

**Student
Transportation
Consulting
Services**

STUDENT BUS TRANSPORTATION STUDY

*PRESENTATION TO THE SENATE and
HOUSE OF REPRESENTATIVES*

Interim of 2012

COMMITTEES ON EDUCATION

State of Hawaii Department of Education

Tim Ammon

Tom Platt

Management Partnership Services, Inc

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MPS Management
Partnership
Services, Inc.

Solutions that work... together.

PROJECT BACKGROUND

- District's student transportation program is among the largest in U.S.
 - 700 Route buses
 - 35,000 students
- Relentless cost escalation has stoked pressure for action
 - News media
 - Legislature
 - State auditor
- Department initiated study with MPS
 - Quantitative assessment of performance relative to peers
 - Pragmatic , experience-based assessment of operating practices
 - Focus on identification of a practical path forward with the dual objective of arresting and reversing the trend in cost while ensuring quality service

MPS BACKGROUND

- Student transportation advisory services is our only business
- Affiliated TransPar, Inc. provides management services
- Staff includes former transportation directors, contractors, district administrators, and management analysts
- 12 years, 27 states and provinces, 175 clients
- Clients include:
 - States of Washington, New Mexico, North Carolina, Kentucky, Rhode Island and the Province of Ontario
 - Large urban districts in New York City, Chicago, Philadelphia, Seattle
 - Large county districts in Fairfax (VA), Hillsborough (FL), Clark (NV)



CHALLENGES & OPPORTUNITIES

CHALLENGES:

- Geographic isolation is a manageable constraint
- Organization and operation of the STSB is an historical anachronism

OPPORTUNITIES:

- A rare opportunity to fundamentally reshape all aspects of program organization, operation, and service delivery
- Mission fundamentals are identical to districts throughout North America

CURRENT OPERATIONS: COST

2006 – 2010:

Contract costs – ↑ 152%

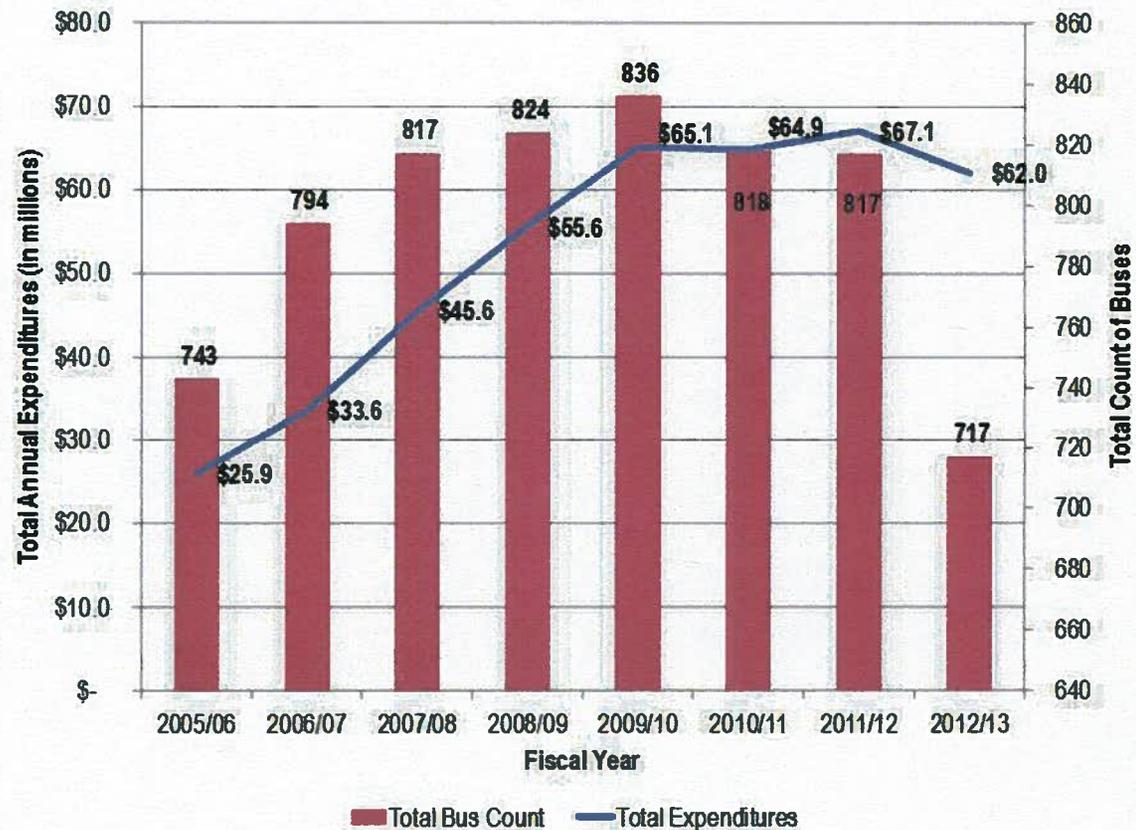
Route buses – ↑ 13%

The data indicate that over a seven year period there were 30 instances where the average price per day more than doubled when a replacement contract was issued.

Current annual contract costs:

\$86,500 per route bus

\$1,750 per student



CURRENT OPERATIONS: FINDINGS

1. Contracting practices are misaligned:
 - Procurement rules & processes relative to operating environment
 - Contract performance management relative to industry best practice
2. STSB organization structure is not functional:
 - Contract management should be a primary responsibility
 - Management accountability can never be outsourced
3. STSB staff are not properly constituted:
 - A \$60 million annual business function
 - Access to school is a major input to educational achievement
4. STSB is not properly equipped with technology:
 - Routing software is a critical tool
 - Supporting technologies have advanced considerably in recent years

SYSTEMIC ACTION IS REQUIRED

- ✓ Updates to the enabling statutes and regulations
- ✓ Fundamental change to procurement philosophy and approach
- ✓ Structural changes to the Student Transportation Services Branch:
 - Organization & training
 - Operational practices
 - Technology tools
- ✓ A renewed focus on contract performance management
- ✓ A customer-responsive, business-centric, data-reliant STSB should be the goal

CRITICAL SUCCESS FACTORS

1. Retain the current fully-contracted service delivery model
 - State/District operation would require major investments in infrastructure, assets, staff, and expertise
 - State/district ownership of bus fleet has precedent, but leads to major capital outlay and long-term capital replacement burden
 - Mixed District and contracted operation is more viable and has value but would require large scale implementation and therefore poses many of the same burdens and risks as full ownership
 - Contracted service delivery is prevalent in approximately 30 percent of U.S. and is successful with:
 - ✓ Efficient and effective procurement mechanisms
 - ✓ Robust contract compliance and performance management
 - ✓ Contractors provided with proper information and direction
 - ✓ Management retention of accountability for performance

CRITICAL SUCCESS FACTORS

2. Implement fundamental changes to contract specifications and procurement process

- Basic procurement unit should be the unfettered use of a bus for a day
- Flexibility to increase or decrease the units of service is required
- Non-restrictive pricing strategy will encourage innovation
- Retention of management rights by the District
- Term of service appropriate to distinct Hawaii operating conditions
- Geographic bundling of services to encourage efficiency and competition
- Value-based procurement methodology to encourage competition
- A lengthened procurement timeline to encourage competition
- Statutory & regulatory changes to minimize opportunities for undermining of the process

CRITICAL SUCCESS FACTORS

3. Engender a revised management philosophy and focus
 - Structured, formal, professional contract management program:
 - ✓ Contract compliance monitoring
 - ✓ Contract performance management
 - Centralized planning and information management:
 - ✓ Dramatic increase in use of technology
 - ✓ Data-centric route planning, reporting, and operational analysis
 - Functionally oriented organization and operations:
 - ✓ Contract management
 - ✓ Planning & information management
 - ✓ Field operations
 - ✓ Business administration

CHANGE MANAGEMENT: TASKING

1. Clean break with the current business model
 - Remove “treadmill” effect of current contracting approach
 - Requires bold move to vacate some current contracts
2. Rolling implementation schedule
 - A major reengineering requires deliberate risk management
 - Organizational capacity does not exist to facilitate a rapid transition
3. Facilitate continuation of operations during transition
 - Single greatest risk is a breakdown in current operations prompted by the ongoing changes:
 - ✓ Staff uncertainty
 - ✓ Contractor resistance

CHANGE MANAGEMENT: TIMELINE

1. Implement a substantial pilot program in 2013/14
 - Proof-of-concept and test bed
 - Large enough to be representative
 - Negotiated one-year contract
2. Execute a revised procurement process for 2014/15
 - Planning must commence immediately and in parallel with pilot
 - Solicitation document should allow for minimum 12-month process
3. Target full implementation beginning in 2015/16
 - Adjustments to plan based on pilot program feedback and results
 - First full-scale implementation to coincide with 2014/15 contracts
 - Rolling schedule by geographic cluster beginning in 2014/15 and completing in 2015/16