

1. PARA TRANSPO SERVICE CONTRACT EXTENSION

COMMITTEE RECOMMENDATIONS, AS AMENDED

That the Transit Commission:

- 1. Approve a two-year extension of the current Laidlaw Transit Ltd. contracts for the provision of Para Transpo services for persons with disabilities.**
- 2. Write to the federal and provincial Ministers of Finance and Transportation to reiterate its position on the need to access a portion of fuel taxes in order to fund public transit.**
- 3. Express its support for the Canadian Urban Transit Association (CUTA)'s request for assistance in persuading the Province of Ontario to re-invest in transit capital infrastructure.**

DOCUMENTATION

1. General Manager's report dated 8 Nov 99 is immediately attached.
2. Extract of Draft Minute, Transit Services Committee, 24 Nov 99, follows the report and includes a record of all votes.
3. General Manager's memorandum dated 17 Nov 99 providing additional financial information is issued separately.
4. Canadian Urban Transit Association (CUTA) letter dated November 25, 1999, regarding Provincial Capital Funding for Transit Infrastructure appears at Annex 1.

Our File/N/Réf.
Your File/V/Réf.

DATE 8 November 1999

TO/DEST. Co-ordinator
Transit Services Committee

FROM/EXP. General Manager

SUBJECT/OBJET: **PARA TRANSPO SERVICE CONTRACT EXTENSION**

DEPARTMENTAL RECOMMENDATION

That the Transit Services Committee approve a two-year extension of the current Laidlaw Transit Ltd. contracts for the provision of Para Transpo services for persons with disabilities.

BACKGROUND

OC Transpo's existing four and a half year contracts with Laidlaw Transit Ltd. for the provision of bus and automobile services for Para Transpo will expire on 30 June 2000. These contracts, as with all other previous Para Transpo contracts, provide for a two-year extension, subject to approval by the Transit Services Committee.

A proposal for this two-year extension to 30 June 2002 has been received from Laidlaw Transit. The proposal, with minor adjustments to reduce the cost of providing Para Transpo service during the extension period, would provide Laidlaw with an increase in remuneration effective January 01 each year, based on the Consumer Price Index (CPI) for Ottawa, as published by Statistics Canada, but not less than 3.25% in year one and 3.5% in year two. The increase in CPI effective 1 January 2000 which is covered under the current contract, is currently projected to be 2.8%.

Assuming the level of service that was budgeted in 1999 (341,000 revenue hours of service) was operated during each year of the two-year extension period, and that the CPI does not increase above the minimum guarantees, the total contract cost for a two-year contract extension would be \$28.8 million. This would be an average of approximately \$470,000 per year above the current contract payments.

During the two-year extension, Laidlaw would be responsible for all costs associated with the provision of the contracted portion of the Para Transpo service. This would include any additional costs they may incur such as those associated with engine and transmission replacements, paint and body work, increased kilometers, and any increases in the price of fuel.

To evaluate the proposal, staff compared it with bids received from other interested companies in 1995; the year Laidlaw was awarded the current Para Transpo contract. The proposal was also compared with the cost, should OC Transpo take over the complete operation of the Para Transpo service.

Laidlaw's bid in 1995 was \$2.8 million per year lower than the bid received from our previous contractor, Blue Line Taxi Company Limited, and also lower than O'Brien Transport by \$2.3 million per year. Based on our analysis, staff believe that, should we re-tender for the service, the result would likely be higher costs and/or less service.

Our analysis also indicates that the cost to operate the contract in-house, using OC Transpo drivers and maintenance staff, would be considerably higher, even if we assumed no increase in the hourly rate paid to the drivers beyond what Laidlaw are currently paying.

Laidlaw's bid in 1995 was also considerably lower than what OC Transpo had been paying the previous year. This has allowed the creation of a Para Transpo operating reserve fund which has been used during the term of the four and a half year contract to provide service with no requirement for increases in Regional funding.

Assuming Para Transpo continues to operate the same level of service as in 1999 (341,000 revenue hours), the present Para Transpo operating reserve fund will be sufficient to cover all additional costs in 2000 and in 2001. The Transit Services Committee will have to make some tough decisions in 2002 with no operating reserve funds remaining to cover the additional contract costs.

Laidlaw has provided Para Transpo service since January 1996 and has fulfilled all contractual obligations.

Because there is currently no cost advantage to either re-tender or to take any portion of the contracted service in-house, it is to the Transit Services Committee's advantage to exercise its option to extend the existing contracts for another two years until 30 June 2002.

To allow sufficient time for the next successful bidder(s) to acquire the necessary vehicles and to set up the appropriate facilities, tenders for the provision of the Para Transpo service will be prepared by mid 2001 for a new contract to begin on 1 July 2002.

FINANCIAL ANALYSIS

The detailed financial information supporting the departmental recommendation will be forwarded separately.

*Approved by
G. Diamond*

Extract of Draft Minute
Transit Services Committee
24 November 1999

PARA TRANSPO SERVICE CONTRACT EXTENSION

- General Manager's report dated 8 Nov 99

The General Manager, Gordon Diamond, made reference to the recent celebration of Para Transpo's 25th Anniversary, calling it a successful event. Mr. Diamond thanked the Commission Chair, Al Loney, and Mr. Jeff Alguire, Chair, Accessible Transit Advisory Committee, for their attendance and Oxana Sawka for organizing the celebration.

Mr. Pat Larkin, Manager of Para Transpo service, presented the report. He indicated that the contract with Laidlaw Transit Services Ltd., which ends June 30th, 2000, contains an option for a two year extension. A proposal has been received from Laidlaw for an increase in the cost of the contract of 3.25% in the first year and 3.5% in the second year as a minimum. Laidlaw will be fully responsible for all additional costs including engine and transmission replacement, paint and body work on all Para Transpo vehicles and any increase in kilometers and in the price of fuel. Mr. Larkin expressed the belief it would be in the Commission's best interest to approve the contract extension.

Replying to a question from Commissioner J. Legendre, P. Larkin said the current contract calls for a Cost of Living (COL) increase effective January 1 of each year, based on the CPI increase in the Ottawa area or on whatever can be negotiated between the two parties. He added that the COL projection for January 1, 2000 is 2.8%. Laidlaw has requested 3.25% in first year and 3.5 in second year as a minimum in order to accommodate the additional costs enumerated earlier. Mr. Larkin agreed with Commissioner Legendre that the proposal before Committee goes beyond the COL increase.

Commissioner Legendre wanted to know what percentage of the operational costs are labour costs. Mr. Jim English, Director, Finance and Administration, replied that labour represent 55 to 60% of the total costs. Commissioner Legendre asked what are the factors that make it unfavourable to bring the operation in-house. Mr. English said a large component of the increase for in-house service would be capital costs, and having to build into those costs depreciation allowances to replace facilities. The Commission Chair, A. Loney, added that switching over to an in-house operation at this stage would generate substantial capital costs at the outset, whereas the proposal for a contract extension represents only a two year time-frame. Chair Loney pointed out the wage rate is one consideration and benefits is another. He drew the Committee's attention to the data supplied on the comparison sheets for a more comprehensive analysis.

Extract of Draft Minute
Transit Services Committee
24 November 1999

Commissioner L. Davis asked whether increases to drivers' salaries was factored into the contract extension increases. Mr. Larkin replied staff have no knowledge of whether or not Laidlaw intends to pass some of the increase on to its employees. Commissioner Davis wanted to know whether, as the contracting authority overseeing the contract, the Commission did not have an obligation to determine this. Chair Loney reminded the Committee that Laidlaw has just signed a new collective agreement with its employees, and this has implications for increased labour costs to the company. Commissioner Davis recalled that, at the time the contract was first allotted, one of the principles had been that there would be no loss of income to anyone transferring from the previous operator, Blue Line. She requested someone comment on allegations that Laidlaw is making use of part-time workers and on the fact that an experienced driver saw his salary reduced by \$5,000 when Laidlaw took over the contract.

Mr. Ted Moorhead, General Manager, Para Transpo Division, Laidlaw Transit Limited was present to answer questions of Committee. He indicated that the company's wage package for drivers is higher than it was with Blue Line. In addition, workers will receive an increase, effective January 1, 2000 on a contract which runs until December 31st, 2000. With regard to the use of part-time workers, Mr. Moorhead said all full-time employees receive between 76 and 84 hours in a two-week period. The company employs approximately 40 part-time workers. Replying to further questions from Commissioner Davis about people transferring from Blue Line to Laidlaw, and the loss of vacation allotments, Mr. Moorhead clarified there had been no transfer of employees, rather new employees were hired. The Commissioner recalled being assured no one would lose any of their financial entitlements with the transfer to Laidlaw. Mr. Larkin clarified the company representatives had said the wage rate would be continued but he could not comment on the other issues raised by the Commissioner.

Commissioner W. Byrne expressed concern about maintaining service levels virtually frozen since 1993, except for two small, incremental changes in the last few years. She was also concerned about the un-accommodated trip requests having risen from 5,000 in 1993 to 40,000 in 1998 and by the fact that none of the initiatives undertaken by OC Transpo have had a significant impact on those numbers. Mr. Larkin responded by saying staff are projecting 35,000 single trip refusals this year compared to 40,000 in the last two years. He noted that, while a number of demand management strategies have been implemented, there are not the resources currently available on a daily basis to provide all the service requested.

Extract of Draft Minute
Transit Services Committee
24 November 1999

Responding to Commissioner Byrne's query about difficulties with the Trapeze system, Mr. Larkin indicated there have been improvements and the productivity level in October was higher than at implementation. He pointed out that cancellations are down to 11%, partly because of the new cancellation policy and also because of lower seniors' fares and people moving to conventional transit.

Commissioner Byrne asked about low floor buses, inquiring whether the arrival of winter, coupled with the Region's snow clearing policy, will affect the vehicle's accessibility. Mr. Larkin said there will be up to 160 low floor buses by the end of the year however this number will not be significant enough to make a dent in Para Transpo demand. The hope is that, by the summer months, there will be a sufficient number of vehicles to attract Para Transpo customers. Commissioner Byrne cited demographics related to the rapidly aging population, and she asked how the Commission will meet the increased demand for service from this clientele. Mr. Larkin reiterated that staff are looking at demand management strategies and he opined that the review of Para Transpo eligibility criteria will have a significant impact. Replying to further questions from Commissioner Byrne, Mr. Larkin said the eligibility criteria review is province-wide and is expected to be completed over the next three months. He said it is not expected the review will have a significant impact in the year 2000 and the KPMG report calls for a three year period before there can be full implementation. As to whether current users will be re-tested or "grandfathered", he said it is likely that a large percentage will be re-tested.

Commissioner D. Holmes asked what percentage decrease of trip refusals did OC Transpo want to achieve. Mr. Larkin replied that a 5% refusal rate across Ontario is the norm: in Ottawa-Carleton the rate is somewhere between 4 and 5% and it is difficult to judge whether it can be reduced to 3%. If those who can access conventional transit were removed from Para Transpo, a much better quality of service could be provided. Replying to a question from Chair Loney, Mr. Larkin said virtually zero percent of requests from persons in wheelchairs and scooters are currently being refused; for ambulatory customers, the vast majority of medical trips are being accommodated, and on many days, 100% of requests are met.

Mr. Jeff Alguire, Chair, Accessible Transit Advisory Committee, began by saying there is a need to maintain and increase service, given the demographics previously cited. He expressed his support for the eligibility criteria review, pledging that ATAC will work in partnership and do its part to best use the resources provided. Mr. Alguire pointed out that the funds to cover the Laidlaw contract extension will come from existing reserves, and he posited this cannot be sustained over a longer period of time.

At some point in time, the Commission will need to take a serious look at how it will deal with the aging population, with inflation and with other issues. He reiterated a comment he made at

Extract of Draft Minute
Transit Services Committee
24 November 1999

the 25th Anniversary celebration, namely, that a person with a legitimate disability who requires specialized transit should have the same probability of getting that trip as someone without a disability on conventional transit. Mr. Alguire said ATAC will be coming forward with eligibility proposals. He asked that, as an absolute minimum, the Commission maintain the levels of service. In addition, there needs to be a serious look at increasing the service.

Mr. Alex Cullen, Executive Director, the Council on Aging, addressed the Committee. He pointed out that, in 1993, there were 330,000 hours of service provided whereas in 1999 there are 340,000: the 1993 budget was \$15 million, whereas in 1999 it is \$15.86 million. He said he was pleased to hear there are demand management strategies to counter the large number of un-accommodated trip requests. Mr. Cullen said he has met with P. Larkin and Dr. Helen Gault, and they have recognized there is a large amount of pent-up demand not being met. The Council on Aging's Fact Book on Aging contains data showing there are 80,000 seniors in Ottawa-Carleton (1996 Census figures), an increase of 10,000 over the 1991 Census. Other relevant data was highlighted:

- the number of disabled persons has increased;
- the percentage of the population over 75 years of age is 42%;
- there will be 42,000 persons over 75 in the year 2001.

Mr. Cullen said the Council on Aging supports the eligibility review, but hard decisions will have to be made to compensate for the increases in the number of disabled and aged persons Ottawa-Carleton is going to see. By the year 2031, 1 person out of 5 in Ottawa-Carleton will be over 65. Mr. Cullen opined that the eligibility review will not absorb the increase in seniors and disabled persons. He asked that, when considering the year 2000 budget, the Commission begin addressing the six year gap/ He said that, while there are many competing priorities for the public purse, the requirements of the fastest growing population in the community must be considered.

Committee Discussion

Commissioner H. Kreling spoke in support of extending the contract at this point in time, in light of the massive changes underway in the transit system, and dealing with service levels during the budget deliberations. He spoke about the challenges awaiting Para Transpo in the future, saying the Commission needs to look at whatever options are available to deliver the service. He suggested that, rather than looking at the issue solely from a financial standpoint, every other major consideration be examined in order to present the Commission with a menu of options for providing the service. Commissioner Kreling posited this kind of analysis will be needed well in advance of the contract expiry date. The staff report makes reference to formulating a new

Extract of Draft Minute
Transit Services Committee
24 November 1999

contract by mid-2001; at that time, the Commission should have a menu of options as opposed to negotiating a new contract. Chair Loney directed that staff proceed with the analysis starting in January 2001 to ensure there is sufficient time to examine the issue

Moved by H. Kreling

That an in-depth analysis of financial, physical and personnel resources be prepared for consideration by the Transit Services Committee in advance of the June 30, 2002 expiry of the Para Transpo services contract so that the Committee may fully consider the various options available to provide Para Transpo services.

CARRIED

Commissioner Holmes expressed her disappointment at hearing that reserves are being depleted just to maintain the status quo and that there is no capability of adding service when so many people are being refused. She expressed the hope the Commission will move faster on the eligibility criteria review, something that will have to go hand in glove with increasing funding. Commissioner Holmes called it a scandal that there is no federal or provincial funding for transit. She asserted it is time for public discussion on this lack of funding, as well as on the eligibility criteria. She asked who better than those being denied service being enlisted as allies in the lobbying effort.

Moved by D. Holmes

That OC Transpo (Para Transpo) bring back a report on options to deal with the increase in demand and the continued 35,000 trip refusals and that this report be considered as part of the 2000 budget process.

CARRIED

Commissioner Davis posited that the Commission hasn't touched the tip of the iceberg in terms of unanswered demand. She said the criteria whereby Para Transpo customers have to be able to make it to the curb to access service must be examined to ensure persons needing medical attention can get it. Commissioner Davis said she wanted to know whether savings would accrue by having someone else provide the service. She expressed her surprise at the fact there wasn't more lead-up to the discussion, noting the options remaining at this stage are either to go to the market to see if anyone wants to compete or extend the existing contract. She alluded to Councillor Kreling's Motion, requesting that the analysis include an analysis of the skill sets

Extract of Draft Minute
Transit Services Committee
24 November 1999

required by regular transit drivers to accommodate the cross-over of Para Transpo customers to conventional transit vehicles. Commissioner Davis felt the analysis should focus on a seamless system and should include Light Rail transit. She made reference to the fact some Para Transpo drivers have had reductions of \$5,000 in their earnings, and have lost benefits that were provided by the former service operator, i.e., additional hours, a paid one-half hour lunch, different benefit levels. She asked that this also be part of the analysis.

Commissioner Byrne said she wanted to see the matter of 35,000 trip refusals addressed. She pointed out that, while there are initiatives in place, these are not having the desired effect. Some of the factors that impact include accessibility problems with low floor buses in winter and the fact that the eligibility review may not be completed before the year 2001. Commissioner Byrne said it is not known what percentage of the decrease from 40,000 to 35,000 represents persons who are discouraged and are now shut-in because they can't access public transit. Councillor Byrne indicated this restriction is not placed on able-bodied persons and making public transit available to everyone should be a priority.

Commissioner Legendre asked that the analysis contain a real comparison of the benefits paid to drivers in the Blue Line contract, prior to the factor which kicked-in at the end of that contract, making that company unable to compete. With regard to the eligibility review, Commissioner Legendre pointed out it should not only focus on mobility impairment, but also on persons suffering from blindness, or with Down's Syndrome, or with other impairments. He said he expected the decisions around this topic to be difficult to make, and staff should not try to artificially simplify matters to help the Commissioners. He asked that criteria be suggested to address all mobility issues.

Chair Loney pointed out that, presently in Canada, only the city of Edmonton is relatively close to the level of service Ottawa-Carleton provides. On a per capita basis, the city of Toronto provides half the service delivered here. Staff have provided a report which identifies the source of funding, but they have not said this item couldn't be part of the regular budget and the reserves be used to add service when required. Chair Loney said Commissioners will need to be mindful of these facts during the upcoming budget deliberations. The proposal before Committee is an effort at stability over the next two years to help the Commission deal with changes being forced upon it by the Province. In addition, some time would be required to make a fundamental change to a new provider. As well, by the time the review starts, the new municipal structure will be in place, and the foundation must be in place for the service to continue.

Extract of Draft Minute
Transit Services Committee
24 November 1999

Chair Loney said he was anxious to get on with the review of the eligibility criteria. He expressed the view there is considerable room for tightening up the rules without denying anyone who really needs the service. He posited some will be surprised to see the amount of service used by some compared to others, the usage patterns and data on medically necessary trips as opposed to other kinds of trips. Chair Loney pointed out that trips for recreational activities are also a necessity. The Commission must focus on containing the costs and on ensuring it is getting full usage of the service. Chair Loney said Commissioners must also be aware that the subsidy is likely closer to \$22 dollars of taxpayer money for every trip taken on Para Transpo. If that kind of money is being spent, there must be assurances it is for those who really need the service and not for someone who could use other transportation methods.

The Committee then considered the staff recommendation:

That the Transit Services Committee recommend the Commission approve a two-year extension of the current Laidlaw Transit Ltd. contracts for the provision of Para Transpo services for persons with disabilities.

CARRIED

Chair Loney made reference to correspondence from the Canadian Urban Transit Association (CUTA) tabled with the Committee. He proposed, and the Committee agreed, that this be incorporated as the second part of Commissioner Byrne's Motion:

Moved by W. Byrne

- 1. That the Commission write to the federal and provincial Ministers of Finance and Transportation to reiterate its position on the need to access a portion of fuel taxes in order to fund public transit.**

Extract of Draft Minute
Transit Services Committee
24 November 1999

2. **That the Commission express its support for the Canadian Urban Transit Association (CUTA)'s request for assistance in persuading the Province of Ontario to re-invest in transit capital infrastructure.**

CARRIED

Commissioner Davis suggested that Commissioners take a more active role than the one described in Commissioner Byrne's Motion and set up appointments with senior ministers to lobby on behalf of public transit. Chair Loney thought this might be an unnecessary complication, as appointments have already been made to see the Finance Committee. The General Manager, G. Diamond, mentioned that CUTA was becoming a more aggressive advocate for public transit and he suggested the Commission choreograph its activities with the association for maximum effect.

Commissioner Davis made note of the fact that CUTA has only started coming to Ottawa to lobby, notwithstanding the fact the association has been in existence for over 20 years. She said her Motion is meant to further enhance CUTA's role by raising the issue in a complementary fashion. Chair Loney mentioned that, as part of the Federation of Canadian Municipalities' initiative on infrastructure, he has been party to meetings with Members of Parliament. He said he could agree with the Motion, as long as it doesn't slow down the process.

Moved by L. Davis

That a delegation of Transit Services Committee be established to meet with the federal and provincial Ministers responsible for transit issues.

CARRIED



Canadian Urban Transit Association
Association canadienne du transport urbain

November 25, 1999

address

Dear (Mayor's name):

Re: Provincial Capital Funding for Transit Infrastructure

HEAD OFFICE/SIÈGE SOCIAL BUREAU DU QUÉBEC
Suite 901, 55 York Street 4612, rue Sainte-Catherine Ouest
Toronto, Ontario, CANADA Montréal (Québec) CANADA
M5J 1R7 H3Z 1S3

(416) 365-9800 Telephone/Téléphone (514) 989-1002
(416) 365-1295 FAX/Télexcopieur (514) 989-9318

E-mail/Électronique: transit@cutaact.on.ca
Web: www.cutaact.on.ca

The Canadian Urban Transit Association's "Ontario Regional Committee" encourages you to help persuade the Province to re-invest in transit capital infrastructure. We invite you to place this item on your next Council Agenda and to forward a copy of this letter (or one of your own) to your MPP(s) and to Premier Mike Harris.

We believe that investment in transit must be a partnership of the provincial and municipal governments. Municipalities cannot do it with the property tax base, alone. Either a portion of the fuel tax (as in Alberta and British Columbia), or use of the Super Build Fund, could be looked upon as an immediate solution.

Timing is critical. A recently released CUTA survey shows that \$4.1 billion in capital infrastructure will be required in Ontario in the next five years, in order for transit service to remain sustainable. Many municipalities have not had sufficient capital funding mechanisms to accommodate the rapid change in funding. Instead, they have had to defer bus replacements and are running old vehicles (often 20 years+). The monetary pressures virtually eliminate the ability to upgrade to fully accessible, environmentally friendly vehicles - vehicles which will attract new riders and support the local economy.

Transit use saves on road building, maintenance, land cost, policing, accidents, congestion and environmental impact. It frees up road use for the transport of goods. Commuters, students, seniors, people with disabilities, the unemployed, under-employed, and tourists look to reliable transit for their mobility. Yet, it is more often than not, at the bottom of the political agenda.

Ironically, a recent *Environics* poll indicates that the greatest transportation problem is "not enough public transit". It was the response given two-and-a-half times more often than "improving roads" and five times more often than "building new roads". The single highest response to solving the transportation problem was to "improve public transit". *Environics* polls over the past five years show a strong and steady increase in public support of transit. (In fact, transit is the second most popular means of transportation in the country.)

It is time that we reminded the Province that we all require transit for a healthy economy and environment, and that we cannot yet do it through the municipal tax base alone.

Sincerely,

David W. Smith
Chair, CUTA Ontario Regional Committee

Michael Roschlau
President & CEO, CUTA

cc:

The Hon. Mike Harris, Premier of Ontario
The Hon. David Turnbull, Min. of Transportation
The Hon. Tony Clement, Min. of the Environment
& Interim Minister of Municipal Affairs & Housing
The Hon. Helen Johns, Min. of Citizenship & Culture
The Hon. Elizabeth Witmer, Min. of Health
The Hon. John Baird, Min. of Comm/Social Services
The Hon. Al Palladini, Min. of Economic Dev. & Trade
The Hon. Cam Jackson, Min. of Tourism
The Hon. Ernie Eves, Min. of Finance/Deputy Minister

The Hon. Michael Gravelle, MPP, Liberal Transport Critic
Pat Moyle, Exec. Dir., Assoc. of Municipalities of Ont.
Jim Knight, Exec. Dir. Fed. of Canadian Municipalities
Béatrice Schmied, Exec. Dir. Ont. Comm. Transp. Assoc.
Shella Richardson, Exec. Dir. Ont. Good Roads Assoc.
David Bradley, Exec. Dir. Ont. Trucking Assoc.
Heather Bell, Exec. Dir. Municipal Finance Officers Assoc.
Ken Ogilvie, Executive Director, Pollution Probe
Alan Tonks, Chair, Greater Toronto Services Board
Mayors of Ontario