



1 Eva Rd., Suite 304
Toronto, ON, M9C 4Z5

Tel: 416-695-9965
Or 1-888-675-OSBA
Fax: 416-695-9977
Email: info@osba.on.ca
WebSite: www.osba.on.ca

Safely Carrying Our Future

February 24, 2012

Hon. Laurel Broten
Minister of Education
22nd Floor, Mowat Block
900 Bay Street
Toronto, ON M7A 1L2

Dear Minister:

On behalf of the Board of Directors and the membership of the Ontario School Bus Association (OSBA), I would like to take this opportunity to offer constructive suggestions to the government on the Drummond Report. In particular, I must take issue with the section *Encouraging Efficient Student Transportation* (pages 220-224).

First, it is important to point out that since the early 1990's, the OSBA was and continues to be on record supporting efficiencies in student transportation including co-terminus busing, staggered bell times, double and triple routing where possible while maintaining the highest safety standards. Our recent submission to government calls for further efficiencies, including bulk fuel and bus capital pooling.

OSBA consistently advocates for win-win solutions for students, parents, school boards, transportation consortia, government and the school bus industry. However, the implied beliefs underlying the Drummond Report must be addressed because they undermine the mutual trust that is essential to a positive working relationship.

The Drummond Report states "the student transportation grant has increased from \$629 million in 2002-2003 to an anticipated \$845 million in 2011-2012, an increase of 34% (an average of 3.3% per year) (page 220). The Report goes on to recommend an immediate move to competitive procurement to reduce government spending. It is essential to go beyond the elementary analysis Mr. Drummond undertook to look at the drivers of cost increases in student transportation line to understand why his leap of logic is flawed.

The three main costs in the school transportation industry are wages, capital costs and fuel. These were the factors identified in the cost benchmark study by Deloitte for the Ministry of Education in 2007.

WAGES: In 2002, the provincial minimum wage was \$6.85/hour. In 2012, the provincial minimum wage is \$10.25/hour, a 50% increase. The Deloitte study found that wages in 2007 were 26.5% of total costs. Today, that percentage is closer to 40%, due in large part to the provincial increase in the minimum wage over the ten

2011-2012 Executive
Gord Taylor, President & District 7
Doug Herd, Vice-President
Perry Ferguson, Treasurer
Angus McKay, Past-President

Executive Director
Richard Donaldson

Directors
Mark Begg, District 8
John Chapman
Dave DeNure, District 5
Garry Gosling, District 6

Greg Hammond, District 3
Mike Murphy
Paul Wiley, District 4
Districts 1 & 2 - Vacant

year period. Former Education Minister Kathleen Wynne recognized this wage pressure when she increased the GSN for student transportation in 2008-2009 by \$10 million.

CAPITAL COSTS: In 2002, a 72 passenger school bus cost \$81,802. In 2011, the cost for the same bus rose to \$93,503, an increase of 14.3%. The 2007 Deloitte study said bus costs were 14.7% of total cost in the cost benchmark analysis. Today, the figure is up to 18% of the cost benchmark. These cost increases were due largely to:

- 1) New emission standards adopted by the federal and Ontario governments.
- 2) In addition, many school boards instituting 12 year limits on the life of a school bus, increasing the annual capital cost.
- 3) Increased construction, manufacturing and safety standards (CSA D-250) adopted over the past decade by the Ontario Government.

FUEL: It is obvious to everyone that the cost of fuel has increased significantly over the last 10 years. The Deloitte study found that fuel was approximately 15% of costs. Today, that figure is 18% or higher. In 2004, operators paid an average of \$0.63 per litre. In 2011, it was on average \$1.05 per litre, an increase of 67%.

We submit that if you take the 2006 Deloitte study, remove wages, fuel and capital costs, insert the equivalent 2002 numbers and then run the numbers again for 2011, you will see a 32% increase over the past ten years. Compare this to the 34% increase Mr. Drummond found in the actual budgets.

In summary, the student transportation cost increases as stated in the Drummond Report from 2002 to 2011-2012 are the direct result of government mandated requirements and the global increase in fuel.

Minister, I would now like to address the specific recommendations in the Drummond Report.

Recommendation 6-15: This calls for the government to lift the moratorium on competitive procurement and move to competitive bids for next year.

Minister, the OSBA proposed the establishment of a Task Force to review the competitive procurements processes recommended by the Province and adopted by school boards as a result of the 2009 BPS Supply Chain Guidelines. We welcomed the Minister's invitation to participate in the work of the Task Force. Mike Murphy and I presented numerous examples of areas for changes and improvements based on three years of analysis of past RFP's. We offered suggestions for additional options which we believe meet the Supply Chain Guidelines.

You are aware that a number of school boards and transportation consortia issued RFP's in January without having the benefit of the Task Force Report and its contents. The Ontario Public School Boards' Association wrote to their members and the OSBA wrote to Board Chairs, Trustees, Directors of Education and transportation consortia to encourage that the review process begun in June 2011 continue to be respected. The issues are very important to our industry and the wisdom of the work of the Task Force needs to be heard.

It is wrong to proceed with a rushed move to competitive procurement without first releasing the Task Force report.

Recommendation 6-16: This calls for allowing school boards to charge user fees for student transportation.

Minister, OSBA's pre Budget submission to the Government suggests the examination of a parental option for student transportation. We suggest the government could amend the Education Act to allow parents within board-established walk distances to choose to pay to have their children bused. The benefits are improved

options for parents at no cost to the taxpayer, increased personal safety for children travelling to school, environmental benefits of fewer parental cars and less school zone congestion.

However, we are concerned that a move to user fees for existing students will impact lower income families, reduce use of the safest form of transportation and impact the student experience.

Recommendation 6-17: This calls for Education stakeholders to work together to find savings, including reducing student transportation by 25%.

As we have clearly stated above, the increased costs of student transportation are based on government actions on minimum wage, new construction and safety requirements, and global increases in fuel. An arbitrary budget reduction in student transportation could not be reflected on the ground without provincial reforms. These are all cost factors that cannot be controlled by school boards and school bus companies.

We submit that government mandated actions resulting in cost increases in student transportation require constant and ongoing discussions among government, school board consortia and the OSBA to continue the long history of shared partnership in decision making. We look forward to working with government to review ways to lower costs for operators, including bulk fuel and bus capital pooling.

In summary, OSBA continues to offer constructive and forward looking suggestions to government to address the important issue of student transportation funding in the years ahead. We welcome the ongoing opportunity to elaborate on these matters in future meetings with you, Ministry staff, Legislative Committees and the public at large.

Yours truly,

A handwritten signature in cursive script that reads "Gord Taylor".

Gord Taylor
President

Copy: Hon. Dalton McGuinty, Premier of Ontario
Hon. Dwight Duncan, Minister of Finance
Hon. Bob Chiarelli, Minister of Transportation