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YORK REGION TRANSIT
FUEL ESCALATION CLAUSE ADDITION
MOBILITY PLUS MINI-VAN/SEDAN CONTRACTS

The Transit Committee recommends the adoption of the recommendations contained in the following report, August 26, 2008, from the Commissioner of Transportation Services:

1. RECOMMENDATIONS

It is recommended that:

1. The addition of a fuel escalation clause into the Mobility Plus mini-van/sedan contracts with Royal Taxi York Region Inc., Mobility Transportation Specialists Inc., and Care Accessible Cab Inc., be approved.

2. The proposed fuel escalation adjustment table (Table 3) be endorsed for implementation effective April 1, 2008.

2. PURPOSE

This report updates Regional Council on the impact of rising fuel prices on the three Mobility Plus mini-van and sedan contractors and seeks approval for the addition of a fuel escalation clause in their respective contracts.

3. BACKGROUND

A fuel escalation clause was not included in the original Mobility Plus mini-van/sedan contracts

On June 22, 2006, Regional Council approved the award of contracts for the supply of accessible mini-van and sedan transportation services to supplement the transportation requirements that could not be covered by the Mobility Plus bus fleet. Royal Taxi York Region Inc. and Mobility Transportation Specialists Inc. were selected to provide the sedan service, and Royal Taxi York Region Inc., Mobility Transportation Specialists Inc. and Scarborough City Cab (now Care Accessible Cab Inc.) the mini-van service.

Both contracts provided for a distance-based per-kilometre remuneration rate set by the Region. At the time of contract implementation, the cost of fuel was based on an average price of $0.85 per litre. The per-kilometre rate set by the Region incorporated the current price of fuel and an estimated future average fuel price of $0.99 by 2009. The price of fuel, in fact, has already risen some 25% during the first six months of 2008, to a peak of $1.25 per litre. This increase has proven difficult for the contractors to manage and has become the prime focus of discussion with the contractors in recent meetings with Mobility Plus.

The drivers themselves are finding it increasingly difficult to make a living and are leaving the business. Likewise, the contractors are finding it difficult to recruit replacement drivers, which ultimately affects Mobility Plus service.

A resolution has now been reached with the contractors which is the basis for this report.

4. ANALYSIS AND OPTIONS

Fuel prices have increased over 25% in the first six months of 2008

In order to evaluate the impact of the recent spike in fuel costs, Mobility Plus staff have reviewed the 30-day average price of gasoline as published by the Ontario Ministry of Energy and Infrastructure (see *Table 1* below).

Table 1
Average 30-Day Fuel Price (Regular Gasoline)

Year	Price	Increase/(Decrease)
Contract Base Price	$0.99	0.0%
2006	$0.94	-5.0%
2007	$0.98	-1.0%
2008 (January – March)	$1.05	5.0%
2008 (April – June)	$1.25	25.0%

As noted, a vehicle kilometre rate is the basis of payment for the mini-van and sedan contracts. At the time of the Request for Proposal, the price of fuel was on average $0.85 per litre and the average vehicle kilometres travelled by each vehicle 150 km per day. The per-kilometre rate set by the Region and stipulated in the contracts for sedans was $1.95 and $2.47 for the accessible mini-vans.

Average gasoline prices had remained relatively stable and below the base rate during the first two years of the contract. However, with the unexpected spike in fuel prices in the first six months of 2008, and with the consistent average daily vehicle km of 150 km remaining unchanged, the mini-van and sedan contractors have found it extremely difficult to maintain service, retain drivers and remain profitable.

Rising fuel costs reduce driver's take home pay

The rising cost of fuel may be prompting people to leave their vehicles at home and take public transit, but for those who drive for a living this is not an option. In addition, these vehicles provide public transit for disabled residents of our community who often have no other transportation option.

In order to accurately assess the impact of rising fuel costs on the existing Mobility Service, staff reviewed the actual daily vehicle kilometres operated by each contractor and vehicle type (see *Table 2* below). The analysis did not take into consideration deadhead kilometres as they are not included in the contract payment structure.

Table 2
Average Revenue Kilometres (July 07 – June 08)

Contractor	Daily Sedans	Daily Mini-Vans	Annual Sedans	Annual Mini-Vans	Total Kilometres
Royal	145	166	880,000	508,000	1,388,000
MTS	142	161	345,000	187,000	532,000
Care	n/a	149	n/a	260,000	260,000
Total	**143**	**159**	**1,225,000**	**955,000**	**2,180,000**

In the last 12-month period ending June 2008, the accessible sedans and mini-vans averaged 143 km and 159 km, respectively, per vehicle per day. This represents a daily average of 20.5 litres of fuel for the sedans and 22.7 litres of fuel for the mini-vans.

On an annual basis, the combined vehicle kilometres for both types of vehicles totalled approximately 2.2 million.

These averages were then used in order to assess the financial impact on the contractors at various fuel price points. For example, at the current price of $1.29 a litre, the contractors are paying, each day, an additional $6.13 to fuel a sedan and $6.81 to fuel a mini-van. This represents a 30% increase in fuel costs over the base rate. At the same time, the daily average revenue kilometres have not increased, remaining constant at around 150 km.

A new fuel escalation clause or schedule is proposed

The following table (Table 3) outlines the basis for the new fuel escalation clause and is to be calculated monthly.

Table 3
Fuel Escalation - Adjustment Table

Average 30-Day Fuel Price Ranges	Revenue Km Rate Adjustment
$0.94 to $0.99	$0.00
$1.00-$1.04	$0.01
$1.05-$1.09	$0.02
$1.10-$1.19	$0.03
$1.20-$1.29	$0.04
$1.30-$1.39	$0.06
$1.40-$1.49	$0.07
$1.50-$1.59	$0.09
$1.60-$1.69	$0.10
$1.70-$1.79	$0.11
$1.80-$1.89	$0.13
$1.90-$1.99	$0.14

This table will allow both the current contractors and the Region to budget properly for any increase or decrease in the price of fuel for the remaining term of the existing contracts.

Relationship to Vision 2026

As part of Vision 2026, York Region identified, under Goal 7, the need to have an effective, efficient and environmentally sensitive transportation system to improve transportation opportunities within the Region. The addition of a fuel escalation clause to the existing contract will maintain a consistent cost structure for the current contractors and thus allowing them to ensure a strong commitment to the ongoing provision of quality transit service to Mobility Plus clients.

5. FINANCIAL IMPLICATIONS

The proposed fuel escalation clause can be absorbed in the current 2008 budget because of less than budgeted ridership and other cost-saving measures

The current 2008 budget does not include funding for Mobility Plus fuel escalation as it was anticipated that the price of fuel would not exceed $0.99. Based on the continued expectation of higher gasoline prices and an average price in 2008 of between $1.24 and $1.39 per litre, additional net operating costs would increase between $66,000 and

$99,000 in 2008. On an annualized basis, the increase would be between $88,000 and $132,000.

It is recommended the adjustment in 2008 be retroactive back to April, when fuel costs began to trend upward.

Table 4
2008 Fuel Escalation Budget Impact

Vehicle Type	Base fuel Price	Avg 30 day Fuel Price	Additional Cost/litre	Revenue Km Rate Adjustment	Estimate Annual KM	Estimate Apr –Dec $ Impact	Estimate Annual $ Impact
Sedans	$0.99	$1.24 – 1.29	$0.30	$0.04	1,200,000	$36,000	$48,000
Mini-Vans	$0.99	$1.24 – 1.29	$0.30	$0.04	1,000,000	$30,000	$40,000
Total					**2,200,000**	**$66,000**	**$88,000**
Sedans	$0.99	$1.30 – 1.39	$0.40	$0.06	1,200,000	$54,000	$72,000
Mini-Vans	$0.99	$1.30 – 1.39	$0.40	$0.06	1,000,000	$45,000	$60,000
Total					**2,200,000**	**$99,000**	**$132,000**

6. LOCAL MUNICIPAL IMPACT

The addition of the proposed fuel escalation clause to the mini-van and sedan contract will maintain the current level of service quality for Mobility Plus clients throughout the Region and its local municipalities by ensuring the provision of an efficient and effective transportation service.

7. CONCLUSION

Based on rising fuel prices and the potential impact this has on Mobility services, YRT staff recommends that a fuel escalation clause be added to the existing Mobility Plus mini-van/sedan contract.

For more information on this report, please contact Sharon Doyle, Manager, Mobility Plus (ext. 5634) in the Transit Branch of Transportation Services.

The Senior Management Group has reviewed this report.