



Steering Clear: Avoiding the RFP Trap

Why Ontarians should be concerned about the government's lowest-bid approach to purchasing school bus services and what steps can be taken to raise industry and workplace standards



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Issue

Ontario's school bus workers face insecurity on the job: substandard wages as well as unstable, insufficient work hours are a reality for most. To make matters worse, the school bus industry is being hurt by new cost-cutting policies of the provincial government, including a poorly-designed Request for Proposal (RFP) process that guides the procurement of school bus service contracts every few years. This competitive RFP process, managed by school board consortia, has resulted in abandoned bus routes and yard closures. For workers this means further downward pressure on wages, working conditions and a perpetual threat of job loss. These workers perform a valuable community service, moving our children safely to and from school. They play a key role in our province's education system. They deserve fair compensation, and a greater deal of respect on-the-job.

Recommendations

Ontario's Ministry of Education should launch an independent review of the current school transportation RFP process, including a clear mandate to fully review the negative and adverse economic effects on workers in the industry. The Ministry should conduct an independent audit of the one-time \$10 million 'Wage Enhancement' earmarked for school bus drivers in 2008, to assess if (and how) those monies were used for their intended purpose. Lastly, until the current RFP process is amended or dismantled, the provincial government should establish an Ontario Student Transportation Employment Advisory Office that monitors work standards in the industry and helps guard against further downward pressure on wages and working conditions.

Main Messages:

- School bus drivers perform a valuable community service, as caretakers of our children
- New cost-cutting measures instituted by the provincial government are costing jobs, and putting downward pressure on what are already below average wages
- This climate of instability will force good drivers out of the business
- There are ways to improve this vital service for the benefit of communities, parents and children

1. School Bus Industry: At a Glance

School bus transportation is one of the most valuable community services provided to families, from small rural towns to large urban centres. Each school day, more than 32,000 drivers transport millions of school aged children to and from class, ensuring they arrive safely and on-time¹. More than 800,000 students are transported in Ontario alone, across 18,000 designated routes that span 1.8 million kilometers.²

Beyond the carriage of children – our most precious cargo – the school bus industry also plays a key part in Canada’s passenger transit economy. In fact, school buses make up half of all registered passenger transit vehicles on Canadian roads, including motor coaches, urban transit buses and others.³ Whether through school transport services (most often publicly funded through provincial grants and other transfers) or a growing segment of private ‘charter’ services, the school bus industry generates \$1.7 billion in annual revenue.⁴ On average, \$125 million is spent each year on capital upgrades and new vehicles.⁵

Nearly 37,000 people are employed in the school bus industry. This represents 33 per cent (or one-third) of all bus transit workers in Canada, including drivers, mechanics and others.⁶ However, overall compensation for school bus drivers is very low. Despite school bus drivers making up one-third of all transit operators in Canada, their total wages represent only one-eighth of the compensation earned by drivers, and is the lowest among the transit industries (see chart on next page).

The Ontario Context

In Ontario, nearly all (approximately 99 per cent) of community school bus services are delivered by private operators, although the services are publicly funded through the province’s annual Transportation Grant. The 2014-15 grant is pegged at \$883.5 million (or about 4 per cent of provincial education funding)⁷.

For years, school bus funding has been channelled to operators through school boards. These boards were charged with procuring and managing bus service contracts. Over the past decade, the Ontario government has changed direction on how this funding is disbursed. Today, it is the responsibility of regional transportation *Consortia* to procure student bus services for a range of school boards in a given region (see What is a Transportation Consortium on page 5). These Consortia are required to issue competitive bids for future school bus service contracts. There is good reason for concern that this change will create instability across the industry, including among workers.

¹ See Statistics Canada CANSIM table 408-0007. Note that “employee bus transportation” is included in this definition, under NAICS code 485410.

² Report of the Student Transportation Competitive Procurement Task Force to the Ontario Minister of Education, 2012

³ See CANSIM table 408-0010.

⁴ This figure is based on 2012 revenue numbers. See CANSIM table 408-0012.

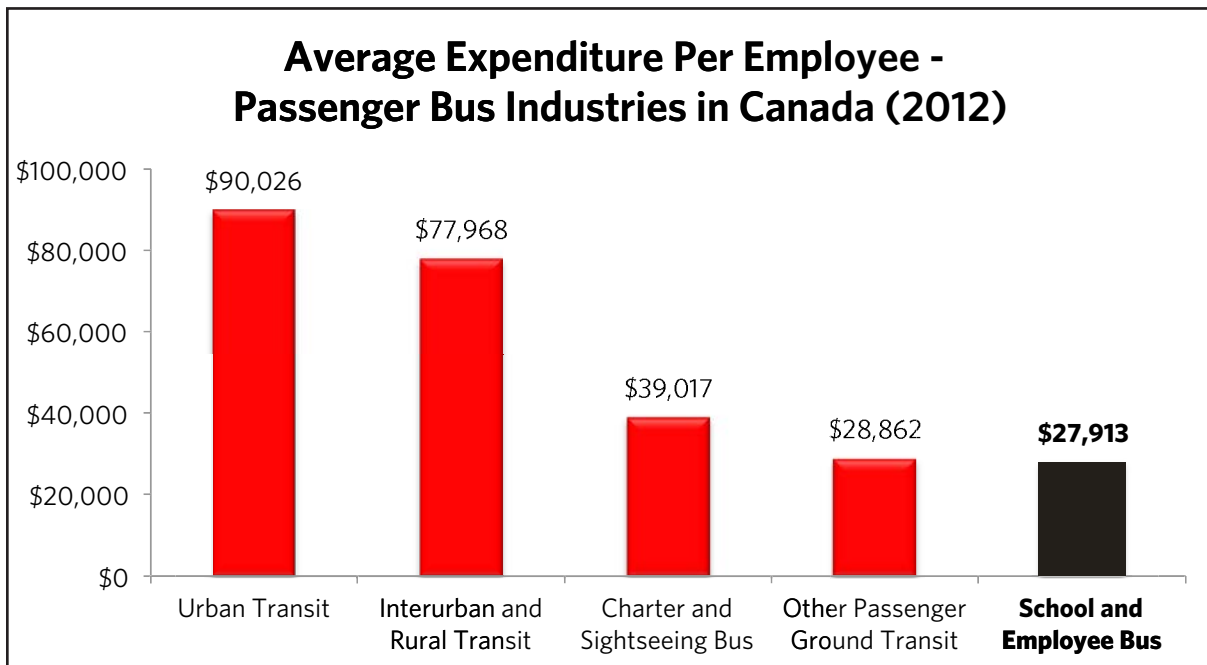
⁵ See CANSIM table 408-0006. Note that annual average of capital expenditures is based on 2005-2012 figures.

⁶ See CANSIM table 408-0007.

⁷ Ministry of Education Grants for Student Needs Funding and Regulations Memorandum, March 27, 2014.

In total, there are about 150 private school bus operators in the province.⁸ The largest of these operators, including First Student and Stock Transportation, cover the lion's share of Ontario's bus routes – approximately 80 per cent.

Working alongside these large operators are a variety of locally-based and independent bus companies covering about 20 per cent of the province's school bus routes. Many of these independent operators are rooted in communities and are an important part of this dynamic industry. The number of operators in Ontario has declined dramatically (with the loss of about 100 small businesses) over the past 5 years.⁹



Source: Statistics Canada, CANSIM table 408-0007

Note: Total expenditures include compensation as well as contracting expenses

⁸ See Independent School Bus Operators Association website: www.isboa.ca

⁹ Independent School Bus Operators Association website: www.isboa.ca

2. Unifor in the School Bus Industry

Unifor is one of the lead unions for school bus workers in Canada, with more than 1,700 members. The bulk of Unifor members (about 1,600) are drivers and maintenance technicians for First Student and Stock Transportation in communities across Ontario. Unifor also represents school bus workers in Quebec and British Columbia.

Here is a list of Unifor-represented school bus bargaining units across Canada.

Company	Location	Province	Local Union	Members
First Student	Ottawa	ON	4266	140
First Student	Sarnia	ON	4308	48
First Student	Cornwall	ON	4266	75
First Student	Kingston	ON	4266	65
First Student	Windsor	ON	195	84
First Student	Bowmanville	ON	4268	150
First Student	Owen Sound	ON	4268	115
First Student	Thornhill	ON	4268	185
First Student	Chatham	ON	127	80
First Student	Kincardine	ON	4268	65
Stock Transportation	Toronto	ON	4268	330
Stock Transportation	North Toronto	ON	4268	275
Autobus Longueuil	Longueuil	QC	510	60
Bourgeois Tours	Drummondville	QC	761	11
Autobus La Quebécoise	Quebec City	QC	1044	32
Watson & Ash Transport	Courtenay\Comox	BC	114	55
			TOTAL:	1,770

3. Growth and Consolidation

Ontario's school bus industry was built to service the province's growing population of school-aged children over the course of the 20th century. Student transit offered reprieve to time-strapped or immobile parents and ensured the province's education system was fully accessible, both for families living in burgeoning urban centres as well as rural and remote communities.

Since the first laws governing Ontario's public education system were passed in the 1800s, schools were grouped across defined geographical lines, referred to as 'districts'.¹⁰ Transportation services for students were historically a responsibility of school board staff as well as elected trustees within the established districts.

Some boards, including the Toronto District School Board (TDSB), maintained its own in-house fleet of school buses – a decision that made economic sense given the size and geographical makeup of the board. Drivers, in this case, were hired by the boards themselves. Many of them enjoyed the benefits of a union contract. At the same time, other (oftentimes smaller) boards would contract school bus services to locally-based operators. This mixture of small, independent local operators and in-house transit services created a highly localized and diverse school transportation system across the province.

It was in 1979 when Canadian transport company Laidlaw entered the school transit business. After a series of acquisitions Laidlaw became the largest school bus operator in the country in 1994.¹¹ Laidlaw's operations later branched into the U.S. and over the course of the 1990s the company acquired hundreds of smaller school bus and public transit businesses across North America. Tough financial times for Laidlaw in the late 90s and early 2000s translated into wage freezes and roll backs for workers. Following a major corporate reorganization (through bankruptcy protection) unionized workers were able to make incremental gains at the bargaining table, starting in 2004.

Consolidation of school bus operators continued over the following decade on a global scale. In 2002, Stock Transportation was purchased by U.K.-based National Express Corporation (later becoming National Express Group). In 2007, Laidlaw assets were acquired by First Student (owned by First Group), creating the single largest school bus operator in both the U.S. and Canada. These large corporations maintain school bus and other transport operations in Europe and North America, generating billions in revenue each year. In fact, 2013 school bus sector profits for First Group topped \$170 million.¹² North American profits for National Express Group neared \$115 million in 2012.

Despite the steady growth of these big global entities, there still remained 965 school bus operators in Canada in 2007,¹³ jobs were relatively stable and school transit contracts were negotiated in an "open-book manner" between operators and boards.¹⁴

¹⁰ See Elementary Teachers Federation of Ontario publication "It's Elementary: A Brief History of Ontario's Public Elementary Teachers and Their Federations – Part 2: 1800s-1944" for an excellent review of early laws governing the province's public education system.

¹¹ Monteiro, Joseph and Atkinson, Benjamin (2012) "School Bus Transportation in Canada," submitted to the 47th Canadian Transportation Research Forum Conference, Calgary (page 5).

¹² First Group PLC 2014 Annual Report and Accounts

¹³ Ibid; 5

¹⁴ See Independent School Bus Operators Association website: <http://home.isboa.ca/AboutISBOA.html>

4. A Climate of Uncertainty

It was the so-called “Student Focused Funding” model introduced by Ontario’s Mike Harris government in 1998 that set the table for significant, and unwarranted, changes to the province’s school transportation industry.

The spirit of the new funding model was to direct more public education dollars toward in-class student resources, at the expense of (what were deemed) ancillary services. In 2000, a Provincial Auditor’s report called on the Ministry of Education to establish a new student transportation funding model that eyed cost-savings and greater accountability.¹⁵ Among the series of recommendations listed in the report, the Provincial Auditor urged the Ministry to tie school transport funding to the establishment of regional transportation consortia – effectively stripping the individual Board’s ability to manage routes and other school bus services.

This recommendation was enshrined in the Student Transportation Reforms introduced by the McGuinty government in 2006, along with a new guideline directing consortia on how to procure (i.e. purchase) student transport services through competitive bidding. A special Contracting Practices Advisory Committee was struck and developed a Request for Proposal (RFP) framework that would guide the competitive bidding process. No workers or trade union representatives were invited to participate in these discussions.

Test runs of the new RFP process were held at select boards starting in 2009, and have been rolling out across the province since. Consortia were under strict guidelines to keep costs low. In some cases, winning bids were 20 per cent below the average annual cost required to safely operate a school bus.¹⁶

From 2008-2013 most small school bus operators lost long-held routes to larger firms¹⁷. This has forced many small firms out of business, prompting independent operators to mount provincial court challenges to the RFP process.

What is a Transportation Consortium?

A transportation consortium is an entity comprised of multiple school boards, typically those operating in overlapping (or nearby) cities, towns and regions. A consortium may be incorporated as its own legal entity, or it may be the product of a cooperative agreement between boards. Ultimately, transportation consortia are responsible for the management, operation and oversight of student transportation among its various affiliate boards. There are currently 34 transportation consortia operating across the province.

¹⁵ Annual Report of the Provincial Auditor of Ontario, 2002 (section 4.05) The report pointed to an annual average 3% rise in student transport funding between the 1999/2000 and 2002/2003 school years as justification for the reform proposals.

¹⁶ Superior Court of Justice – Ontario decision (Justice Nolan), April 2:
http://www.isboa.ca/Resources/Documents/Nolan%20Decision%20Incoming%20Fax_001.pdf (paragraph 16)

¹⁷ ISBOA reports that small operators (with less than 100 drivers) have only won 21% of previously held routes under the RFP process since 2008, whereas larger firms have won 68% of the routes. See:
<http://home.isboa.ca/RFPPIlotOutcomesOntarioSchoolBuses.html>

At the same time, many of the largest operators in Ontario have opted to close local divisions - resulting in hundreds of job losses - claiming routes were no longer profitable.¹⁸

Concerns raised after the first pilot session, prompted the government to issue a temporary moratorium on RFPs. In 2011, the Ministry of Education also established a Competitive Procurement Task Force, to review its competitive procurement practices.

The Task Force solicited opinions from various stakeholders (although, again, worker and trade union representatives were not invited to participate), including the Ontario School Bus Association and Independent School Bus Operators Association.¹⁹ These groups communicated a range of concerns with the RFP process, including that there is “no real evidence of cost savings – only incomplete estimates”, no consistent standard for school bus procurement, a lack of transparency, and other matters.

In his final report to the Ministry, Task Force Chair Coulter Osborne suggested the Ministry retain an “independent third party expert” to conduct a “comprehensive” review of issues related to the RFP and its impact on the school bus industry. To date, that independent review has not taken place.

Ontario Student Transportation Reforms: A Brief Timeline

1998 – Mike Harris government introduces ‘Student Focused Funding’ model. Ministry of Education works to develop new approach to student transportation funding. Transportation Review Committee is charged with developing a new transportation funding model.

2006 – Ontario introduces Student Transportation Reforms, including a requirement that consortia be established to streamline these services. A cost benchmarking study for school buses is undertaken.

2007 – Ministry releases Student Transportation Cost Benchmark Study, which pegs average annual cost to run a typical school bus at \$41,500. Average hourly wages for drivers pegged at \$11.40/hour.

2007 – Province strikes Contracting Practices Advisory Committee, establishing a template and guidelines for new RFP process.

2008 – Ministry acknowledges low wages for school bus drivers and announces one-time \$10 million Wage Enhancement. It remains unclear how this special funding was distributed.

2009 – Pilot RFPs are completed at select locations. Operators publicly express concerns.

2011 – Province issues temporary moratorium on RFPs. Launches Competitive Procurement Task Force.

2012 – Task Force suggests an independent review of RFP process.

2013 – Full transition to RFP system required in time for 2013/2014 school year. Ontario Superior Court orders Southwestern Ontario Student Transportation Service (consortium) to withdraw RFP, following an injunction request filed by independent school bus operators F.L. Ravin and the Badder Group.

¹⁸ For example, First Student announced in March, 2014 the closure of its Lindsay site, resulting in 100 layoffs.

See: <http://www.mykawartha.com/news-story/4397836-first-student-closing-lindsay-division/>

¹⁹ Report of the Student Transportation Competitive Procurement Task Force to the Ontario Minister of Education, 2012

5. Devaluing Work, Lowering Standards

“Our wages are low. If money makes you tick, you won’t make it as a school bus driver. You really have to care about the kids, their families and your community.”

Lilly Ellerbrock, school bus driver, Simcoe County
as quoted in the Barrie Examiner (October 22, 2012)

If transporting children safely to and from school is viewed as a valuable community service, that value has not translated into significant material gains for most school bus workers.

The responsibilities of school bus drivers have greatly expanded in recent years. Historically, school bus driving was a job primarily filled by women – many with young pre-school aged children. Bus

School routes are far more complex. Drivers are expected to service multiple schools within a given board, extending the time it takes to complete routes and limiting the time spent dealing with concerns of children or parents as they arise.

driving offered flexibility (bringing kids to work and saving on daycare costs) and a decent, albeit modest, wage. Home-to-school routes were straight-forward. School kids would hop on the same bus each day, with the same driver, fostering a sense of familiarity between driver, parent and child.

Today, the demographics of drivers are different. More are working past-retirement, and there is more gender diversity (the gender breakdown for most Unifor workplaces is 50/50).

School routes are far more complex. Drivers are expected to service multiple schools within a given board, extending the time it takes to complete routes and limiting the time spent dealing with concerns of children or parents as they arise. In various parts of the province (most notably Toronto) population growth and urbanization has resulted in extensive traffic congestion, further extending route times. The expanded roles and responsibilities and the extended work days were rarely reflected in increases to driver pay. Many drivers are paid a flat daily rate for work, regardless of how long it takes to complete.

Deloitte, a consultancy, reported in 2007 that Ontario’s school bus drivers earned an average hourly rate of just less than \$11.70.²⁰ Unfortunately, Statistics Canada does not publish reliable wage information for school bus drivers in the province of Ontario, making it hard to track the growth (or

²⁰ Student Transportation – Cost Benchmark Study (2007), produced by Deloitte for the Ontario Ministry of Education (12)

decline) of wages since. Estimates based on published collective bargaining agreements peg wages at between \$11-15 per hour, with higher rates paid to mechanics and other trades workers.

Low wages are compounded by the fact drivers are often scheduled to work for few hours each day. On average, bus drivers work less than 4.5 hours on any given school day – and will be paid for approximately 195 days each school year²¹. Time away from work in the summer is rarely (if ever) compensated. Certain work-related tasks (e.g. safety checking, fuelling, cleaning, etc.) are also rarely compensated. And the scant work hours limits drivers’ ability to access Employment Insurance benefits during periods of layoff, when they are needed most.

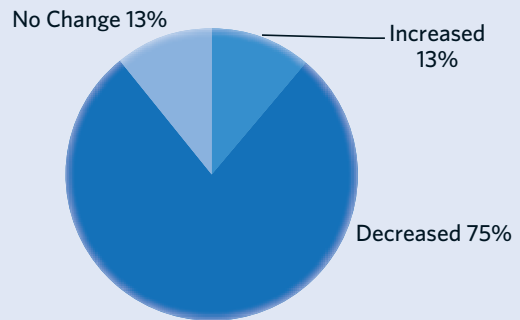
The school bus sector is partially unionized. Collective bargaining efforts have gone a long way to improve wages (e.g. through negotiated increases and premium pay) and work standards (e.g. guaranteed hours of work). But constant cost pressures between operators and boards, high turnover, fragmented bargaining units and other matters, have failed to lift standards over time (See: What the Workers Say).

In 2008, and at the onset of its School Transportation Reforms, the Ministry of Education set aside \$10 million in special

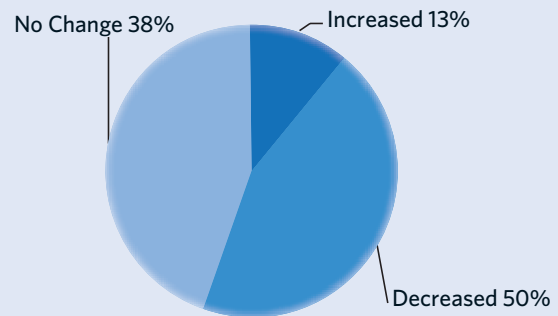
What the Workers Say

Unifor surveyed elected chairpersons from its 12 Ontario-represented workplaces, soliciting their opinions on how work standards have changed over the past five years. Here is what they had to say:

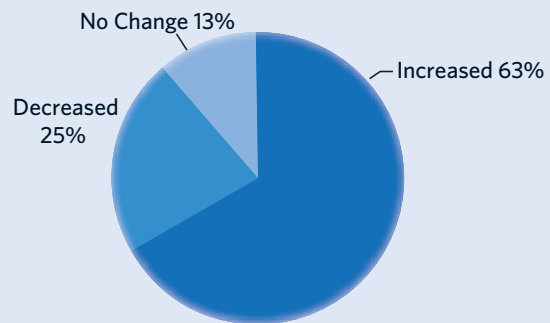
Has the quality of work increased, decreased or not changed significantly in the past 5 years?



Has the number of paid work hours increased, decreased or not changed significantly in the past 5 years?



Has the pace of work increased, decreased or not changed significantly in the past 5 years?



²¹ Student Transportation – Cost Benchmark Study (2007), produced by Deloitte for the Ontario Ministry of Education (12)

funding earmarked as a 'Wage Enhancement' for bus drivers.²² A portion of that money was allocated to each school board for the 2008-2009 year, ranging from \$5,000 to nearly \$300,000.²³ Incredibly, it is still not clear how (and if) the \$10 million Wage Enhancement was disbursed by the various school boards and operators to drivers.

The RFP Process and Collective Bargaining

Collective bargaining remains an important mechanism for workers to win improved wages and better working conditions on the job. It is also a vehicle that empowers workers to have a say in how their workplace is run; a true expression of democracy at work.

The constant renegotiation of service contracts between operators and consortia threatens to destabilize collective bargaining, as well as undermine existing agreements. Under a low-cost RFP system, more pressure will be placed on worker-led bargaining committees to keep wages low in an effort to win bids. This will drag down industry standards.

In the event of an unsuccessful bid, employees may be laid off. Some may pick up work driving the same bus route (for a different employer) at a lower wage and fewer workplace protections. The spate of workplace closings announced this past year, including Stock's decision to walk away from routes in Ottawa²⁴ and the closure of First Student yards in Mississauga and Lindsay (impacting 450 workers), is evidence of this new dynamic and signals - what could be - a growing trend.

A poorly structured RFP system that creates chronic instability among operators and that defines "value for money" in terms of stringent cost-savings does a disservice to bus drivers. It undermines the value of their work and their ability to raise work standards.

²² Ministry of Education Memorandum, re: Education Funding for 2008-2009 (March 26, 2008); page 3

²³ Ministry of Education Memorandum, re: Student Transportation - Progress Update and Direction for 2008-09, (August 25, 2008); page 7

²⁴ See: <http://www.ottawasun.com/2014/05/06/stock-transportation-off-the-bus>

6. Toward a Higher Standard: Unifor Recommendations

Ontario school bus drivers deliver a valuable community service, in cities and towns across the province. Yet their standard of work leaves much to be desired. Part-time work hours coupled with low wages creates poverty conditions. Instituting an RFP process that forces operators to continuously file low-cost bids to win work will foster even greater uncertainty for drivers, keeping wages at unacceptably low levels.

Unifor believes school bus workers deserve better. We envision a future where school bus work is analogous to decent work – with decent wages, health benefits and stable work hours in a workplace that fosters training, personal development and respect. Our union will continue working toward a future where society values the work of school bus drivers on par with the service they provide.

In order to realize this bold future school bus workers must lead the way. Through dialogue and discussion, Unifor leadership in the school bus sector has begun to chart a path. The following recommendations offer a series of practical, and short-term, government policy solutions aimed at guarding against the downward trend of working standards in this industry.

6.1 Review the RFP Process

Ontario should undertake an independent review of the school transportation Request for Proposal process

The RFP process has been met with resistance from operators (small and large) as well as drivers, in communities across the province.

In the Chair's conclusion of the Student Transportation Competitive Procurement Task Force report, Coulter Osborne suggested the Ministry retain an "independent third party expert" to conduct a "comprehensive" review of issues related to the RFP and its impact on the school bus industry. We agree.

We also strongly encourage that the mandate for this independent review include an examination of the impact of the RFP process on wages and work standards. If the review demonstrates that the RFP process adversely impacts and suppresses wages and work standards for drivers, Unifor urges the province to immediately strike down or amend its competitive procurement guideline for school transport services.

6.2 Audit the Wage Enhancement

Ontario should conduct an official audit of the \$10 million Wage Enhancement issued in 2008

It remains unclear how – and if – the one-time \$10 million Wage Enhancement issued by the Ministry of Education in 2008 ever reached its intended beneficiaries.

There has been no official accounting of how those monies were disbursed from the recipient school boards and private operators, to the front-line drivers. Anecdotal evidence suggests these funds (in most cases) were never received. This lack of transparency has created confusion and consternation among drivers.

It is incumbent on the provincial government, and the Ministry of Education, to conduct an official audit of these funds – through the Office of the Auditor General – and communicate these findings publicly. If it is found that Wage Enhancement funds were improperly allocated, then the provincial government should order school boards and operators to provide full back pay on any withheld wages.

6.3 Hold Consortia Accountable

The province should hold transportation consortia to a higher standard of public scrutiny

Not only has the RFP process been flawed, it has also been non-transparent. This is thanks, in part, to transportation consortia that have been given a green light to operate outside of proper public accountability mechanisms. Requests under the Freedom of Information Act are consistently denied. Contract rates paid to operators (previously published and available online) are now blacked out. Consortia operate outside the jurisdictional bounds of the provincial ombudsperson. Elected school board trustees play no oversight role.

The provincial government should require the same level of public transparency from transport consortia as any other public institution (since these entities provide service exclusively to public school boards), with full financial disclosure and the regular publication of contract rates.

6.4 Take Wages Out of Competition

The provincial government should establish an Ontario Student Transportation Employment Advisory Office

There is real danger that a competitive RFP process will continue to suppress (and possibly drag down) driver wages, since wages are measured as the largest, single operating expense for a school bus.²⁵ In a fiercely competitive procurement process, it is safe to assume that operators will look to drivers' wages to keep bid costs down, in an effort to win routes. The provincial government must guard against this potential downward spiral of wages in the industry.

For as long as the province employs competitive procurement processes to distribute school bus routes, Unifor encourages the establishment of an Ontario Student Transportation Employment Advisory Office. This independent office would be responsible for monitoring the terms and conditions of successful RFP bids to guard against significant downward swings in wage rates and a deterioration of work rules; maintaining a baseline standard.

Wage reviews by the Employment Advisory Office could also lead to recommendations for additional Wage Enhancements issued by the province – a fail-safe for workers that guarantees them an adequate standard of living. Should additional Wage Enhancements be issued, the Employment Advisory Office could be charged with tracking the funding disbursement, which would go a long way to ensuring money is allocated properly and for its intended purpose.



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