

To: The Board of Directors
From: Ian Jarvis, Chief Operating Officer
Date: November 2, 2004
Subject: **Vancouver HandyDART and GVTA Contracting Policy**

Staff Recommendation:

The Board of Directors could either:

A. Staff recommendation pursuant to current policy:
Approve the selection of Greater Vancouver Community Services Society (GVCSS) as the preferred service provider for the Vancouver HandyDART service; direct staff to finalize the Operating Agreement with GVCSS for delivery of HandyDART service in Vancouver for the period April 01, 2005 to December 31, 2007; and extend the interim Operating Agreement with Pacific Transit Cooperative (PTC) to March 31, 2005.

Or

B. If the Board wishes to change the parameters for selection of a new service provider:
Terminate the existing RFP process and direct staff to revise the contracting policy to require prospective proponents to honour the wages, benefits and seniority of qualified and required non management employees of the incumbent contractor for all future HandyDART RFPs and extend the interim Operating Agreement with PTC to August 31, 2005 to allow time for the new RFP process to be completed.

PURPOSE

The purpose of this report is to seek the Board's direction on the provision of Vancouver HandyDART services and to determine if a change in the current contracting policy for HandyDART services is required.

BACKGROUND

Vancouver HandyDART Request for Proposals

In March 2004 the General Manager of PTC, the current Vancouver HandyDART service provider, advised TransLink that PTC was operating the service contract at a greater deficit than anticipated. PTC submitted a formal notification for termination of the contract effective July 31, 2004 when TransLink was not able under the current contracting policy, to provide the increased funding requested. Subsequently, TransLink entered into an interim agreement with PTC to ensure service continuity while an RFP process was put in place to select a new service provider. The interim agreement expires on December 31, 2004.

The evaluation and selection process, completed in accordance with the GVTA contracting policy, resulted in a staff report to the TransLink Board recommending that the Board approve the selection of GVCSS as the preferred service provider. The controllable costs (driver wages/benefits and overhead) of the GVCSS submission for the three-year period were approximately \$2 millions lower than the second submission.

This report was submitted to the September 29, 2004 Board Meeting and the GVTA Board decided to defer a decision on the recommendation.

At the October 15, 2004 Board meeting, the staff recommendation to award the contract to GVCSS was defeated and a subsequent motion to re-start the RFP process was defeated and therefore no policy direction exists for the provision of Vancouver HandyDART services after the end of this calendar year when the interim agreement with PTC expires. A copy of the October 2004 Board report is attached as Appendix A.

Contacting Policy – HandyDART services

The current GVTA contracting policy has been in place since the formation of the GVTA and was designed to encourage competition in the acquisition of goods and services with the primary objective of attaining value for the expenditure of public funds.

The GVTA Board reviewed the current contracting policy on September 8, 2000. In particular the issue of the requirement for proponents to provide continuity of employment, wages and benefits, and seniority rights to employees was examined. The Board decided to continue with the existing policy. A copy of the September 2000 Board report is attached as Appendix B.

This issue was also examined by BC Transit Board in September 2001. The BC Transit Board report noted that the requirement of continuity of employment, wages, benefits and seniority rights requirement appeared to have added to the competitive advantage of the incumbent service provider in an RFP process. It cited that some organizations commented that they were unwilling to submit proposals because of the difficulty of

integrating the prescribed wage and benefit structure of the RFP into their existing transit collective agreements. The same issues would apply in the GVTA service region, as other current service providers with a different collective agreement would be put at a disadvantage. Additionally BC Transit found that the inclusion of the wages and benefits requirement did not eliminate the controversy that occurs when an incumbent service provider was displaced. BC Transit removed this wages and benefits requirement from their RFPs in 2001.

DISCUSSION

Vancouver HandyDART services

The current Vancouver HandyDART service provider, Pacific Transit Cooperative (PTC), is operating the service under an interim Operating Agreement that will end on December 31, 2004. Regardless of what action is taken by the Board, the interim Operating Agreement with PTC will need to be extended until the new plan of action can be implemented.

In staff 's view the following alternatives exist:

1) Complete the Current Process – Award to GVCSS

In considering this alternative the Board should consider the following factors:

- Consistent with current Board policies to contract for HandyDART services and attain best value.
- The controllable costs (driver wages/benefits and overhead) of the GVCSS submission for the three-year period were approximately \$2 millions lower than the second-ranked submission.
- GVCSS will first follow the hiring provisions in its current Collective Agreements and secondly consider applications from PTC employees.
- PTC employees will be hired at the rates in the GVCSS collective agreement. The difference in the maximum wage rates for drivers of the GVCSS is approximately \$2.30 per hour lower than the current PTC rates. Starting wages for PTC drivers to be hired by GVCSS will reflect driver's experience. However, seniority will not be recognized.
- We will require GVCSS to extend the period by which the current proposal price will remain firm – current proposal price will be firm until November 10, 2004.
- Transition process to the new service provider may be difficult and may result in service disruptions and additional costs to TransLink.
- Need to extend the interim Operating Agreement with PTC to March 31, 2005.

2) Terminate the Current Process – Restart Process with new RFP Criteria

The Board could reconsider its current policy objectives and modify the RFP criteria to match and in doing so should consider:

- Impact on competition over the long term. BC Transit experience has been that some organizations have commented that they are unwilling to submit proposals because of the difficulty of integrating the prescribed wage and benefit structure of the RFP into their existing transit collective agreements.
- Impact on costs over the long term. This could result in cost creep as each service provider attempts to attain wage parity with the wage rate of the highest paying service provider.
- GVCSS may claim for non-award of the contract – considered to be minimal risk as the RFP language enables GVTA to cancel.
- Impact on service – prolonged uncertainty may result in service degradation.
- Recognises the value of experienced and long-term employees.
- Continuity of service during transition with minimal customer service disruptions.
- Quality of service and knowledge base will likely be maintained due to lower staff turnover.
- In order to complete the review and implement the new RFP process resulting from changes to the contracting policy required by the Board, we would need to extend the interim Operating Agreement with PTC to August 31, 2005. This will provide staff with the required time to finalize a revised model for the RFP as well as time to develop a new set of criteria for evaluating and selecting proponents in a fair and equitable manner. Additionally this would allow time for the new computerized reservation system to be implemented at Vancouver HandyDART and functioning smoothly prior to the transition to a new service provider so that customer service disruptions are minimized.
- The incremental cost of an Interim Agreement with PTC, compared to the GVCSS submission, for the five-month period April to August 2005 is approximately \$330,000. (The PTC numbers used were taken from the current PTC interim Operating Agreement using current 2004 wage rates and adjusted down for known extras.)