

ONTARIO SCHOOL BUS ASSOCIATION



COMPETITIVE PROCUREMENT UPDATE
OTE - APRIL 19, 2010

OVERVIEW

1. What Happened
2. What's Happening Now
3. OSBA Presentation to MoE & PPI
4. Questions and Comments

WHAT HAPPENED

January 2009: MoE announce RFP pilots for Halton, Wellington-Dufferin & York regions for **only 25%** of routes

- OSBA was able to extend the time for response to the RFPs
- Ministry contracted OSBA to run RFP Training seminars for Operators

RFP Results:

- Mixed. Large, medium and small operators were all affected. Smaller and Larger were most affected
- MoE declared it a success, but only one region saved money and then only 3.6% which may have been due to route changes

WHAT HAPPENED

OSBA's perspective:

- Saw the RFP processes as flawed, not as transparent or accountable as required, and the results mixed
- Warned the MoE that rapid transition to RFP across Ontario would have devastating impact on school busing
- Suggested that RFPs be made more QUALITY focused, not just a tender seeking best price
- OSBA presented another approach – a Vendor of Record model

WHAT HAPPENED

- April 2009 – Minister declared a moratorium on RFPs until end of year
- Ministry and OSBA worked on details of OSBA VoR
- Fall 2009 – Ministry announced that the VoR would be developed and piloted in four regions (all in Northern Ontario)

WHAT HAPPENED

- New RFPs done between November 2009 & now in Wellington Dufferin, York, Francobus & Waterloo

Results:

- Some lower prices as operators getting aggressive and defensive
- Larger & Smaller players still losing more than middle sized players, but results are mixed. Some operators may be out of business at end of current contract.

WHAT HAPPENED

OSBA's perspective:

- Saw the RFP processes as still flawed, not as transparent or accountable as required, and the results mixed
- Warned the MoE that rapid transition to RFP across Ontario would have devastating impact of school busing
- Warned that the RFPs are becoming increasingly more like a tender process ignoring quality

WHAT'S HAPPENING NOW

Development and pilots of new VoR process beginning

1. North-East Triboard Student Transportation consortium and,
2. Northwestern Ontario region which is comprised of
 - Rainy River Transportation Services,
 - Northwestern Ontario Student Services Cooperative Student
 - Transportation Services of Thunder Bay, and
 - East of Thunder Bay Transportation Consortium.

WHAT'S HAPPENING NOW - PPI SCHEDULE

1. Initial consultations: March and April, 2010
Board/consortia & Operators
2. 1st Draft Stage Resource Guide Developed : April to June, 2010
Boards/consortia and operators consulted
3. 1st Stage Pilots: July to September, 2010
4. 2nd Draft Stage Resource Guide: May to August, 2010
Boards/consortia and operators consulted
5. 2nd Stage Pilots: October to December, 2010

WHAT'S HAPPENING NOW - PPI SCHEDULE

6. Refinements of Resource Guide: January to March, 2011
Boards/consortia and operators consulted
7. Sector Wide Training: April to June, 2011 Consortia Only
8. Ministry has committed to provide Operator training for those areas affected by the VoR pilots

WHAT'S HAPPENING NOW

Fairness Commissioner: Knowles Consultancy Services Inc.

- Act as an impartial third party
- To observe, monitor and provide oversight on the procurement processes in the pilots sites.
- Responsible for providing assurance on the appropriateness, integrity, and completeness of the procurement process and assessing and providing advice on the process.
- Provide advice on the development of the tools and templates.
- Does NOT direct the pilot sites in making their final decisions
- Will NOT provide comment on the results of the pilot competitive procurement.

WHAT'S HAPPENING NOW

For 2012-13 contracts, these consortium have signed on to be the next to transition to competitive procurement (per Memo B3:2010)

- Consortium de transport de l'Est
- Durham Transportation Services
- Niagara Student Transportation Services
- Student Transportation of Peel Region
- Nipissing Parry-Sound Student Transportation Services
- Windsor-Essex Student Transportation Services

OSBA PRESENTATION TO MOE AND PPI

The Goal: Deliver Students Safely,
On Time & Ready To Learn

- ▶ Student Transportation is a public service and one of the most public faces of public education
- ▶ Customer service quality counts, not product quality
- ▶ Student Transportation has many & varied stakeholders that are each impacted by the results of RFPs/VoRs

COMPETITIVE DRIVERS: QUALITY & COST

Goal: Maximizing the value for money at cost

Cost = Total life cycle cost of goods or services

$$\text{VALUE} = \frac{\text{QUALITY} / \text{QUANTITY}}{\text{COST}}$$

Since quantity is fixed and managed by the Consortia

$$\text{VALUE} = \frac{\text{QUALITY}}{\text{COST}}$$

COMPETITIVE DRIVERS: NOT JUST COST

- ▶ Cost based competitive driver TENDS TO REDUCE QUALITY over long term.
- ▶ Cost driven competition commoditizes in the absence of meaningful quality measures
- ▶ Commoditization reduces service quality
- ▶ **There's not a lot of money to be saved in Student Transportation. There's not a lot of fat.**

The primary competitive driver should be service quality

SERVICE QUALITY IS THE KEY MEASURE OF VALUE

Quality is the best long term way to promote value

- Price eventually levels out, usually very quickly
- If price is the only competitive lever, the easiest way to deliver a better price is to deliver less
- Those quality cuts are usually not obvious and very hard to police.
- Service quality dies a death of a thousand cuts

The goal in implementing the SCG should be on value, quality, transparency & accountability - not just dollars.

OSBA VENDOR OF RECORD MODEL

- ▶ Based on SCG two stage procurement model
 - 1st stage prequalifies a group of vendors with standardized capacities to deliver services (i.e. - school transportation)
 - 2nd stage invites the prequalified vendors to submit a **competitive bid detailing each vendor's value of money at cost proposition to deliver services)**

KEY OSBA VoR ELEMENTS

Four key elements in OSBA Proposed VoR Model

1. **Service Quality Focus:** Quality as the PRIMARY competition driver using meaningful criteria
2. **Collaborative Performance Management** process to embed Continuous Quality Improvement (CQI)
3. **More Effective and Efficient** for both consortia and operators. Less complex to run.
4. **Maximizing Meaningful Competition**

MEASURING SERVICE QUALITY: GOALS

- Meaningful ways to measure service quality in student transportation
 - Meaningful (read that as useful) to consortia/school board
 - Meaningful (read that as useful) to operators
- Consensus if not agreement between both sides

HAS TO BE USEFUL TO BOTH CONSORTIA & OPERATORS

For Consortia / School Boards, the measurement should:

- Demonstrably saves time, effort, cost or grief – Total Cost Drivers
- Demonstrably and meaningfully improves the outcomes desired by Consortia AND OTHER STAKEHOLDERS (Safely transporting children to and from school on time and ready to learn)
- Help to distinguish better operators more easily
- Promote CQI, a best practice for service delivery quality

HAS TO BE USEFUL TO BOTH CONSORTIA & OPERATORS

For Operators, the measurement should:

- Be a way of distinguishing themselves as a better operator more easily
- Demonstrably add to the top line or bottom line
- Investments in CQI and Service Quality are rewarded
- Demonstrably reward for saving the Consortia Time, Effort, Cost or Grief – Total Cost Drivers.
- Demonstrably reward Operators when outcomes desired by Consortia AND OTHER STAKEHOLDERS are meaningfully improved - Safely transporting children to and from school, on time, & ready to learn

STUDENT TRANSPORTATION STAKEHOLDERS

THE ARBITRATORS OF VALUE

STAKEHOLDER LEVEL	STAKEHOLDERS	CURRENTLY ASSESSED IN RFPS
Consortium	Government, Ministry of Education, transportation officials, school bus operators, public interest	Financial interests tested. Some capacity & safety.
Board	Board Trustees, board staff, local ratepayers, parents, public interest	Financial interests
School	School staff, teachers, students, public interest	Not assessed
Route	Individual parents of bus riding children, students, school bus drivers, local drivers & pedestrians, public interest	Not assessed

STUDENT TRANSPORTATION SERVICE QUALITY VARIABLES

QUALITY OF:	DEPENDANT ON QUALITY OF:	CURRENT RFP TECHNICALS MEASURE
Drivers	Route & driver processes	Not assessed
	Hiring, retention & training (driving, safety, & customer service)	Retention, training
	Morale & relationships with students/parents/schools	Not assessed
Vehicles	Maintenance processes	Maintenance facilities
	Morale & skill level of maintenance staff & ongoing training	Skill level of staff

STUDENT TRANSPORTATION SERVICE QUALITY VARIABLES

QUALITY OF:	DEPENDANT ON QUALITY OF:	CURRENT RFP TECHNICALS MEASURE
Management & Communications	Relationships & communications with staff, consortia, other operators, schools, & parents	Not assessed
	Expertise & experience (customer service, operating processes, local variations, industry connections, management consistency)	Customer service processes, operating processes
	Capacity (equipment, staff, financial, communications, etc)	Capacity (equipment, staff, financial, communications)
System	Collaboration with operators, schools, boards & consortia	Not assessed

MEASURING QUALITY

Quality measures have to be able to measure objectively and realistically

- One time snapshots are not reliable because they inherently do not measure over time – not long term
- There have to be clear measurements that are agreed upon by both sides (Has to matter to both sides)
- The measure has to be meaningful . The ruler has to be subtle enough to actually measure something that actually assesses quality and is also comparable

CURRENT METHODS OF MEASURING QUALITY

- ▶ Current RFPs Technicals measure the **EXISTENCE** of:
 - Student Safety programs
 - Driver Education & Training programs
 - Driver Retention Strategy
 - Customer Service processes
 - Fleet Maintenance & Management programs & staff
 - Garage and Operating facilities & staff
 - Administrative and/or Operations facilities & Staff
 - Accident procedures

CURRENT RFPS DO NOT MEASURE QUALITY OF THE ABOVE

CURRENT METHODS OF MEASURING QUALITY

- ▶ Current RFPs measure:
 - The **ABILITY** of an operator **TO RESPOND** to an RFP
 - Fill in the blanks, answer the questions asked, make it pretty
 - Recent RFPs have severely limited responses to Technicals (TWO PAGES for describing entire Safety Programs, etc.)
- ▶ Current RFPs measure the above on a 1, 3 or 5 scoring without seeking any proof of what is presented.
- ▶ This reduces the current RFPs to tenders and erodes the role of quality as a value driver.

STUDENT TRANSPORTATION

QUALITY DIFFERENTIATORS

Quality Measure	How Measured	Why it matters	Current RFPs
On Time Rate	Past performance measured & recorded	On time to school	Do NOT assess
Safety & Vehicle Quality Record	Past performance measured & recorded	Delivered safely to school and home	Do NOT assess
Accident Rate	Past performance measured & recorded	Delivered safely to school and home	Do NOT assess
Customer Service	School, Parent, Teacher, Student engagement	Reduces total cost drivers (time, grief, effort & cost)	Do NOT assess

STUDENT TRANSPORTATION QUALITY DIFFERENTIATORS

Quality Measure	How Measured	Why it matters	Current RFPs
Employee satisfaction	Retention rate, Driver engagement processes	Best practices clearly demonstrate that service quality is a function of employee satisfaction	Some assess retention rate without verification. Do NOT assess the rest
Collaboration	Consortia & Operator engagement	Reduces total cost drivers & manages risk	Do NOT assess
Capacity	Operator Inspection	Manages risk, supports CQI	Do NOT assess
Compliance	Operator Inspection	Manages risk, supports CQI	Do NOT assess

A SNAPSHOT CANNOT MEASURE QUALITY

- ▶ Measuring quality requires more effort than a one time snapshot every five years.
- ▶ Measurement approaches include one or more of:
 - Third party measurements (examples include current quarterly checks of driver license status by OSBA)
 - Measurement by Consortia only (Wellington-Dufferin)
 - Collaborative Performance Management process involving both Consortia & Operators. A best practice CQI model.

COLLABORATIVE PERFORMANCE MANAGEMENT

- ▶ A best practice for CQI regardless of industry, product or service
- ▶ A proven innovation driver
- ▶ Increases collaboration – a best practice value driver
- ▶ Measures quality more than once every five years
- ▶ Supports greater transparency & accountability
- ▶ Requires meaningful sharing of responsibility
- ▶ Anticipates a provincial role/body for Quality & Safety best practices

MAXIMIZE MEANINGFUL COMPETITION

- ▶ Measures meaningful total cost and total quality drivers in a way that snapshot assessment RFPs cannot
- ▶ Requires a better financial formula that fairly differentiates price differences. Current examples used in pilots and others were heavily weighted to minor price variations. Penny wise/Dollar foolish.

MAXIMIZE MEANINGFUL COMPETITION

- ▶ Requires FULL disclosure of all evaluation formula as required under SSG Mandatory Requirement #10
 - “BPS organizations must fully disclose the evaluation **methodology and process to be used in assessing a supplier’s submission**”

This is a practice not yet followed in pilot or other RFPs

- ▶ Invites quality measures from a more complete set of stakeholders
- ▶ Includes both contracted sides to assess and define quality which promotes innovation & competition

QUESTIONS & COMMENTS

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