

## STUDENT TRANSPORTATION

# Managing Your District's Bus Contractor

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Outsourcing student transportation can be successful when the relationship between the school district and contractor is given sufficient attention and understanding.

The shortage of qualified school bus drivers has strained contractual relationships, and has forced school administrators to spend more time actively involved in the transportation system. In addition, consolidation in the student transportation industry has fueled the perception that school districts have fewer contracting options.

The terms and conditions of a contract determine the level, style and quality of service. Transportation contracts should be based on thorough specifications, detailing expectations and needs.

When a school district becomes frustrated by the level of service, often the contractor is simply providing the services spelled out contractually. If necessary, contract terms can be modified through negotiation or rebidding. Any changes must be documented as an addendum to the agreement and consistently enforced.

## Reporting Requirements

No one likes surprises in a contract. School districts should require ongoing communication through a combination of monthly written reports and periodic meetings between school district staff and company representatives.

Written reports should not substitute for personal contact. Periodic meetings should be used to discuss performance issues, future requirements and contract issues. The contractor should be required to make an annual presentation to the school board to provide an update on transportation issues, identify planned changes in operations and answer questions.

## Fixing Problems

Although multiyear contracts between bus contractors and school systems are preferable for several reasons, both par-

ties should look at the contract as being only one year in duration. This elevates the level of service and keeps all parties focused on ensuring that contract performance warrants a recommitment.

Ever-changing program demands, fluid demographics, modified regulations and cost pressures make transportation a dynamic function. Both parties must communicate their needs and interests and work cooperatively.

When relationships deteriorate to a point of bitter frustration, it typically results from unrealistic and unexplained expectations or insufficient or nonexistent communications.

Administrators have many other demands, meaning student transportation typically is out of sight and out of mind. The bus terminal is probably located elsewhere in the district, the employees work for someone else, and an existing contract is supposed to cover all events. The district's transportation operation may be the largest in the community, and the yellow buses are rolling billboards for the educational system. When problems arise, the administrator assumes the contractor can and will fix the problem.

Unfortunately, not all problems are easily solved. Nationally, a shortage of qualified bus drivers challenges almost every transportation system. Contractors have tried creative approaches to find and train drivers, but the supply of drivers does not meet the demand. As in any basic economic model, the equilibrium point between supply and demand is determined by price—or, in this case, the cost of labor.

As contractors run short of drivers, districts continue to demand a consistent level of service. However, unless the wage and benefit levels can increase to the point of bringing the supply and demand into balance, the contractor will not be able to continue to meet the district's expectations. To provide required services, contractors will incur labor cost increases that may exceed the amount of the contract with the district.

These issues do not develop overnight, but the effects can be surprising if the level of service is not discussed between the parties and if both parties do not attempt

to understand the other's requirements.

The first day of school should not start with the contractor missing runs due to a "surprise" driver shortage, while service interruptions should not occur due to a labor stoppage that was unforeseen by the district.

## Timely Notice

At times, changes must be made in student transportation. This could be precipitated by the district determining that a new bid is required or by the contractor deciding that a new contract is necessary to meet operating or financial needs.

Regardless of the reasons, the key element to the decision process is a timely determination that a bid is necessary. To generate effective competition and to allow firms to properly begin a new contract, a bid must be issued five to seven months prior to the expiration of the contract, depending on the size of the transportation program.

Sometimes situations arise that significantly affect the ability of the school to offer and operate the programs they desire. For example, a driver shortage may mean that the contractor cannot offer extracurricular buses during the afternoon school-to-home runs. On a more severe note, a labor stoppage by the contractor's employees could have an impact on the operation of the entire school program.

These issues pose challenges to the business relationship between the contractor and the district. Many contracts contain penalty or liquidated damage provisions that entitle the district to levy a fine if certain identified situations occur.

Although the penalty provisions are frequently appropriate and effective, the district should consider using penalty monies to support performance incentives to encourage the contractor to modify negative actions or operating procedures. These incentives are negotiated to meet the specific needs of both parties and to serve as an important part of a carrot-and-stick approach.

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