

**Ministry of Education**  
School Business Support Branch  
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**Ministère de l'Éducation**  
Direction du soutien aux activités scolaires  
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**2009: SB 48**

**MEMORANDUM TO:** Directors of Education

**FROM:** Cheri Hayward  
Director  
School Business Support Branch

**DATE:** December 14, 2009

**SUBJECT:** Student Transportation Fuel Cost Study

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I am writing to share with you the Fuel Cost Study report completed by BMB Fuel Consulting Services.

In 2008-09, student transportation services in Ontario utilized an estimated 100 million litres of fuel. This represents approximately 12% of the total \$814 million spent on student transportation in the province. The sector continues to be confronted with the reality of adjusting to fuel price volatility, including periods of high fuel prices. This uncertainty has added to the financial and management pressures placed on the student transportation sector. To support safe, effective and efficient transportation for Ontario students, and to assist in bringing a level of stability to fuel funding and fuel cost management, the Ministry contracted with BMB Fuel Consulting Services in December 2008 to undertake a fuel cost study.

The study acknowledged that school boards have adopted a variety of strategies to mitigate the impact of fluctuating fuel prices to their budgets, including joint planning with boards in the same jurisdiction, and the use of fuel escalator/de-escalator clauses in their contracts. The report also identified a number of issues with respect to fuel cost compensation and included strategies for the sector's consideration to address many of these issues. One of the key recommendations identified in the report is the importance for school boards and transportation managers to ensure that they have clarity and a detailed understanding of the key parameters that drive fuel expenses e.g. bus fuel efficiency factors and deadhead multiples. Currently these measures are often based on both historical and incomplete information, and often accompanied by a minimal understanding of the related impacts on fuel costs.

Equally concerning is that most boards do not have fuel efficiency policies or guidelines for consortia and operators. There is a clearly an opportunity for school boards and transportation managers to consider including these type of metrics in operator contracts and as part of their performance measurement criteria.

The consultants noted that operators also had responded differently to high fuel costs. Differences in strategies were often a reflection of the size of the company and locations. The larger operators were best positioned to leverage fuel costs savings through structural training, procurement, and price risk management programs.

In response to the BMB Fuel Cost Study, the Ministry has taken the first step by introducing a fuel escalation/de-escalation clause in our transportation grant for the 2009-10 school year. We are now sharing the full report and a summary version of the Fuel Cost Study which have been posted on our student transportation website <https://transport.edu.gov.on.ca>. All transportation consortia, school boards and operators are encouraged to review this report, and begin discussions around what strategies they need to put in place to support and improve fuel cost management.

If you have any questions or comments regarding this report, please contact Sandy Chan at (416) 325-2464, or [sandy.chan@ontario.ca](mailto:sandy.chan@ontario.ca).



Cheri Hayward  
Director  
School Business Support Branch

cc. Superintendents of Business  
Transportation Managers  
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