THE REGIONAL MUNICIPALITY OF YORK

REPORT NO. 10
OF THE REGIONAL
TRANSIT COMMITTEE
MEETING HELD ON DECEMBER 12, 2002

For Consideration by
The Council of The Regional Municipality of York
on December 19, 2002

Acting Chair:	Regional Chair Fisch
Members:	Regional Councillor J. Frustaglio Mayor T. Jones Regional Councillor F. Scarpitti Mayor J. Young
Staff Present:	T. Appleby, S. Cartwright, P. Casey, M. Garrett, L. Gonsalves, D. Gordon, I. McNeil, B. Newton, E. Stevenson, R. Takagi, N. Thivierge, K. Schipper, M. West, E. Wilson

The Transit Committee began its meeting at 9:00 a.m. on December 12, 2002.

TABLE OF CONTENTS

1
YORK REGION TRANSIT
CONTRACTOR-OWNED TRANSIT BUS REPLACEMENT

The Transit Committee recommends the adoption of the recommendations contained in the following report, December 4, 2002, from the Commissioner of Transportation and Works:

1. RECOMMENDATIONS

It is recommended that:

1. The Purchasing By-law be waived and staff be authorized to purchase one replacement 1999 Thomas SLF 230 low-floor transit bus from MacNab Bus Sales in the amount $284,625, including applicable taxes.

2. Staff be authorized to bid for and/or negotiate the purchase of up to ten used conventional transit buses at a maximum total value of $266,000 to replace current leased buses being operated for York Region Transit.

3. The purchase of one new bus as identified in the 2002 Business Plan and Budget be deferred and that the associated funding in the amount of $550,000 be utilized for the purchase of the used transit buses identified above under items 1 and 2.

2. PURPOSE

The purpose of this report is to seek Transit Committee and Council authorization for staff to negotiate the purchase of used transit buses to replace existing buses leased from the current transit service contractors in York Region.

3. BACKGROUND

Under the provisions of three of the existing transit service contracts with Can-ar Coach Services, Pacific Western and Laidlaw Transit, the contractors are required to supply a designated number of buses to supplement York Region owned buses in the provision of conventional transit services. Currently, 11 buses are supplied by the contractors and the Region pays an hourly service rate premium for the buses. These buses are older equipment and include eight conventional buses, which are between 21 and 33 years of age and three school-type buses, which are 12 years of age.

3.1 Performance Based Contracts

A competitive bid process for the selection of contractors to operate conventional transit services in the Vaughan, Richmond Hill, Newmarket, Aurora, East Gwillimbury and Georgina areas has just recently been completed. The existing contracts expire in the spring of 2003. These contracts included performance based incentives and disincentives. There is no provision in the new contracts to continue the leasing of buses from the contractors. It was determined that it would be more cost effective to have the Region purchase used buses instead of the contractors supplying contractor-owned buses due to the reintroduction of Provincial subsidies to municipalities for replacement buses. Also, there was greater opportunity for more competitive bids from contractors who may not have the resources to acquire their own buses and capitalize the cost over a short contract period. The ten year capital plan identifies replacement of these contractor owned vehicles in the 2004 and 2005 budget years with new low-floor buses.

4. ANALYSIS AND OPTIONS

The majority of the contractor supplied conventional buses required under the current contracts are well beyond their useful life and replacements will need to be found before their scheduled replacement date in 2004 and 2005. The average age of these contractor-owned conventional buses is 24 years old. The normal replacement cycle for a conventional bus is 18 years maximum.

As part of the Performance Based Contracts procurement process, the contractors are not being required to provide contractor-owned buses for service provision. This will enable the Region to take advantage of MTO subsidy opportunities. As such, it will be necessary for the Region to purchase buses to maintain the current levels of service. Also, requiring the contractors to supply contractor-owned buses for a short one to two-year duration would have resulted in a significant capital cost for the contractors to recover over a short period of time.

4.1 MTO Subsidy

The Ontario Ministry of Transportation introduced a transit capital renewal program in 2002. Public transit systems are eligible to receive one-third subsidy on the purchase of replacement vehicles owned by the transit system. Replacement of leased buses (buses not owned by the transit system, including contractor owned buses) are not eligible for this subsidy. As such, there are significant cost savings for the Region by purchasing used vehicles in place of the contractor-owned vehicles and then replacing the used Region-owned buses with new buses eligible for MTO subsidy as part of the scheduled replacement program.

It should be noted that the Ministry of Transportation has advised they will not subsidise the purchase of these used buses because they do not, in their opinion, meet the definition of a 'replacement' bus under the Ontario Transit Renewal Program.

4.2 1999 Thomas SLF230

York Region Transit operates 35 Thomas SLF buses at all four garages with excellent service reliability and good fuel mileage. The Ontario supplier of the bus, MacNab Bus Sales, is selling their 1999 Thomas SLF230 bus that they have been using for demonstration purposes. YRT staff has negotiated the purchase of this bus, subject to Council approval, which would include upgrading all key components to current YRT fleet standards, for a price of $284,625, including all applicable taxes. The cost of a new unit would be approximately $400,000.

4.3 Used Buses

Staff has conducted preliminary research on the availability of used buses in the market place. Such buses would be common to the existing YRT fleet and would be newer than existing conventional buses owned by the contractors. There are several upcoming market sources that staff would like to opportunity to inspect and place bids or negotiate the purchase of buses. None of these buses are owned by any of the existing contractors.

5. FINANCIAL IMPLICATIONS

The 2002 Business Plan and Budget include a provision for the purchase of 26 new buses at a cost of $550,000 per bus. The proposed purchase of 11 used buses will result in a maximum expenditure of $550,000. Funding for these buses can be derived by not proceeding with the order for one new bus from the approved 2002 Business Plan and Budget and redirecting the funds to purchase the used buses. As noted earlier, these buses are not eligible for subsidy funding under the Ontario Transit Renewal Program. The remaining 25 buses will continue to be procured for delivery in late 2003 and early 2004.

Ministry of Transportation staff has advised that the Region would be eligible to receive one-third subsidy funding when all 11 buses are replaced with new buses. This equates to approximately $2.0 million in Provincial subsidy on the 11 buses. Buses purchased by the contractors for York Region Transit services would not be eligible for this subsidy.

The capital cost for the Region to purchase the used buses is further offset by approximately $88,000 in annual operating costs, which is a premium charge for the contractor-owned buses.

6. LOCAL MUNICIPAL IMPACT

The proposed purchase of used buses will permit the continued provision of transit service in the local municipalities of Vaughan, Richmond Hill, Newmarket, Aurora, East Gwillimbury and Georgina.

7. CONCLUSION

There are 11 buses currently owned by the contractors that operate for York Region Transit. These buses are operating beyond their design life and some will not be able to continue service to the scheduled replacement date in 2004 and 2005. The contractors' responsibility to supply these buses has been removed from the upcoming service contracts which will go into effect in the spring of 2003. Staff are requesting authorization to negotiate the purchase of used buses to maintain service, avoid additional operating costs for contractor-owned buses, and to take advantage of the new Provincial subsidy program for bus replacement.

The Senior Management Group has reviewed this report.

2
YORK REGION TRANSIT
PERFORMANCE BASED OPERATING CONTRACT
TENDER NUMBER T-02-45

(Regional Council at its meeting on December 19, 2002, amended the following Clause as follows:

> ***Recommendation No. 2 be amended to read "The recommendation contained in the following report, December 11, 2002, from the Commissioner of Transportation and Works, be adopted.")***

The Transit Committee recommends:

1. **The presentation by Rick Takagi, Manager, Operations, be received; and**

2. **The recommendations contained in the following report, December 11, 2002, from the Commissioner of Transportation and Works, be adopted, with the exception of Recommendation 1 b) which is referred back to Staff for further negotiations and report to the December 19, 2002 Regional Council meeting, if possible.**

1. RECOMMENDATIONS

It is recommended that:

1. Subject to satisfactory negotiations related to insurance issues and performance incentives, Tender T-02-45 for the operation of conventional transit services for a three year term be awarded to;

a) Laidlaw Transit Limited for Division 2 (Newmarket, Aurora, East Gwillimbury and Georgina areas), in the amount of $16,894,162, commencing June 29, 2003.

b) Miller Transit Limited for Division 3 (Richmond Hill area), in the amount of $31,447,127, commencing March 30, 2003.

c). Can-ar Transit Services Limited for Division 4 (Vaughan area) in the amount of $23,832,291, commencing May 4, 2003.

2. The General Manager, Transit be authorized to negotiate with the low bidders of each Division with respect to insurance issues and performance incentives and report back to Transit Committee at the earliest opportunity in 2003.

3. Staff be authorized to initiate a study as included in the draft 2003 Business Plan and Budget to evaluate options for the Region to own or lease transit storage and maintenance facilities in York Region to increase the potential for additional competitive bids in the future.

4. The Regional Solicitor be authorized to prepare the necessary agreements.

5. The Regional Chair and Clerk be authorized to execute the agreements on behalf of the Region.

2. PURPOSE

The purpose of this report is to receive Transit Committee and Regional Council authorization to award contracts for the operation of conventional public transit services commencing between March, 2003 and June, 2003. Funding for these services is included in the draft 2003 Business Plan and Budget.

3. BACKGROUND

YRT currently utilizes five different major contractors to operate conventional transit services in the Region. Each contractor provides transit service on designated routes within overlapping service areas. Buses are stationed at storage and maintenance facilities owned by the respective contractors and located in each service area. Three of the four private sector contracts are scheduled to expire at various times in the spring of 2003. (The fifth contract is with the Toronto Transit Commission.)

Regional Council at its September 19, 2002 meeting authorized staff to proceed with a procurement process for the operation of conventional transit services, based on the principles of performance and service quality. The term of the contract is 3 years plus the option for two additional one year extensions.

A performance based tender document was prepared and advertised in the Globe and Mail and Canadian Urban Transit Association classifieds as well as electronically through MERX and ETN. In addition, all known contractors in this field were contacted by e-mail.

Potential bidders had the opportunity to review and submit inquiries based on the schedule noted below. Seven addenda were issued to address the bidders' comments and inquiries throughout this process.

September 30, 2002	Bid document available to the public
October 15, 2002	Bidders Meeting
November 2, 2002	Bus Inspections
November 19, 2002	Bid Closing Date

Thirteen companies received the bid document and three companies made five submissions by the bid closing date.

3.1 Performance Based Contracts

The existing operating contracts were awarded based on the contractor meeting specifications and having the lowest bid price. There are currently no financial or other incentives in the contracts to promote quality performance, except for limited financial penalties for not providing service.

An internal staff team, comprised of representatives from York Region Transit, Legal, and Supplies and Services, was established to develop a new model contract. Among other things, the team reviewed the opportunity to incorporate performance provisions into future contracts. Performance is measured using various benchmarks. There are incentives for contractors who achieve levels higher than the set benchmark, and disincentives for those who perform below the set benchmark. Additionally, statistics collected over the term of the contract can be used in future procurement processes.

The following performance standard categories are included in the new contract document:

- Schedule Adherence
- Vehicle Maintenance
- Safety
- Customer Satisfaction
- Reporting Requirements

The addition of performance standards and measures into operating contracts is intended to improve the overall quality of conventional transit service. Considerable research has been conducted across North America to identify which measurements should be introduced into the agreements and how they will be monitored.

For each performance standard category, a financial incentive or bonus is proposed to be paid if a particular standard is achieved. On the other hand, if the standard is not achieved a disincentive or penalty would be levied against the contractor. The total value of the proposed incentive package would be $65,000 annually, and $59,000 annually in disincentives. Depending on the contract, these amounts represent approximately 1% of the individual contract values.

4. ANALYSIS AND OPTIONS

The bid submissions were opened on November 19, 2002 with the following results.

Table 1
Bid Results

Area	Bidder	Total Price 3 Years - 2003 to 2005
Newmarket, Aurora, Georgina, East Gwillimbury	Laidlaw *	$16,894,162
	Miller	$19,892,089
Richmond Hill, King	Miller*	$31,447,127
Vaughan	Can-ar*	$23,832,291
	Miller	$28,929,208
Total (low bids)		$72,173,580

*low bid for each area

4.1 Purchasing By-law

The provisions of the current Purchasing By-law A-0304-2002-031 indicate that the CAO may award the contract provided that the award is made to the lowest bidder and the bid submission has no irregularity. Although this criteria is met for tender T-02-45, Council authorization is sought as staff wish to award this tender in 2002 prior to approval of the 2003 Business Plan and Budget.

4.2 Proposed Contractors

The contractors (Laidlaw, Miller and Can-ar) who submitted the lowest bid in each of the three respective service Divisions are currently providing transit service for YRT at a satisfactory level. Based on the current work experience with the Region and supporting information supplied in the bid submission, staff are satisfied that they are able to undertake the work required under this contract.

4.3 Storage and Maintenance Facilities

The proposed operating contract requires the contractor to provide a bus storage and maintenance facility to base transit service operations. There are indications that the availability of sites for these facilities may be a factor in potential bidders' decisions on whether or not they submit bids for the contracts. In order to increase the opportunity for increased competitive bids and potential cost savings in the future, staff wish to undertake a study on the feasibility of the Region constructing transit storage and maintenance facilities in York Region. This would allow contractors to lease the Region-owned facility for transit operations. It is expected that this will increase the number of bidders on future operating contracts to the benefit of the Region.

4.4 Contract Start Date

The proposed performance based contract commences first in the Richmond Hill Division on Sunday March 29, 2003. As such, award of this contract is needed at the earliest opportunity to ensure that quality of service is maintained for transit customers. Transitional items that need to be addressed between the award date and the start of new service operator in Richmond Hill include upgrading of the contractor maintenance facility and equipment, potential transfer of existing transit staff, certification of all buses being transferred as well as staff training and equipment needs.

5. FINANCIAL IMPLICATIONS

The draft 2003 Business Plan and Budget contains funding in the amount of $3.5 million for Division 2 (Newmarket/Aurora), $7.0 million for Division 3 (Richmond Hill area) and $6.3 million for Division 4 (Vaughan area) to operate transit service, including the spring introduction of the new performance based contracts.

The following table indicates the current hourly rates as well as the low bid hourly rates for each of the recommended bidders:

Table 2
Hourly Rates of Low Bidders

Area	Current Hourly Rate	Hourly rate Year 1	Hourly rate Year 2	Hourly rate Year 3
Newmarket, Aurora, Georgina, East Gwillimbury	$47.25	$52.00	$53.04	$54.10
Richmond Hill, King	$54.99	$63.79	$65.81	$67.38
Vaughan	$52.75	$58.35	$59.83	$61.04

*Prices exclude GST

It should be noted that, unlike the new contracts, the current hourly rates do not include or have higher charges related to fuel escalation, dead-heading, minimum service hour guarantees and PST on maintenance costs which currently vary by service area and compensation rate. These higher/additional costs are included in the hourly rates for years 1,2 and 3.

5.1 Insurance Costs

The cost for the contractors to provide insurance coverage under the new contract has increased significantly. In general, insurance premiums have increased due to underfunding of the insurance industry, reduced returns on investment, as well as the events of September 11, 2001. Insurance costs based on the bid submissions for the three divisions will total $1.49 million in the first year of the contract. It is estimated that these costs, which are included in the hourly rate, are approximately $0.7 million higher in 2003 as compared to the 2002 rates.

The tender document contains provisions where the Region has sole discretion to undertake the insurance and negotiate a reduction in costs if the Region can obtain insurance at a lower rate. Staff are seeking Committee and Council authorization for the General Manager, Transit to negotiate with the low bidders with respect to insurance issues and related enhanced performance measures.

5.2 Performance Based Contract Costs

The cost to introduce performance based measures and enhanced contractor monitoring is estimated to be $200,000 in 2003. This amount is approximately 1% of the total contract value.

5.3 Transit Service Adjustments

In accordance with the tender document, the contractors are compensated for providing the service based on an hourly rate for each service hour that a bus is in operation. As such, the Region retains the flexibility in adding or deleting service as deemed necessary. The tendered hourly rate is maintained unless service is reduced by more than 20% per year.

6. LOCAL MUNICIPAL IMPACT

The proposed award of the new performance based contracts will provide improved quality of conventional transit service in Vaughan, Richmond Hill, Newmarket, East Gwillimbury, Georgina and King areas.

7. CONCLUSION

It is recommended that the tender for performance based operating contracts be awarded to the low bidders; Laidlaw Transit Limited, Miller Transit Limited and Can-ar Transit Services Limited with funding as currently contained in draft 2003 Business Plan and Budget.

3
UPDATE – COMMITTEE PROCEEDINGS

The Transit Committee of the advises Council of the following matters having been considered by the Transit Committee with the following action:

PRESENTATION/DEPUTATION

1. Committee appointed Regional Chair Bill Fisch as Acting Chair in the absence of the Chair and Vice-Chair of the Transit Committee.

2. Irene McNeil, Manager, Service Planning, made a presentation regarding the East Gwillimbury Public Consultation Workshop Results. Lorelie Noble, resident of Holland Landing, made a deputation to present a report regarding the three-month interim review of transit services in East Gwillimbury. Committee passed the following motion:

   (a) The presentation by Irene McNeil, Manager, Service Planning, be received;

   (b) The deputation and written submission by Lorelie Noble, Holland Landing, be received;

   (c) The matter be referred to Staff to work with the area residents and provide a written interim report to the January 16, 2002 Transit Committee meeting; and

(d) The frequency of transit service in Sharon be reduced during off-peak hours.

3. Committee resolved into a Private Session at 10:00 a.m. to consider a legal matter. Committee resumed in open session at 10:10 a.m. with no report.

The Transit Committee adjourned at 10:15 a.m.

Respectfully submitted,

December 12, 2002
Newmarket, Ontario

B. Fisch
Acting Chair

(Report No. 10 of the Transit Committee was adopted, as amended, by Regional Council at its meeting on December 19, 2002.)