

# TRANSPORTATION UPDATE

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OCTOBER 11, 2021



# PCHS' transportation vendor has sent a "Notice of Rate Increase"

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American Transportation (ATS) is requesting a rate increase of 9% on ALL rates.

Results in a \$58,500 impact to our 2021-22 budget, yet could be more

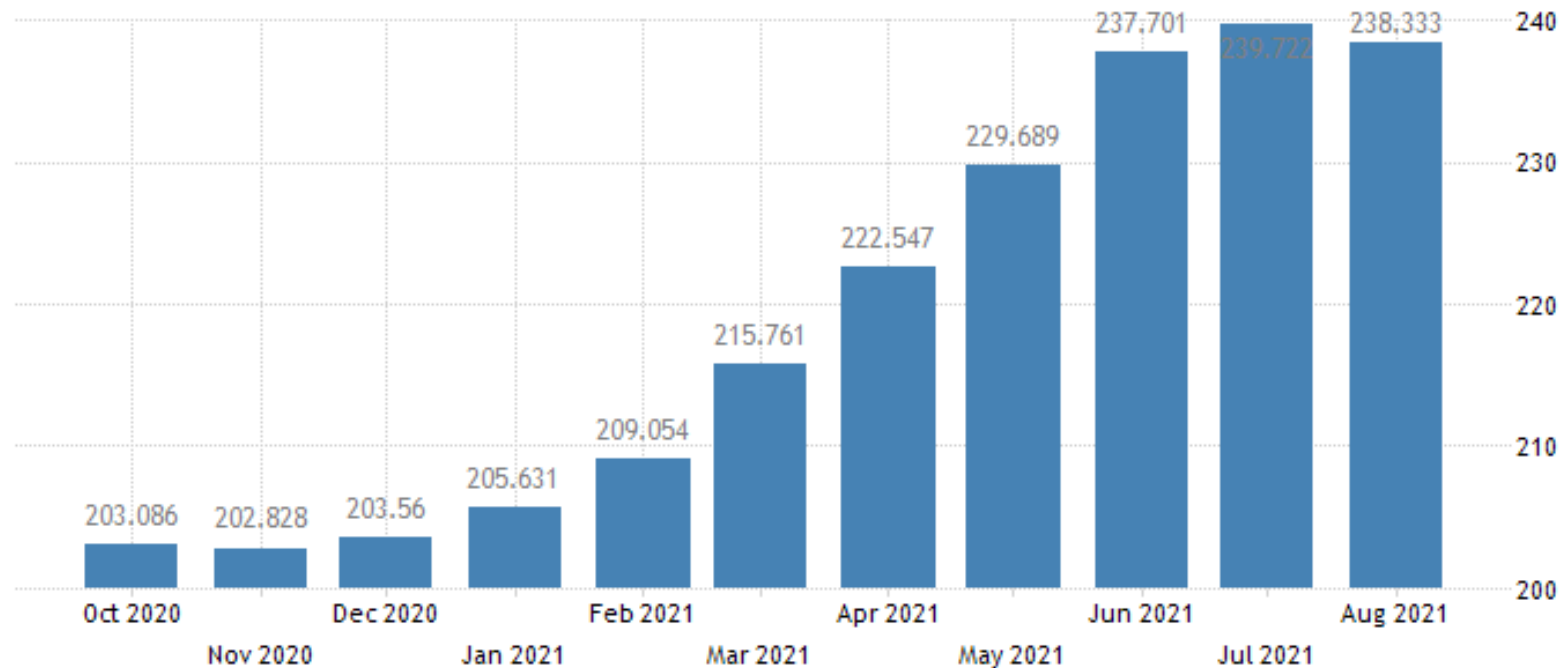
- Rate increase is effective 10/15
- Vendor is citing increasing "industry costs," CPI increase of 17%, labor shortage and vaccine mandate as reasons

# Transportation CPI

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The chart below tracks the transportation CPI across the US (not specific to LA area).

Since the contract effective date (July 1, 2021), there has been a decrease in CPI. However, the vendor is saying they “quoted” the contract in December.





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TODAY'S DATE: 9/29/21

SUBJECT: Rate Increase (eff. 10/15/21)

In order to financially manage the unexpected rising costs that have occurred since the original pricing was put together, American Transportation is officially requesting a rate increase. These unexpected costs are staggering and the industry is under immense pressure as a result. The key components to these rising costs are as follows:

1. Overall CPI of the transportation has risen 17% from the time rates were quoted for this agreement (Dec 2020) to the most recent month (Aug 2021)
  - a. <https://tradingeconomics.com/united-states/cpi-transportation>
2. Unprecedented national driver shortage
  - a. In an effort to maintain a sufficient driver supply to service the needs of PCHS, ATS has been forced to increase school bus driver wages and bonuses resulting in a cost increase to the company of 42.25% per hour.
3. Increase in overall labor
  - a. Office staff and allocated salaries aside, maintenance wages alone have risen 32.5% in an effort to hire and maintain a sufficient number of mechanics.
4. Increase in fuel prices
  - a. Fuel prices have risen 97 cents per gallon from 12/20 to 8/21
    - i. [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD\\_EPD2D\\_PTE\\_SCA\\_DPG&f=M](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EPD2D_PTE_SCA_DPG&f=M)
5. Increase in insurance rates
  - a. A 30% increase is being communicated by current brokerage firms and it could be even higher than that. Many carriers have left the market altogether over the last 12 months and there are very few that remain causing a spike in premiums. This is widely attributed to California's highly litigious nature.
6. Vaccine Mandate by PCHS
  - a. PCHS has recently mandated that all drivers who service this agreement be vaccinated by 10/15/31. This was not an agreed upon requirement in our service agreement nor has ATS been given sufficient time to prepare for this mandate. This places a large burden on ATS to find drivers that meet this requirement. Among other challenges, this mandate may result in a loss of revenue from ATS pulling drivers from other service agreements in order to best serve PCHS.

There are multiple other increased hard and soft costs associated with this service that are not mentioned above but are also weighing heavily on the ability to operate in a fiscally responsible manner (tires, lubricants, parts, bus washing fees, etc.). As a result, ATS is **requesting an increase in the amount of 9% on all rates** currently provided to PCHS via our newest service agreement. This increase will not cover all of the incurred cost increases that ATS is presently experiencing but is made in good faith to help share the costs amongst both parties. This number is nearly half of the stated 17% transportation CPI increase expressed above. ATS is requesting that these rates become **effective on 10/15/21**. We request an approval of these rates by this time.

Sincerely,

  
Dan Wilson, CEO