

**MEMORANDUM TO:** Directors of Education

**FROM:** Nancy Naylor  
Assistant Deputy Minister

**DATE:** November 12, 2009

**SUBJECT:** Student Transportation – Contracting Practices

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Student Transportation reforms introduced in 2006 were one of the first sector-wide initiatives designed to support and strengthen the management capacity of boards. As part of the reform strategy, Efficiency and Effectiveness (E&E) reviews have been conducted to evaluate and assess consortia operations and service delivery. A recurring area for improvement that emerged through the course of the reviews was contracting practices of student transportation services.

Taxpayers increasingly expect greater levels of transparency and accountability for the prudent use of public funds. The Ministry is committed to ensuring boards will optimize the use of resources to provide the maximum benefit to taxpayers.

In support of strong stewardship of public funds and to improve supply chain activities at Ontario's broader public sector (BPS) organizations, the Ministry of Finance released **The Supply Chain Guideline (SCG) Version 1.0** in April, 2009. The SCG applies to all BPS Transfer Payment organizations receiving more than \$10M from the Ministries of Health and Long Term Care, Education and Training Colleges and Universities, including school boards. All school boards have signed their transfer payment agreement, committing to be in compliance with the SCG v1.0, which incorporates two Principles: a *Supply Chain Code of Ethics* and *Procurement Policies and Procedures*, by March 31, 2010.

The work that has been undertaken by the sector since with respect to transportation contracting practices has ensured that we are well positioned to support this new directive.

### **Contracting Practices Advisory Committee**

In November 2007, the Ministry convened the Contracting Practices Advisory Committee (CPAC), to develop a resource package containing guidelines, tools and templates to support fair and transparent contracting practices. This project was

sponsored by the Council of Senior Business Officials (COSBO) and led by PPI Consulting Inc.

The CPAC included members from school board transportation managers, school board procurement staff, senior business officials, and the Ontario School Bus Association (OSBA). This committee held over a dozen meetings in 2007-08 to share their experiences, input and advice with respect to these documents. The resource package released by the COSBO on December 10, 2008 will assist the sector in increasing the transparency and accountability in contracting practices. The tools and templates in the resource guide include Procurement Guidelines, a Contract Template, and an RFP Template.

### **RFP Pilot Project**

Using the draft resource package developed by the CPAC, the Ministry initiated pilots in three consortia sites to test the tools and developed to support competitive procurement. Halton Student Transportation Services, Student Transportation Services of York Region, and Wellington-Dufferin Student Transportation Services agreed to participate as pilot sites. The Ministry engaged Management Partnership Services Inc. (MPS) to provide advice in the development of procurement documents and to provide support to consortia over the course of the procurement process. Results from the RFP pilot project were released in Memorandum 2009 SB: 39.

### **Stakeholder Engagement**

With the completion of the pilot RFPs and having solicited stakeholder feedback, minor refinements to the tools and processes will be made. A final RFP resource guide will be released. Though it is anticipated that the revised resource guide will serve as a valuable reference for consortia staff, it is also expected that these tools can be modified to meet local requirements.

As indicated in Memorandum 2009 SB:22, the Minister consulted with sector stakeholders over the summer to ensure a comprehensive understanding of the results before determining next steps. Noteworthy comments from consultations include the following:

- Appreciation for the support the Ministry provided for school boards and consortia
- Continuation of training for operators through the process was crucial in the transition
- Acknowledgement that school boards are responsible for the procurement decisions in transportation
- Acknowledgement that status quo in contracting was not an option
- Both school boards and operators were interested in examining other ways of procuring transportation services so that boards have more options

## **Two-Stage Procurement**

As part of the dialogue the Minister and Ministry staff had over the summer with school boards and operators, stakeholders presented procurement options for consideration in transportation. One procurement approach that boards and operators believe to be a viable alternative in procuring transportation contracts is through a two-stage procurement process. A Request for Supplier Qualifications (RFSQ) can be used to understand which potential service providers have the capabilities that a school board or consortia requires in the first stage solicitation; followed by a Request for Proposal.. Only pre-qualified suppliers will be invited to respond in this second stage.

This approach has the potential benefit of a more manageable evaluation process for the evaluators as the number of proposals will be limited to the number of pre-qualified vendors who would have already met certain qualification criteria set in the first stage. Unqualified service providers can also avoid the effort and expense of preparing a complete competitive response.

This procurement option may be suitable for some consortia sites where the local circumstances and supplier market would benefit from having a prequalified list of operators before the second stage competition. The first stage RFSQ defines the type of materials or services included as part of the process. Depending on the procurement policies of the boards/consortia, this list can also be used in conjunction with any contracts awarded as an exception without competition such as when transportation service is required urgently or the volume of work is below a certain threshold according to the established procurement policies.

## **Contracting Practices Resource Guides**

Recognizing the fact that boards have the authority to make procurement decisions and can adopt different competitive procurement options for transportation services, the Ministry will support the development of an additional resource guide to support a two-staged procurement process. This will allow boards and consortia the flexibility in selecting the procurement option that best suit their local circumstances and supplier market.

### **1. RFP Resource Guide**

The Ministry will refine the RFP resource guide, including the tools and templates, based on the RFP pilot results, comments, and recommendations. This final RFP resource guide will be released to the sector for consideration in the selection of the most appropriate procurement method in their consortia.

### **2. Two-Stage Resource Guide and Pilots**

In addition, the Ministry will engage an external procurement expert to develop an alternative two-stage procurement resource guide with equivalent tools and templates to support student transportation contracting. Similar to the RFP pilot project, the Ministry has identified two sites that will participate in a Two-Stage Pilot Project to test the tools and templates developed. The North-East Triboard Student Transportation consortium and the Northwestern Ontario region (comprised of Rainy River Transportation Services, Northwestern Ontario Student Services Cooperative,

Student Transportation services of Thunder Bay, and East of Thunder Bay Transportation Consortium) will participate in the Two-Stage Pilot Project.

The Ministry will offer the assistance of the procurement expert to provide training to consortia staff on the use of the tools and to facilitate the procurement process throughout the pilot phase. Training support will also be provided to operators in the participating areas. The consultant will facilitate the process from the beginning of the pilot to determine the appropriate area or routes to be included to the contract award stage. It is anticipated that the pilot results will guide these consortia sites to finalize their student transportation procurement strategy, with due recognition and alignment with their boards' procurement policies and practices.

The Ministry will also provide the services of a Fairness Commissioner to act as an impartial third party to observe, monitor and provide oversight on the the procurement processes in these pilots. The Fairness Commissioner will also provide advice to the procurement expert and to the pilot sites at the development stage of the tools and templates. The Fairness Commissioner will provide assurance procurement process appropriateness, integrity and completeness. The Fairness Commissione will assessa nd provide advice on the process, but not the decision. The Fairness Commissioner does not address whether the right vendor was selected.

It is expected that the First Stage of these pilots will be conducted in late Spring through Summer of 2010, and the Second Stage will begin in the fall of 2010. This timeline supports a procurement process to secure transportation contracts beginning in the 2011-12 school year.

As with the RFP Pilots, the Two-Stage pilots are intended to leverage lessons learned so that the tools and the procurement processes can be reviewed and refined. A final resource guide to support the two-stage model will be released to the sector upon completion of the pilots and refinements to the tools and templates.

### **Contracting Practices - Transition Timeline**

The Ministry is committed to working with school boards in transitioning to procurement processes to comply with the SCG to ensure fair, transparent, open, and accountable use of public funds. We also understand the importance of providing support to the sector during the transition. To this end, the Ministry will be supporting a phased approach to competitive procurement processes to the sector.

During this transitional period, the Ministry anticipates that consortia will exercise their discretion and prudence to ensure that the timing and length of contracts will allow for flexibility to transition into the new competitive procurement processes. We would remind consortia not to enter into any re-negotiated contracts beyond 2011-12 school year.

#### **1. RFP Pilot Consortia Sites**

Consortia that participated in the RFP pilots have gained significant experience and knowledge of their local market place and have built capacity to manage competitive procurement for their transportation contracts. Given that these sites have completed

their pilots, while we expect them to transition to competitive procurement over time, discretion about how quickly to do so and according to what process now lies with the consortia.

## **2. Supported Transition Sites**

Following the completion of the pilot process and refinements, the Ministry will release the final resource guide for a two-stage procurement model to the sector. To further support the sector during the transition, the Ministry will identify an additional 6 to 8 consortia sites that are ready to be transitioned to competitive procurement approaches. Besides benefitting from third-party consulting advice throughout the procurement stages like the pilot projects, these sites have the added benefit of choosing from either competitive procurement options, according to their local needs. Training will also be provided to operators through the process. It is anticipated that the procurement process for the transition sites will be conducted in 2011 in anticipation of securing transportation contracts beginning in the 2012-13 school year.

The selection of these sites will be communicated to all boards and consortia by fall 2010.

## **3. Remaining Consortia Sites**

By the end of 2011, we anticipate that over half of all consortia in the province would have started to procure transportation services through competitive processes. To continue on with this gradual phased in transition, the Ministry intends to conduct a series of training sessions in fall of 2011 through 2012. These sessions will provide training assistance to the remaining boards and consortia before they initiate a competitive procurement process of their choice for awarding the 2013-14 school year contracts. In the meantime, these consortia sites are encouraged to focus on setting or redefining their procurement policies and on contract performance management. We strongly advise our boards and consortia to take advantage of the training opportunities that will be made available prior to conducting competitive procurement.

We are also cognizant of the need to maintain a healthy suppliers market during the transition as it will directly impact the service stability to our students. This is why the Ministry will continue to ensure operators be provided with additional training opportunities throughout the transition.

By the 2012-13 school year, the Ministry expects all boards and consortia to have at the minimum initiated competitive procurement of student transportation services. An implementation timeline for the transition is attached in Appendix A. The Ministry believes that a planned transition timeline is important in terms of building capacity in the system as well supporting an orderly transition across the province.

If you have any questions or comments regarding this project or student transportation reforms please contact Cheri Hayward, Director, School Business Support Branch at (416) 327-7503, or [cheri.hayward@ontario.ca](mailto:cheri.hayward@ontario.ca).



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cc: Superintendents of Business  
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**Appendix A – Transition Timeline**

	2010												2011												2012												
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
<b>Development of Tools and Templates</b>																																					
<b>Orientation</b>																																					
<b>Develop Tools and Templates</b>																																					
<b>Stakeholder Consultations</b>																																					
<b>Presentation on 2-Stage Approach</b>																																					
<b>2-Stage Pilots</b>																																					
<b>Pilot- 2 Stage Option (up to 3 Consortia)</b>																																					<b>Contracts for the 2011/12 school year</b>
Stage 1-pilots																																					
Stage 2-pilots																																					
Evaluation and Lessons Learned																																					
<b>Update/Refine RFP Tools and Templates</b>																																					
<b>Transition Sites (6-8 Consortia)</b>																																					<b>Contracts for the 2012/13 school year</b>
<b>Declare Procurement Option</b>																																					
<b>2-Stage Procurement Option</b>																																					
Stage 1																																					
Stage 2																																					
<b>RFP Option</b>																																					
<b>Sector Wide Training for Remaining Sites</b>																																					
<b>Training for Consortia</b>																																				<b>Contracts for the 2013/14 school year</b>	