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DATE 8 November 1999

TO/DEST. Co-ordinator  
Transit Services Committee

FROM/EXP. General Manager

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

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### **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*