRT Services LP present a 'gain-sharing opportunities' plan to the Region by March 2011 for evaluation by YRT staff and consideration by Regional Council.

2. The lease agreement for the North Transit Maintenance Facility, 18106 Yonge Street, in the Town of Newmarket, between York BRT Services LP and the Region be renewed for a period of one year, commencing on September 6, 2010, and expiring September 3, 2011.

3. The Region pay the upset limit of $295,400 for leasehold improvements at the South Transit Maintenance Facility located at 91 Caldari Road, City of Vaughan.

4. The Regional Chair and Regional Clerk be authorized to sign the necessary contracts, subject to review by Legal Services.

2. PURPOSE

This report seeks authorization to extend the contract between the Region and York BRT Services LP for the bus operations and maintenance of the Viva bus rapid transit service for a period of three years, to September 7, 2013, on the same terms and conditions outlined in this report with the option to negotiate two additional years to September 5, 2015.

It also requests authorization for the Region to renew the current lease agreement for its North Transit Maintenance Facility with York BRT Services LP for one additional year to September 3, 2011.

3. BACKGROUND

The contract for Viva Phase One Operations and Maintenance Services was awarded to 4286847 Canada LP and Connex Canada (now York BRT Services LP) for a five-year period commencing September 4, 2005, expiring September 5, 2010

The contract awarded by Regional Council on March 30, 2005 had an initial five-year term which expires on September 5, 2010. The agreement between the two parties dated March 31, 2005, included a provision to extend the term of the contract for an additional five years to 2015. The agreement stipulated this extension period be subject to successful negotiations of the terms and conditions between the Region and York BRT Services LP. Negotiations between York Region Transit (YRT) staff and York BRT Services LP began in July 2009.

The Viva service is operated from two separate, formerly three, properties in Vaughan, in addition to the Region-owned North Transit Maintenance Facility located at 18106 Yonge Street in the Town of Newmarket

Included in the contract is the provision for the Region to provide one facility located at 18106 Yonge Street in the Town of Newmarket, referred to as the North Transit Maintenance Facility. As a Region-owned facility, the York BRT Services LP was required to enter into a lease to occupy the space at a nominal cost.

In addition, the contractor was originally to provide facilities at 51A Caldari Road, 91 Caldari Road and 221 Caldari Road in the City of Vaughan, referred to collectively as the Interim South Transit Maintenance Facility.

- 51A Caldari – administrative area including dispatch and driver reporting
- 91 Caldari – bus parking and storage
- 221 Caldari – bus wash, fuelling and maintenance

4. ANALYSIS AND OPTIONS

The negotiating objective with York BRT Services LP for the Viva Service was to raise the bar for service quality by using best practice contract provisions while keeping the price fair

The broad objectives of the contractor negotiations were to successfully conclude contract extensions at a fair price to both the Region and the contractors, and to continue to raise the service quality bar through effective contract language, including the use of enhanced performance standards and increased incentive/disincentive provisions.

The elements outlined in the Contract Strategy were applied and the newly-developed performance-based contract document was used to negotiate the billable hourly rate for the Viva service.

The new performance-based contract addresses items identified as needing improvement such as: vehicle maintenance and cleanliness, operator training and safety requirements, the introduction of incentive/disincentive for performance and quality management initiatives to be implemented over the five-year contract term.

Other items to be considered will include:
- Operations and Maintenance Facility requirements.
- Lease-hold improvements for facilities not owned by the Region.
- Maintenance of aging Viva fleet.
- Ridership growth.
- Fuel efficiencies.

Contract negotiations included the enhancements and business elements based on lessons learned by YRT staff over the term of the contract and are the same as the recently awarded South-west contract

The enhancements include:
- New and enhanced performance measures to improve service reliability and vehicle maintenance.
- Incentive and disincentive payment will be implemented at the commencement of the five-year term with an upset limit of $289,000.
- Security improvements and contractor employee identification.

- Increased staffing levels to improve safety and maintenance training, and vehicle maintenance.
- Security awareness training.
- Technological systems to allow for best practices service monitoring and adjustment.
- Quality management planning.

The negotiated contract includes provisions for vehicle maintenance cost sharing with the contractor in order to improve service reliability and provide longer service life for buses

In 2005, the York Region Rapid Transit Corporation and the Region purchased 60 40-foot and 25 60-foot Van Hool buses to begin the Viva BRT service within the Region. These vehicles were purchased within a very short period of time and are all accumulating mileage at approximately the same rate

Because of this, there is a concern there may be a wave of failures as the primary systems reach the end of their operational life.

In the negotiated contract being proposed in this report, pro-active maintenance programs are included to lower the risk of catastrophic vehicle failure and the likelihood of major service disruptions. The two areas of concern for failure are engines and transmissions. The negotiated contract includes provisions for the Region to engage in a cost-sharing preventative maintenance program with York BRT Services LP to alleviate the possible cascade of failures.

The contractor will schedule and co-ordinate vehicles and components for overhauls based on analysis and kilometres travelled. The Region will compensate the contractor a pre-determined set amount depending if it is a transmission or engine.

The program will extend over a three to four-year period with approximately thirty percent of the Viva fleet being overhauled each year. The benefits of proactive maintenance include:

- Vehicle reliability.
- Service reliability.
- Vehicle and customer safety.
- Extended life of the vehicle (if 18-year bus life is reinstated).
- Reducing vehicle maintenance cost issues for the future contract.

The estimated cost of this program is $1.5 million dollars ($500,000 annually), with a reduction in the billable hourly rate of approximately $0.90. Over the course of the five-years, this equates to:

- $1,530,000 reduction in operating costs.
- The prolonged life of the vehicle.
- An investment in maintaining the service reliability.

All warranty claims will be the responsible of the contractor.

The largest portion of the cost savings generated by this predictive cost-sharing model will be realized during the post extension years of the buses' useful life when the exposure to catastrophic major component failure would have been greatest. It is estimated this program will reduce the overall cost of major component expenses by $1.2 million dollars over the remaining balance of the vehicles twelve-year life.

Payment to the contractor by the Region will be subject to conditions of on-going preventative maintenance stipulated by the Region and the original equipment manufacturer.

Based on a request from YRT, York BRT Services LP proposed a plan to address possible gain-sharing opportunities that included improving fuel efficiency, reducing the Region's carbon footprint and ridership growth across the Region

The gain-sharing proposal from York BRT Services LP focuses on building a stronger ridership base, improving fuel efficiency and reducing our carbon footprint and the investment of life-cycle vehicle reliability.

To address ridership growth, the contractor has offered to complete a study focusing on:

- Improved service connectivity between YRT and Viva Services.
- Development of growth-oriented fare strategies.
- Implementation of **CLEAR** principles (**C**larity of routes, **L**evels of service, **E**fficiency, **A**ccessibility, **R**eadability of schedules).
- Value-based customer satisfaction program designed through research.

York BRT Services LP will fund the study, conduct the analysis, and develop route, schedule and fare policy recommendations. In exchange, if the future plan is adopted by the Regional Council, the contractor would receive a percentage of the overall revenue gain contributed to the efforts made by them. A baseline to be used to measure future growth, taking into account the "natural" growth, would have to be negotiated and quantified.

This study is to be completed within the first six months of the start date of the contract extension.

Improving fuel efficiency is addressed with an action plan to implement the GreenRoad Driver Behaviour Improvement Technology (real-time automated driver coaching). This measures bus operator maneuvers that most impact fuel efficiency, emissions and safe driving. The web-based system allows managers and bus operators to see results and analyze behaviours.

Staff will continue to negotiate gain-sharing opportunities with the contractor and will report back to Council at a future date.

York Region Rapid Transit Corporation is proposing a new Operations and Maintenance facility be built for the Viva bus rapid transit service by 2013

In June 2010, the York Region Rapid Transit Corporation will be seeking approval to proceed with the purchase of land in order to begin the design and construction process. They have advised YRT of the anticipated construction schedule that indicates the completion date of the new facility being September 2012. Interim arrangements are required to accommodate Viva until the new facility is built.

The Region will continue to provide the contractor the facility located at 18106 Yonge Street in the Town of Newmarket, referred to as the North Transit Maintenance Facility

The lease agreement between the Region and the contractor for the use of the North Transit Maintenance Facility, excluding the 2nd floor which is occupied by the Region's Fare Enforcement and Security Section, shall be extended until September 4, 2011. The terms and conditions of the lease will be provided to the contractor in advance of the execution of the Contract. An annual nominal rent will be paid to the Region by the contractor for the occupancy of the facility and use of equipment provided by the Region.

By September 4, 2011, the contractor will vacate the North Transit Maintenance Facility to make it available for YRT’s North Division

At that time, the contractor will move the 40-ft. revenue service vehicles from 91 Caldari Road to the Region's new operations and maintenance facility located at 8300 Keele Street in the City of Vaughan. The movement of these 40-ft. revenue service vehicles is to free up space at 91 Caldari Road (South Transit Maintenance Facility) for the 60-ft. revenue service vehicles housed at the North Transit Maintenance Facility.

The Contractor will enter into a sub-lease with Veolia Transportation Canada for the partial occupancy of the 8300 Keele Street facility. The provisions of this sub-lease will comply in every respect with the provisions of the existing lease between the Region and Veolia Transportation. The provisions of the sub-lease are to be approved by the Region prior to the occupancy of the 8300 Keele Street facility by the contractor.

Any costs associated with the contractor's move from the North Transit Maintenance Facility to both the South Transit Maintenance Facility and 8300 Keele Street facility are to be assumed by the contractor.

Adjustments will be made to operating schedules to maximize efficiencies in regards to deadheading buses to the north for the early morning service from Newmarket GO Bus Terminal. Since the Region owns the North Transit Maintenance Facility, there is opportunity to continue to store a small number of Viva buses at this location.

The contractor will continue to provide a facility at 91 Caldari Road in the City of Vaughan, to serve as the South Transit Maintenance Facility

The South Transit Maintenance Facility will provide outdoor storage for up to one hundred 40-ft. revenue service vehicles, or an equivalent mix of 40-ft. and 60-ft. revenue service vehicles for exclusive use in Viva operations. Indoor light maintenance bays will be available to accommodate articulated 60-ft. revenue service vehicles. The diesel fueling facilities and the bus wash currently located at 221 Caldari Road will be relocated to 91 Caldari Road. With this change, the Region will no longer be responsible for the monthly lease costs of $23,500 at 221 Caldari Road.

The South Transit Maintenance Facility will be made available by the contractor until September 2013 to coincide with the construction of the new Viva Operations and Maintenance facility. If necessary, the lease can be extended to September 2015

The Region will be responsible for the cost of leasing the entire premises at the South Transit Maintenance Facility (91 Caldari Road) including the office, garage and parts storage area until the lease expiry including the extended lease period.

The contractor will assign the Region the right to continue occupation of South Transit Maintenance Facility throughout the contract period in the event the contractor cannot fulfil its obligations under the contract. Assignment to the Region will include all equipment required to perform maintenance functions (i.e. bus washer, fuel storage, vehicle lifts and other applicable equipment).

Arrangements necessary to continue the Viva operation from the South Transit Maintenance Facility are the responsibility of the contractor.

Lease-hold improvements are required at the South Transit Maintenance Facility

To facilitate the consolidation of the Viva service presently operating from the facilities located at 91 Caldari Road and 221 Caldari Road at one location (to be 91 Caldari Road), the Region will assume the costs of the necessary lease-hold improvements at 91 Caldari Road (South Transit Maintenance Facility). These improvements include items such as:

- Extension of the outdoor bus storage area.
- Creation of additional maintenance bays and installation of garage doors.
- Relocation of existing bus washer from 221 Caldari Road.
- Installation of fuel tanks.

5. FINANCIAL IMPLICATIONS

The cost of operating the Viva service over the next three-year term is estimated at $68,039,905. This is based on the proposed hourly rate of $65.84 and the estimated billable hours for Year 1 through Year 3. Years 4 and 5 would be renegotiated at a later date. Other cost implications are estimated at $2,504,168

Pricing is based on revenue service vehicles having a life-cycle of 12 years.
The contractor's Year 1 hourly rate will be used as a baseline for estimating years two and three of the contract. The billable hourly rate will be increased annually in each year of the contract by an amount equal to Statistics Canada's September year-over-year cumulative Consumer Price Index rate or 2.5%, whichever is less.

Using the Year 1 hourly rate, the Region will not be impacted by any additional cost to operate the Viva service. By the Region purchasing its own fuel, and by capping the annual billable hourly rate adjustment, the year-over-year cost to the Region maybe reduced from the original five year contract.

The estimated cost of the 3-year contract is as outlined in Table 2 below.

Table 2
Estimated 3-Year Operating Budget – Viva BRT Services

Contract Year	Hourly Rate	Estimated Billable Hours	Pricing
Year 1	$65.84	308,820	$20,332,708.80
Year 2(Year 1 hourly rate x 1.025)	$67.49	344,604	$23,257,323.96
Year 3(Year 2 hourly rate x 1.025)	$69.18	353,424	$24,449,872.32
Total (excludes taxes)			$68,039,905.08

*Year 4 and Year 5 to be negotiated at a later date

Other cost implications are listed in Table 3 below.

Table 3
Pricing Summary (Vehicle Maintenance and Leasing Costs)

Activity	Annual Cost	Cost Over the 3-Year Term
Vehicle maintenance costs*	$500,000	$1,500,000
Lease costs	$236,256	$708,768
Lease-hold improvement costs**	n/a	$295,400
Total (excludes taxes)		$2,504,168

*Vehicle Maintenance Cost-Sharing Program. Not included in the effective hourly rate.
**One-time capital payment in 2011. Not included in effective hourly rate.

Table 4 below compares the hourly operating rates of the current operating contracts and York BRT Services LP's proposed hourly rate for year one of the Viva BRT division. The effective hourly rate is an apples-to-apples comparison where costs such as fuel, fuel escalation and facility lease costs have been adjusted to make the rates comparable.

Table 4
Hourly Operating Rate Comparison

Division	Actual Hourly Rate	*Effective Hourly Rate
Viva (proposed)	$65.84	$97
Viva (current)	$79.47	$97
Southwest *	$69.97	$95
Southeast	$70.17	$95
North	$72.37	$80

*As of August 1, 2010

6. LOCAL MUNICIPAL IMPACT

The extension of the Viva bus rapid transit operations and maintenance service contract with York BRT Services LP will ensure uninterrupted transit service to York Region residents.

7. CONCLUSION

Based on the results of the negotiations between YRT staff and York BRT Services LP, it is recommended that the Viva bus rapid transit operations and maintenance service contract be extended for a period of three years to September 7, 2013 with the option to negotiate two additional years to September 5, 2015.

For more information on this report, please contact Ann-Marie Carroll, Manager, Operations at Ext. 5677.

The Senior Management Group has reviewed this report.