



PRIVATIZATION OF DISTRICT
TRANSIT SERVICES

1986

Prepared by: SCRTO
Planning Department



John A. Dyer
General Manager

April 25, 1986

TO: Board of Directors
FROM: John A. Dyer
SUBJECT: PRIVATIZATION OF DISTRICT TRANSIT SERVICES

On January 24, 1986, the Urban Mass Transportation Administration (UMTA) published a notice providing definition of procedures transit properties must comply with to implement UMTA's previously published policy on Private Enterprise Involvement in Mass Transportation Plans and Programs which was published in the Federal Register on October 22, 1985. UMTA's stated purpose of this policy is to promote greater reliance on the private sector in providing services both as an independent activity and through competitive contractual arrangements with public agencies. In their view, private sector involvement is a means of increasing the cost-effectiveness of service during an era of scarce financial resources.

Since the policy was published, UMTA organized several workshops on the implementation procedures of the policy. In general, two messages came across during the course of these workshops. First, UMTA is not clear on how they would like to proceed with the policy. They could not provide specific direction on how public agencies should implement the policy. UMTA wants the privatization policy to lead to discussions and negotiations between public operators and the labor unions, but cannot provide clear direction to accomplish these goals.

Second, it appears that the District and other agencies in our region are ahead of many operators in the development of a privatization program. Except for several operators which have been contracting portions of their service for years, many operators are still in the exploratory stages and are searching for ways to incorporate the policy within their plans.

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District staff has been working on privatization issues for over a year in anticipation of UMTA's privatization policy. The Board of Directors adopted a policy on privatization on November 20, 1985. This policy supports the District's taking steps to become a broker and coordinator of transit services within the SCRTD service area through cooperation with the other regional transportation agencies. In addition, the District goal of contracting services to the private sector is stated in the Short Range Transit Plan (SRTP) for FY 1986-87 through 1990-91. The goal is to contract 1.5 percent of the total annual hours in FY 1986-87 and to increase the contracted hours by 1.5 percent each year for the next four years. By FY 1990-91, the goal is to contract 7.5 percent of the total annual hours. This translates to 106,000 hours to be contracted in the first year of the plan to 578,000 hours to be contracted during the fifth year of the SRTP.

The District has also been working with other regional agencies--the Southern California Association of Governments (SCAG), the Los Angeles County Transportation Commission (LACTC), and the City of Los Angeles--on developing processes for the implementation of the privatization policy. As part of these efforts, District staff proposed to share the operation of some lines with other agencies. This concept is now being discussed with the City of Los Angeles.

Attached is a document on the privatization of District transit services. This document describes the proposed District's brokerage functions and recommends an implementation process and procedures for contracting of District services. In addition, the document includes a list of lines recommended for sharing with the City of Los Angeles and a list of District lines recommended for contracting.

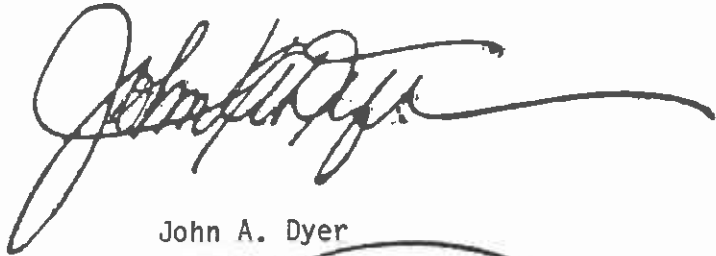
The next major steps recommended for the District to take to implement the recommended privatization program are the following:

1. Discuss with the various labor unions the "shared lines" approach and the brokerage functions in the attached document.
2. Reach agreement with the City and/or the County of Los Angeles on lines to be shared.
3. Develop an RFP for contracting selected lines throughout our service area.

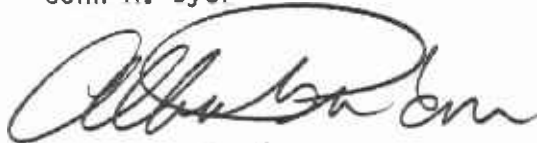
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The Board of Directors will be apprised on further development with the privatization program and will be asked to formally deal with and approve of a privatization program including the policy issues and line selection issues during May and June, 1986.

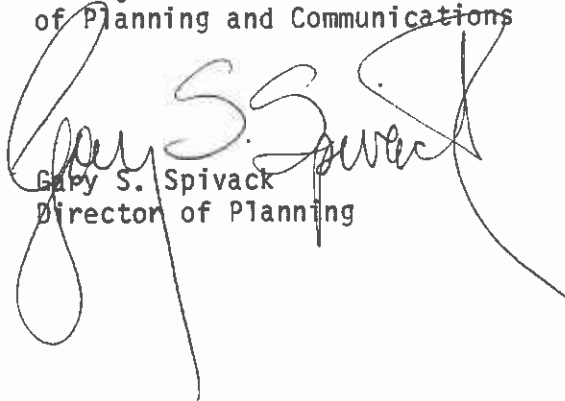
Respectfully,



John A. Dyer



By: Albert H. Perdon
Acting Assistant General Manager
of Planning and Communications



Gary S. Spivack
Director of Planning

Attachment

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PRIVATIZATION OF DISTRICT
TRANSIT SERVICES

Prepared by: SCRTD
Planning Department
April 24, 1986

PRIVATIZATION OF DISTRICT TRANSIT SERVICES

1.0 INTRODUCTION

The purpose of this paper is to describe an approach to utilizing private operators in providing service as a means of reducing the overall cost of operating the District's service. The staff recommends that the District become a "broker" of transit services. It is our opinion that this is the best means of reducing costs, implementing UMTA's policy on privatization, preventing the fragmentation of the regional system, and of attracting new sources of revenue to support regional transit. How the brokerage concept would work, and be implemented in the District, is the main focus of this paper.

The primary District consideration for the implementation of a privatization program is the potential for cost savings. A private operator will have to demonstrate the ability to provide the same level and quality of service as provided by the District, but at a lower cost.

Secondary considerations for the implementation of a privatization program are the requirements and activities of federal, regional and local transportation agencies. These requirements and activities are described in Section 2.0.

This paper provides a comprehensive overview and a specific process and recommendations for the implementation of a privatization program. The paper contains six sections as follows:

- 1.1 **Background** - Describes privatization regulations and activities taken by federal, regional, and local agencies, as well as by the District.
- 1.2 **Brokerage Functions** - Describes and organizes existing and proposed District services into seven brokerage functions.
- 1.3 **Lines Recommended for Contracting** - Recommends specific lines for the initial contract.
- 1.4 **Major Policy Issues** - Offers recommendations to the Board of Directors on major policy issues.
- 1.5 **Implementation Process** - Recommends using the existing Interdepartmental Task Force to coordinate implementation and specifies the functions of each affected department.
- 1.6 **Implementation Procedures and Schedule** - Describes the procedural steps to be taken by the District for contracting of transit services.

2.0 BACKGROUND

In addition to the District's privatization approach to make the most efficient use of available funds, other transit regulatory and funding

agencies are also active in the process of enforcing the implementation of a privatization program. Privatization regulations and actions taken by each agency are described below.

2.1 UMTA's Privatization Policy

On October 22, 1984, the Urban Mass Transportation Administration (UMTA) issued a policy statement on private enterprise participation in mass transit services. UMTA's stated purpose was to promote greater reliance on the private sector in providing services both as an independent activity and through competitive contractual arrangements with public agencies. In their view, private sector involvement was a means of increasing the cost-effectiveness of service during an era of scarce financial resources. The intent of the policy was to address four main concerns. These were:

- (1) Involving the private sector in the early stages of the planning and programming process to identify opportunities for private participation without public assistance;
- (2) Establishing objective criteria to evaluate unsolicited proposals from the private sector;
- (3) Providing local procedures for resolving complaints about participation from private providers; and
- (4) Ensuring the public agency periodically reexamines its services to identify possible opportunities for private sector participation.

On November 18, 1985, UMTA Administrator Ralph Stanley issued a letter to all recipients of UMTA operating funds which expressed his intention to give priority consideration to Section 3 capital grant applications from privatization policy.

On January 24, 1986, UMTA published guidance material providing definition of procedures that transit properties must implement in order to comply with UMTA's privatization policy. Compliance with the privatization policy is necessary in order to receive Section 9 operating and capital funding assistance.

2.2 SCRTD's Privatization Policy

The Board of Directors adopted a policy on PRIVATIZATION on November 20, 1985. The following recommendations for actions were adopted by the Board:

- (1) Adopt a policy which is neutral on the formation of Transportation Zones. If a Zone is established and it supplements the regional transit system, then the District should support it;

- (2) Adopt a policy to support the District's taking steps to become a broker and coordinator of transit services within the SCRTD service are through cooperation with the other regional transportation agencies;
- (3) Establish Board and staff committees to work with regional agencies and local governments to implement UMTA's privatization policy;
- (4) Address labor union issues to allow for subcontracting and brokerage of services.

Also adopted at this meeting was the recommendation to establish a joint Board and Commissioner's (LACTC) Committee to clarify issues and develop mechanisms to best implement the privatization policy. The joint committee of the Board is meeting with the LACTC on a regular basis.

2.3 Transportation Zones

Transportation Zones (TZ) are a means by which private operators could provide service in areas of the region. A TZ means the creation of designated boundaries within a specific geographic area to meet specific transit needs cost effectively.

On February 26, 1986, the LACTC adopted guidelines for the formation of a TZ. The formation of TZ's is seen by the Commission as a means of establishing transit services that are more cost-effective and more responsive to local needs. During the first three years of the Zones' existence, District operating subsidies, based on operating hours in the Zone, will be transferred to the Zone. If the Zone is determined "successful" by the LACTC, following the initial three years, the Zone will receive formula funds like any other operator in the region.

The final TZ guidelines require that service coordination between the Zone and the affected operator or the regional operator is undertaken. However, service quality issues, which the LACTC believes is a local policy decision, are not addressed in the guidelines. The Operational and Financial Plan required of the applicant Zone will also include a requirement for an interagency transfer agreement between the Zone and the regional carrier for fixed route and general public operation. It is intended that this transfer agreement will spell out how best to coordinate service between the two entities. Finally, routes which operate through a Zone (i.e., the start and end of route is outside of the Zone's boundaries) are clearly not eligible for operation by the applicant.

Currently, Los Angeles County is studying the feasibility of creating a TZ to encompass the entire San Gabriel Valley. The County has received \$240,000 from UMTA to conduct this study. They have hired a consultant to assist in the study, and they

expect to complete the Request for Proposal (RFP) for the study in the near future.

2.4 Business Development Division (BDD)

During the last round of labor negotiations in 1985 between the District and its labor unions, it was agreed that in the event of the loss of 20% of current operating funds, the District shall have the right to create one or more Business Development Division(s). These facilities shall be for the purpose of contracting directly with the cities and/or the County of Los Angeles to provide replacement or new transit services as by the cities or the county. Such services will be funded by Proposition A local sales tax. The major advantage of the option to operate BDD's is that employees working at these divisions will incur less costs than employees at the regular District divisions. This will permit the District to competitively bid and contract with cities and/or the County of Los Angeles to provide services which will otherwise be lost because of reduced federal operating assistance.

It should be emphasized that services provided by the BDD are different and separate from the District's contracting of its own services and from the District's subcontracting and/or managing services of other agencies. BDD services will operate independently as one of the District's brokerage functions discussed below.

2.5 Regional Privatization Efforts

The SCAG, LACTC, and the City of Los Angeles are all involved in the process of privatization of transit services for the region. SCAG has compiled a directory of private sector providers. The Commission has established an incentive fund, consisting of 5 percent of the Proposition A Discretionary Fund, to finance private-sector contracted fixed route or paratransit substitution projects.

The City of Los Angeles has contracted the Westwood Shuttle Line 605 and the Downtown Miniride (Line 602) to private operators. The City has also requested to take over District lines 147 and 205 in the San Pedro area so that they can contract them to private operators. Furthermore, the City has requested that the District participate with them in a demonstration by allowing the City to contract 12 express lines to the private sector. These requests have been supported by the LACTC.

2.6 District Privatization Goals and Efforts

The District goal of contracting District services to private operators is stated in the District Short Range Transit Plan (SRTP) for FY 1986-87 through FY 1990-91. The goal is to contract 1.5 percent of the total annual hours (excluding BDD hours) in FY 1986-87 and to increase the contracted hours by

1.5 percent each year for the next four years. By FY 1990-91 the goal is to contract 7.5 percent of total annual hours (excluding BDD). This translates to 106,000 hours to be contracted in the first year of the plan to 578,000 hours to be contracted during the fifth year of the plan.

In anticipation of UMTA's privatization policy, the District staff has initiated and formed several inter- and intra-agency committees to address privatization issues. On January 23, 1986, the Board authorized the General Manager to form a Private Operators' Advisory Committee to review the District service policies and alternatives. Two meetings of this committee have already taken place to review District service policies. The District also initiated a joint committee of the Board and LACTC commissioners, which is meeting on a regular basis.

To develop a plan for implementation of the District-adopted privatization policy, District staff has embarked on an OWP-funded privatization study. This study includes an evaluation of privatization problems and solutions experienced by other large operators nationally, and the development of an implementation process as discussed below.

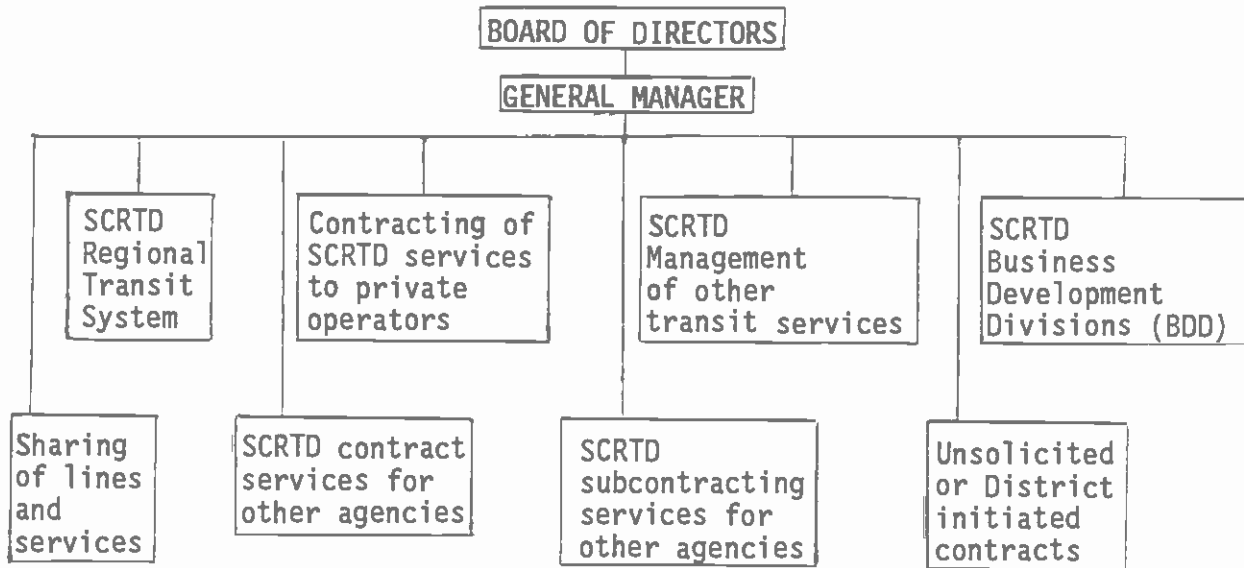
3.0 BROKERAGE FUNCTION

District provision of a variety of services through the formation of a brokerage structure is recommended by staff. The District, acting as a broker, will negotiate contracts, coordinate services, and purchase or sell transit services from or to other agencies in return for a fee. A brokerage program will allow the District to expand the capacity of the regional transit system without incurring the need for additional subsidies. A brokerage program will also provide an opportunity for private carriers to be involved in the provision of public transit services to the region, while control (fares, schedules, etc.) over these operations can be maintained by the District. This structure will also lead to an improved coordination of contracted and subcontracted services with the regional transit system.

As a regional transit agency, the SCRTD believes that privatization plans and decisions should be coordinated and integrated in order that deployment decisions achieve the maximum cost-effectiveness potential intended by the policy. This will also ensure that those who use the transit and pay for transit are not burdened with disjointed service or unnecessary duplication of cost. To achieve the policy goals, District staff proposes to share some contracted lines with other agencies within the framework of the District's brokerage functions. The sharing of service will also allow the initiation of contracting without violation of the District's labor contracts. The concept of sharing of service is discussed further in Section 3.1.

The figure below illustrates the brokerage functions proposed by staff. The District's Board of Directors will oversee the operations and make policy decisions for the following eight brokerage functions:

SCRTD BROKERAGE FUNCTIONS



3.1 Sharing of Lines and Services

Under the provisions of the District's labor agreement, the District cannot transfer a line to Los Angeles city or anyone else unless the receiver agrees to assume and observe the District labor contract. If, however, the District were to agree to share the operation of a line on a "50-50" basis with the City or others, this would not constitute a transfer as contemplated by the labor agreement.

It is proposed that a regional service policy be developed and implemented that sets a baseline for the sharing of lines and services. The objectives would be an orderly implementation of federal and local privatization policies.

In general, under this regional policy, the SCRTD would share the operations of mutually acceptable lines with other entities and to share other services as appropriate. By sharing lines and services, important advantages can be gained for the users, the operators, the County, the cities, and the LACTC. The sharing of lines would respect existing labor agreements that were negotiated in good faith. The sharing of lines would also permit privatization of existing services, and its expected reduction in cost, to move forward while allowing for the expansion of transit capacity in the region. A list of proposed lines to be shared with the City of Los Angeles is presented in Attachment 1.

If the District and the City of Los Angeles were to share operation of a line, the City service would be provided by private operators. If the operation were split "50-50", every other bus would be a City contract bus. To a user, the sharing would not be apparent because his/her fare, pass, or transfer would be valid no matter which bus the user boarded. Other

services could also be shared when appropriate. The telephone information system, for example, could provide route and schedule data for the line no matter who operates the service. Line sharing agreements would be negotiated that would lay out the roles and responsibilities for each party to the agreement.

The sharing of lines has the potential to increase transit capacity within the region. The equipment and manpower that the District saves on shared lines can be redeployed to relieve overcrowding on existing services or create new routes.

The shared service concept can be extended to other cities or the County. New routes could be established by cities to meet the needs of their residents. Redeployed services could be used by the SCRTD to share in those locally provided lines, to the extent the local line serves regional needs or inter-community needs. The new services would all be provided by the private sector and would be integrated with existing services in a way that would be transparent to the users. The cities or the county would retain control of the private operations, have assurance that the service is appropriate to local needs, and have a direct voice in operation of the shared service.

This approach would address the policy issues of preventing fragmentation of services for the user; allow local control of services fulfilling local needs; increase the cost-efficiency of transit within the region; and provide for an orderly implementation of federal and local policies on private enterprise participation. Moreover, such a policy base when translated to specific operations would avoid the "subterfuge" legal issues.

3.2 SCRTD Regional Transit Service

The regional transit system includes District services and lines operated by the District, except for those services and lines discontinued or restructured due to a reduction of funds or due to the implementation of the revised service transit policies.

The revised transit service policies include service deployment standards, operational standards, and financial standards. Staff will evaluate the District's system on an annual basis. Services which fail to meet any of the standards will be analyzed and may be considered for modification, restructuring, or cancellation.

3.3 Contracting of District Services

The District's goal is to initially offer for contract approximately 30,000 vehicle hours of service in FY 1986-87, possibly rising to as high as 212,000 vehicle hours. The contracted lines will not be the same lines canceled due to a reduction of funding or to the application of the District's service policies.

Every attempt will be made to make a distinction between District provided service and District services contracted to private operators transparent to the user. The contracted service will have the same fare structure and support services and will accept the same fare media as the District's regular service.

3.4 Subcontracting Transit Operations for Other Agencies

It is likely that some cities in Los Angeles County would like to contract transit services to private operators but not undertake daily management and operational activities, including implementation and monitoring of the contracted services. In this event, a city may choose to contract with the District for the provision of the selected services and the District, in turn, will subcontract this service to a private operator. Under this arrangement, the District will be responsible for selecting a contractor and for implementation of the contract. The goals of the contract, fare levels, and other policy decisions will be conveyed to the District by the contracting city, and the District will follow these decisions.

It is recommended that District subcontracted services may enjoy all District support services and that they may be coordinated with the District regular service. However, the final level of support services provided by the District will depend on the type of contract with the city. The District provision of its support services and the coordination of schedules and fares of the subcontracted service with the regional transit system will be of great benefit to the contracting city and will provide an incentive for cities to contract with the District.

Staff recommends that if the full range of support services are provided, the District will charge the costs required to offset its expenses. If individual support services are provided, a pricing schedule will be developed.

3.5 Contracting Management Services to Other Agencies

Some cities in Los Angeles County would like to contract by themselves with private operators but may lack the skills or the desire to manage, administer, and monitor their contract. In such a case, the contracting city may contract with the District for management of, and provide support services for, the private operators' contract. Under this arrangement, the services provided by the District may range from minimum District involvement such as public information and coordination with District services to full range of management, administration, monitoring, and support services.

Staff recommends that the following District support services may be available for contracting under any option discussed in this section:

- 3.3.1 Planning
- 3.3.2 Scheduling
- 3.3.3 Passenger Count
- 3.3.4 Customer Relations
- 3.3.5 Personnel Training
- 3.3.6 Promotion of Services
- 3.3.7 Transit Police
- 3.3.8 Stops and Zones
- 3.3.9 Dispatching Vehicles.

Again, the District will carry out the management contract in accordance with the goals and policy decisions of the contracting agency.

3.6 Unsolicited or District Initiated Contract

Unsolicited requests for contracts could be initiated by cities of Los Angeles County or other municipalities. These municipalities may approach the District and propose to assume District services for contracting with other operators. They may justify these actions by claiming that service could be provided at a lower cost and/or with more local control. Under these circumstances, the District must evaluate the viability of the target service to the regional transit system and perform a cost analysis.

Under another option, the District could act as an initiator by identifying service needs of cities within its service area and approach the respective cities with proposals to provide new service under a contractual agreement. Proposition A local return monies will be the primary source for funding such contracts.

District initiated services can also take the form of a joint venture with the contracting city. Staff recommends that after needed service has been identified, the District will propose the identified city to share the cost and risk of operating the new service. Under this proposal, the new service will be operated on an experimental basis for a period of two years and will be funded 50% by the city and 50% by the District. If, at the end of the second year, the operation does not break even financially, the service will be canceled.

Several lines have been identified as candidates for experimentation. They have been identified in either the 1980 Sector Improvement Plan (SIP) or in several cities' 1982 Needs Assessment Study. These lines include service between Pasadena and the San Fernando Valley, Pasadena and Pomona and service between the San Fernando Valley and Century City. Demand for these services may still exist, and staff recommends that a combination of District or local funding sources should be sought for experimenting with these operations.

3.7 SCRTD Contracting Services for other Agencies

At present, the District provides services, under contracts, for adjacent counties and for the Hollywood Bowl. The District receives its fully allocated cost for the provision of these contracted services. It is projected that these services will continue to be provided.

3.8 Business Development Division (BDD)

The formation and operation of BDD's was discussed in Section 2.4, above. The BDD's services will also be overseen by the District's Board of Directors, but they will be operated independently of the other transit services as part of the District's brokerage umbrella.

4.0 LINES RECOMMENDED FOR CONTRACTING

4.1 Development of Criteria

The deployment of District bus service will be regulated by the District's new Consolidated Transit Service Policies. These policies are based on area population density and identify standards for route spacings and frequency of service. These standards guarantee that minimum levels of service will be provided throughout the County to maintain the regional transit network.

The goals of service contracting and the goals of the Consolidated Transit Service Policies are designed to achieve different objectives; therefore, a new set of criteria was developed to identify lines most appropriate for contracting. These criteria are to be used in the short term for the first contract. Based on the experience gained from this contract, adjustments will be made in the criteria for the selection of lines for following contracts.

The following criteria for contracting of District lines are recommended by District staff:

- (1) Lines with the highest potential for cost savings;
- (2) Lines that have the highest potential of reducing the overall peak to base ratio;
- (3) Lines that will complement the regional route structure as part of the new route structuring program; and
- (4) Lines that will not disturb the cohesiveness and integrity of the regional transit system.
- (5) Local lines that could be taken over by local jurisdictions and funded through Proposition A tax revenues.

Lines with the highest potential for cost savings are those lines with the highest peak to base ratios such as peak period only express and park/ride lines. Peak period only express services are generally more expensive for public transit agencies to operate. This is due in part to operator work rules which require daily and weekly pay guarantees, regardless of actual hours worked and to the need to maintain a larger fleet of buses.

Due to an anticipated reduced funding level based on declining federal operating subsidies, the District will be reducing service beginning in FY 1987. This is expected to be accomplished by reducing trips on some routes, by restructuring and combining other selected routes, and by line cancellation.

4.2 Initial Candidate Lines

A list of lines recommended for the initial contract is presented in Attachment 2. It is also recommended that the private carrier will have the option to submit an RFP on one or more lines. Proposal evaluation will be conducted for each line individually. Therefore, the first set of lines could be operated by one or more private operators.

5.0 MAJOR POLICY ISSUES

This section offers recommendations to the Board of Directors on major policy issues associated with privatization of transit services. The recommendations are based on contracting experiences of other large operators throughout the country and on the District's unique operations environment. Resolution of the following policy issues will expedite the implementation of the District's contracting program:

5.1 Evaluation Criteria of Proposals

The major criterion for the selection of a private operator is recommended to be the cost savings of a responsive and responsible proposal. Other factors to be considered in the evaluation are listed below:

- (1) The contractor's previous experience on projects of similar size, scope, and complexity;
- (2) The qualifications of the principal staff who will be assigned to the contract;
- (3) The availability of sufficient personnel, facilities, and equipment to comply with all requirements of this solicitation;
- (4) The contractor's demonstrated understanding of the contractual undertaking;
- (5) The contractor's approach to system implementation and operation, including the administrative management plan, maintenance plan, and operational methods plan;

- (6) The contractor's financial stability and ability to obtain financing for the proposed services based upon audited financial statements, current financial statements, cash flow projections, information concerning proposed financing of any contract(s) resulting from this solicitation, bank references, and other related financial information requested by the District;
- (7) The ability to post a performance bond of 10 percent of bid when making the bid and 25 percent when it is awarded.

5.2 Number of Hours Contracted

It is recommended that the first contract will be small (approximately 30,000 hours) to allow for a smooth transition to privatization. After the appropriate adjustments have been made, larger size contracts will be developed to achieve the goal of 212,000 for FY 1986-87.

5.3 Length of Contract

It appears that the first contract should be issued for a period of two years, with an option to extend this contract for three one-year periods. This will give the District the flexibility to change the contract after one year or to replace the operator if performance is not satisfactory. This time frame will also coincide with the expiration of the District's current labor contract. Following contracts could be executed for longer periods of time.

5.4 Ownership of Vehicles

It is recommended that the private operators use their own vehicles for the operation of District contracted services. The existing labor contract constrains the District from leasing its vehicles to private operators.

5.5 Insurance Responsibilities

It is recommended that the contractor shall provide, at their own expense, all insurance coverage and shall hold the District and its personnel harmless from, and against, all liabilities, expenses, and claims for damages of any nature. Required insurance coverages will be set by the District's Risk Management Department and specified in the contract. The contractor shall also provide a program of workers' compensation insurance in an amount and form to meet all applicable requirements of the State of California.

5.6 Maintenance Provisions

It is recommended that the contractor be responsible for all maintenance work on the vehicles. This could be done by contractor's personnel or through subcontracting of the maintenance function.

5.7 Provision of Support Services

Recommendation: The District will provide the support services for the District contracted services as agreed upon in the RFP and the contract. It is recommended that the contractor will be responsible for the following:

- a. operating the contracted service;
- b. dispatching and controlling the operation;
- c. hiring and training drivers and mechanics;
- d. hiring and training administrative personnel;
- e. performing all services as specified in the contract.

Support services for other types of contractual agreements were described in Section 3.0, above.

5.8 Packaging of Bids

It is recommended that the first contract will be contracted to one or more operators. Following contracts of larger size could be packaged into units based on geographical areas and proposed for bid individually. Private operators at the Private Operators' Advisory Committee meeting expressed support for this type of arrangement.

5.9 Payment for Contract

It is recommended that the District enter into a fixed price (including profit) type of contract. The RFP will include all information needed by the private operator to prepare a cost estimate for a proposal, while District staff will prepare its own cost estimate for comparison purposes. The recommended type of contract is also discussed in item 5.11 (Fare Collection).

5.10 Cost Comparison

The proposed cost from the private operator will be compared to District cost to see if there is indeed a cost savings. It is recommended that the comparable costing of District services will be based on a fully allocated cost formula. Such a formula is in the development stage (Planning Department model) and contains four variables--vehicle miles, vehicle hours, passenger boardings, and peak buses. The concept of this model has been agreed upon by the LACTC. In the event that this model is not completed prior to the first contract, the District Treasurer's cost model will be used for the cost comparison.

5.11 Fare Collection

It is recommended that fare collection on the District's contracted services will be the same as on the District's regular service. To the passenger, the contracted service will not be different than the District's regular service.

It is further recommended that the contractor will keep the cash and that the District keep the revenues from bus passes, tickets, and transfers. This arrangement will provide an incentive to the contractor to carry more passengers and will save the District costs associated with handling and monitoring cash fares.

5.12 Performance and Liquidated Damages

It is recommended that damages caused to the District from any failure by the contractor to adhere to the set schedule of operation, other than a failure caused by conditions beyond the reasonable control of the contractor, will be in monetary terms. Provisions will be made for assessment of liquidated damages if the contractor defaults in performance.

5.13 Accessible Vehicles

It is recommended that the service to be provided by the contractor must be accessible to wheelchair-bound passengers.

5.14 Minority Participation Requirements

It is recommended that contractor be required to be bound by the Disadvantaged/Women-owned Business Enterprise (DBE/WBE) provisions and by the Equal Employment Opportunity provisions (EEO). No specific goal of minority participation should be set for the first contract.

5.15 Promotion

It is recommended that the District will control all promotion and provide material to be distributed by contractor.

6.0 IMPLEMENTATION PROCESS

The District has in existence an interdepartmental task force which meets on issues of District-wide concern. The horizontal approach of using the existing interdepartmental task force will be used for implementing the first transit contract rather than creating a separate structure to interface with the appropriate District departments.

Many District departments will be required to contribute their services and expertise to ensure a successful implementation of contracted services. The following outline of functions and tasks are assigned to each of the District department. The departments are listed in alphabetical order.

6.1 Accounting and Fiscal:

- (1) Review and comment on the contract;
- (2) Audit financial statements of the bids;
- (3) Ensure financial stability of the contracts;
- (4) Monitor financial reports;
- (5) Execute and monitor District payments for the contract.

6.2 Community Relations

- (1) Provide information and respond to community reaction to contracted services;
- (2) Assist in the process of public hearings for contracted services;
- (3) Respond to community problems, if any, resulting from contracted services.

6.3 Customer Relations

- (1) Provide printed information to users;
- (2) Provide telephone information on schedules and routes;
- (3) Handle complaints and commendations from the public;
- (4) Communicate complaints to the District's monitoring staff.

6.4 Equal Opportunity

- (1) Review Request for Proposal;
- (2) Ensure Contractor's compliance with EEO requirements.

6.5 Equipment Engineering

- (1) Provide specification for the desired equipment;
- (2) Inspect and monitor equipment used on the contracted services.

6.6 Labor Relations

- (1) Review the RFP and the contract as they relate to the District's labor agreements;
- (2) Consult with the labor unions, as needed;
- (3) Ensure compliance of the contracted services with the provisions in the agreement between the District and the labor unions.

6.7 Legal

- (1) Review District's exposure of liability to unions, particularly to Articles 7 and 51 of the UTU contract.
- (2) Recommend procedures for dealing with union issues.
- (3) Review and approve the legality of all items in the RFP and the contract;

- (4) Make legal finding regarding insurance and labor contract issues;
- (5) Review for conformity with all applicable terms and regulations.

6.8 Marketing and Communications

- (1) Provide marketing and promotion services as needed;
- (2) Advise on prepaid sales for contracted services.
- (3) Provide coordinated materials between subcontracted lines and regular District system.

6.9 Operations

- (1) Review the RFP and contract for operational feasibility;
- (2) If needed, inspect, evaluate, and advise on the adequacy and capability of the private contractors' maintenance facilities;
- (3) Evaluate and advise on the capabilities of the private contractors' bus drivers;
- (4) Evaluate, as needed, training programs for drivers and mechanics.

6.10 Office of Contracts, Procurement and Materiel

- (1) Assist, as needed, in the development of the RFP and the contract;
- (2) Issue RFP and execute contract.
- (3) Monitor compliance of the contractor with the provision in the contract.

6.11 Risk Management

- (1) Provide insurance specifications required of the contractor;
- (2) Review proposals for compliance with insurance requirements;
- (3) Monitor insurance provisions and activities by the private contractor.
- (4) Review and evaluate the contractors' safety program and training;
- (5) Monitor accidents and safety-related activity of the private operator.

6.12 Scheduling

- (1) Evaluate operational feasibility of the contract;
- (2) Develop schedules for the contracted services;
- (3) Coordinate schedules of contracted services with District's regular operations;
- (4) Monitor and make adjustments, as needed, to contracted services.
- (5) Integrate schedules with regular District system.

6.13 Stops and Zones

- (1) Install stops for contracted services at appropriate location;
- (2) Maintain stops and zones of contracted services.

6.14 Transit Police

- (1) Ensure safety of passengers on contracted services;
- (2) Provide service per contract specification (enforcement of laws on contracted operators, etc.).

6.15 Operations, Control and Services

- (1) Provide radio communication liaison functions between the District and the private operator;
- (2) Notify appropriate District department(s) when support services are needed for the private operator.

The Planning Department will staff the first phase of the District's privatization program through the Interdepartmental Task Force. Additional departments, other than those stated above, may be requested to participate, as needed, in this program.

7.0 IMPLEMENTATION PROCEDURES AND SCHEDULE

This section describes, in broad terms, the procedural steps to be taken during the implementation stages of service contracting. A major element of these procedures is the development of the scope of services to be performed together with the development of the RFP and will include further specifications and legal responsibilities than the RFP. Implementation procedures, as well as implementation schedule, are described below.

7.1 Implementation Procedures

The following general procedures are recommended by District staff:

- (1) Board approval of major policy issues;
- (2) Board approval of recommended lines for contracting;
- (3) Task assignments at the interdepartmental committee meetings;
- (4) Solicitation of input from the Private Operators' Advisory Committee and the Transit Users' Committee;
- (5) Develop packages for service contracting;
- (6) Develop the RFP;
- (7) Develop the contract;
- (8) Develop a list of potential bidders;
- (9) Interdepartmental committee review and approval of RFP and contract;
- (10) NSRB Review and approval of RFP and contract;
- (11) Issue RFP;
- (12) RFP evaluation of proposals;

- (13) NSRB approval;
- (14) Board of Director's approval of recommended award of contract.

7.2 Scope of Work to be Provided

The scope of work to be provided by the private operator will be included in the RFP and in the contract. This scope of work will include the scope of services to be provided by the private operator, start-up and service responsibilities, provisions for changes in service levels, and payment arrangements for exercising service options. The scope of work components include the following:

(1) Scope of Services

The contractor(s) will provide the service on those lines listed in Section 4.0. Each selected line for contracting will contain the following:

- o Route map;
- o Description of alignment/stops;
- o Schedule of hours of operation;
- o Operating parameters (number of buses, number of trips, number of miles, operating schedules, etc.).

(2) Start-up Period

During the mobilization period, the contractor will conduct planning, organizational, and other preparatory activities as may be necessary in order to enable the contractor to begin the performance of the bus service at the commencement of the service period.

(3) Service Period

During the service period, the contractor will provide the service in strict accordance with the provision of the contract, including scope of services.

(4) Change in Service Levels

Within limits, the District will retain the right at any time to deliver written notice to contractor specifying increases, decreases, or other changes in the route, the number of revenue miles or revenue hours, the headway, and any other matters set forth in the Scope of Services. Payments for changes in service levels will be adjusted and specified.

7.3 Request for Proposal (RFP) Outline

Final decisions on major policy and technical issues outlined in Section 5.0 will provide the guidelines and direction for the development of the RFP and the contract. In general, the RFP will contain the following elements and outline:

(1) Solicitation Instructions to Bidders

This section will explain to bidders their qualifications and eligibility for contract awards. In addition, it will outline and explain all the documents required to be prepared and submitted for the bid, including late bids and modifications or withdrawal of bids. This section will also explain the evaluation factors of the bids and the award of contract process.

(2) General Provisions

The General Provisions section will include definition of terms in the contract, responsibilities of the contractor, and a variety of provisions for service changes, termination, disputes, payments, performance standards, and inspection. This section will also include special provisions for insurance requirements. In addition to all insurance required by federal, state, and local law or regulation, the contractor will be required to obtain and maintain comprehensive general liability insurance, protecting the contractor and the SCRTD from all claims resulting from contractors' obligations under the contract. Finally, this section will include a payment schedule of liquidated damages caused to the District from failure of the contractor to adhere to an acceptable performance standard.

(3) Scope of Work

The Scope of Work section will include the following subsections:

- a. Scope of Services to be Provided: This scope will describe the route configuration and the number of buses required for each route.
- b. Description of Contract Performance Requirements: This section will specify the following:
 - o Standards and level of performance;
 - o Service and support vehicles;
 - o Fare collection specifications;
 - o Hours and frequency of service;
 - o Maintenance of vehicles;
 - o Contractor personnel (drivers, mechanics, management)

- o Contractor reports;
 - o Operation and maintenance facilities.
- c. Bus Standards and Specification.
- d. Appendices: The following appendices will be included in the RFP:
- o Bidders' questionnaire;
 - o Bidding forms;
 - o EEO provisions;
 - o Representatives and certifications;
 - o Route maps and description;
 - o Bus specifications.

7.4 Contract

The contract between the District and the private operator awarded the contract will include the information presented in the RFP.

7.5 RFP Development and Implementation Process

At the Board meeting on February 27, 1986, the Board of Directors approved the RFP development and selection process and the time schedule outlined below. This is a general schedule for the development of the RFP and the selection process for Phase I (first contract). Additional phases of privatization would be based on further policy decisions of the Board after July 1, 1986. The District will reserve the right to modify any part of the schedule after publication.

<u>TASKS</u>	<u>COMPLETED BY</u>
A. Identify specific lines and services for contracting. Identify policy issues. Make recommendations to the Board of Directors.	April 30, 1986
B. Resolve policy issues (continued). Resolve technical issues. Obtain Legal Department's approval.	May 15, 1986
C. Develop Scope of Services. Obtain concurrence from various impacted District departments.	May 15, 1986
D. Complete and revise Scope of Services and all other procedures.	May 30, 1986
E. Obtain the Office of Contracts, Procurement and Materiel approval. Develop a list of potential bidders. Complete evaluation, selection, and monitoring procedures.	June 15, 1986

- | | |
|--|--------------------|
| F. Issue RFP. | July 1, 1986 |
| G. Review and evaluate proposals. | September 30, 1986 |
| H. Board approval of successful bidder(s) and contracts awarded. | October 16, 1986 |
| I. Commence Service | December 28, 1986 |

Attachment 1

POTENTIAL SHARED LINES

<u>Line No.</u>	<u>Line Name</u>
412	L.A.-N. Hollywood-Van Nuys
413	L.A.-Burbank-N. Hollywood
418	L.A.-S. Valley-V. Nuys-Northridge
419	L.A.-Mission Hills-Chatsworth
421	L.A.-Universal City
422	L.A.-Sherman Oaks
423	L.A.-Woodland Hills-Westlake
426	L.A.-Wilshire Blvd.-S.F. Valley
427	L.A.-Tarzana-Canoga Park
429	L.A.-Sunset Blvd. Express
430 ✓DIVG	L.A.-W. Sunset Blvd.
431 ✓DIVG	L.A.-Westwood
436 ✓DIVG	L.A.-Venice Blvd. Express
437 ✓DIVG	L.A.-Marina del Rey
438	L.A.-Culver Blvd.-Manhattan Bch.
445	L.A.-San Pedro Park/Ride Service
495	L.A.-Roland Heights-Diamond Bar Ex.
498	L.A.-Eastland-W. Covina-Citrus Col.
576	South L.A.-Pacific Palisades

Attachment 2

POTENTIAL CONTRACT LINES

<u>Line No.</u>	<u>Line Name</u>	<u>Sector</u>	<u>Service Type</u>
56	Carson-L.A. via Wilmington Ave.	SCLA	Region
147	San Pedro-Park Western Plaza	CSP	Circulation
175	Fountain Ave.-Talmadge St.-Hyperion Ave.	WCLA	Circulation
208	Beachwood Shuttle	WCLA	Circulation
250	Boyle Ave.	NELA	Circulation
358/	Alameda Ave. Limited/	ECC	Peak Express
455	L.A.-Paramount-Bellflower		
149	Long Beach-Disneyland-Riverside	OC-RC	Contract Exp.
496	L.A.-Riverside-San Bernardino	RC-SBC	Contract Exp.
497	L.A.-Pomona-Montclair	PV-SBC	Peak Express
422	L.A.-Sherman Oaks-Van Nuys	ESFV	Peak Express
430/DIVG	L.A.-Westwood-Sunset Bl.	WLA	Peak Express
431			
437/DIVG	L.A.-Culver Blvd.-Marina del Rey	SB-WLA	Peak Express
438			
443	L.A.-Torrance-Palos Verdes	SB	Peak Express
444	L.A.-W. Torrance-Marineland	SB	Regional Exp.

ATTACHMENT 3
LEGAL DEPARTMENT
SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
INTERDEPARTMENTAL MEMORANDUM

DATE: April 6, 1986

TO: Al Perdon
FROM: Richard T. Powers
SUBJECT: Privatization/UTU Contract

This is intended to reaffirm and, to a lesser extent, amplify upon comments previously made by Jeff Lyon on this general subject.

In any discussion of Privatization, the Provisions of Article 51, Section 2 of the UTU contract invariably arise. However, the section applies only to "the sale transfer or other disposition of--facilities or assets or any part of them" by the District to a third party. This would include buses, real property and improvements and specific bus lines. It constitutes a relinquishment of property rights and the control thereof. As discussed below, Subcontracting and Business Development Divisions are not impacted by the section; but the abandonment of lines may be, under certain circumstances.

SUBCONTRACTING

Under Article 7, Section 2 of the UTU contract, the District may contract for services if there is insufficient equipment or there are insufficient operators to perform the service (and existing employees are not adversely effected). This is a concession by the Union which permits us to subcontract our services to a common carrier on whatever terms are best for the District. It is something of an emergency provision in that we would be incapable of providing the service ourselves due to lack of equipment/operators. "Franchise" and "license" probably mean a permit from the city and certification by the PUC, respectively.

By subcontracting under Article 7, we would not be disposing of facilities or assets as contemplated by Article 51. Rather, we would be contracting with a carrier to operate our assets (bus lines) on our behalf and in compliance with the terms and conditions set forth in our bid specifications. Under these circumstances, the subcontractor is not required to assume and observe the UTU contract.

BUSINESS DEVELOPMENT DIVISIONS

Under Article 25 of the UTU contract, if we lose 20% of current federal operating funds, the District may create BDD's to contract with cities or the County to provide replacement or new services; "replacement" apparently meaning services which have been eliminated because of the decreased funding. Article 51 is not relevant because we would be using District employees in compliance with the UTU contract.

ABANDONMENT

The District was created to ensure the movement of people in and around the Los Angeles area and to meet the transit needs and problems of the whole southern California area. (District Law, Section 30001). Because of this regional mandate, the reason for the abandonment of regional lines must be much more compelling than the reason for abandoning a line providing service only to a local area.

Apart from observing our regional mandate, the District may abandon lines at the discretion of the Board of Directors in the exercise of its business judgment. However, under Article 51 of the UTU Contract, if the District transfers a line two requirements must be met: (1) the District must make adequate provisions for employees who are adversely affected (this shall be a subject of collective bargaining); (2) the District shall require that the acquiring agency assume and observe the UTU Contract and protect the rights and benefits of UTU employees.

The circumstances of abandonment vis-a-vis Article 51 are probably best examined with examples.

1. If a line is abandoned solely for economic reasons meeting reasonable economic criteria, it is irrelevant, as far as Article 51 is concerned, if another entity subsequently reinstitutes service.
2. A situation could arise where two lines with a similar lack of productiveness are being considered for abandonment, one of which would be replaced by a city. The fact that the District, in the public interest, elects to abandon the one which will be replaced, does not trigger the application of Article 51.

Al Perdon
April 6, 1986
Page 3

3. A last example would be the case where the city has expressed a desire to take over a particular line. Although it is not one of our better lines, it did not meet the criteria of lines which would be eliminated as a cost saving measure. Nevertheless, the District abandons the line so that the city can institute service with a private carrier. To use the non-productiveness of the line, in this case, as the motivation for abandonment would be a subterfuge, an attempt to circumvent Article 51. In our opinion, a court, at the instance of the UTU, would either enjoin both parties from acting (because the city is well aware of the requirements of Article 51); or would assess economic damages against the District, since the obligation to the UTU lies with us.

The examples of various types of abandonment used are rather clear cut. Situations will arise which do not lend themselves to easy resolution. Each must be viewed separately and decided on its own set of facts.



Richard T. Powers
General Counsel

RTP:cv
6:21

ARTICLE 7

MANNING REVENUE EQUIPMENT

SECTION 1. NON-OPERATOR EXCEPTIONS

All revenue equipment of any type operated by the District will be manned by Operators who are qualified for such service, except that Mechanics qualified to operate said equipment may change off equipment in revenue service if no Extra Operators are available at the Division.

The provisions of this Article shall not be construed to prohibit Mechanics, or members of the supervisory forces, from operating revenue equipment in cases of emergency or on test trips, or for the purpose of instruction where such trips do not involve transferring equipment between garages, shops or Divisions. In cases of emergency, or when qualified Operators are not readily available, Mechanics may transfer equipment between shops, Divisions and Terminals.

SECTION 2. SUB-CONTRACTING AND PARA-TRANSIT

- (a) Nothing in this contract shall be deemed to preclude the District from contracting for service with common carriers of persons operating under a franchise or license for services, providing that no contracting shall take place unless there is insufficient equipment, or there are insufficient operators to perform said service, and provided further that said contracting shall not adversely affect the existing employees of the District.
- (b) Nothing in this contract shall prohibit the District from becoming an "umbrella" agency with responsibility for administering, regulating, and contracting with respect to Para-Transit Programs.
- (c) At no time during the term of this contract or any extension thereof between the District and Union will the District reduce its hiring of new employees covered by said contract as the result of the inclusion of sub-contracting of Para-Transit Programs.
- (d) The District's participation in subcontracting or Para-Transit Programs shall not adversely affect any of the District's employees covered by this Agreement.
- (e) No Para-Transit equipment shall, during the term of this contract, be stored, serviced, repaired or maintained on any District property where District revenue equipment is stored.

ARTICLE 51

TERMS OF PROTECTION

SECTION 1. TERMS OF PROTECTION

The District shall not acquire any existing systems or part thereof, whether by purchase, lease, condemnation or otherwise, nor shall the District dispose of or lease its system or any transit system or part thereof, nor merge, consolidate or coordinate its system with any transit system or part thereof nor substitute any type of equipment of its system or part thereof for the then existing equipment or reduce or limit the lines or service of any existing system or of its system unless it shall first have made adequate provisions for any employees who are covered by this Contract between the United Transportation Union and the District, who are or may be displaced, or whose wages, hours, place or conditions of employment are or may be adversely affected. The terms and conditions of such provisions shall be a proper subject of collective bargaining with the United Transportation Union and an agreement providing adequate protection shall be negotiated and executed prior to the time any of the acts described above become effective.

SECTION 2. SALE OR TRANSFER OF FACILITIES OF THE DISTRICT

As a condition to the sale, transfer or other disposition of its facilities or assets or any part of them to any other agency, firm or corporation, the District shall require as a condition to said sale, transfer or other disposition, that the acquiring agency, firm or corporation, assume and observe all existing labor contracts, to which the United Transportation Union is a party and shall appoint all of the employees of the District covered by this Contract, to comparable positions without the loss of any rights or benefits to which they are then entitled.



L.A.C.T.C.
Received

1986 MAY -7 AM 11: 35

John A. Dyer
General Manager

MAY 6 1986

Mr. Donald Howery
General Manager
City of Los Angeles
Department of Transportation
1200 City Hall
Los Angeles, California 90012

Dear Mr. Howery:

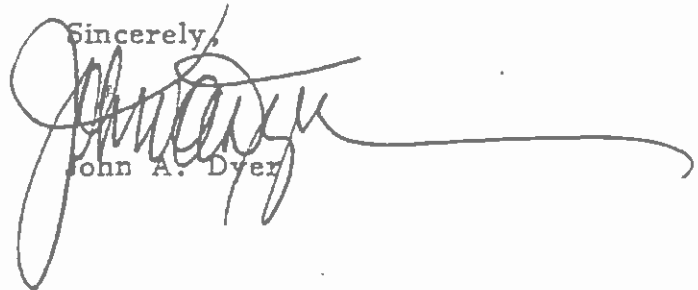
I believe our meeting of April 25 regarding privatization was very productive and will lead to positive steps being taken to implement a successful privatization demonstration project. As we have indicated, the line sharing approach appears to be the most feasible one for addressing the objectives of both the City of Los Angeles and the Urban Mass Transportation Administration (UMTA). Line sharing should help to minimize the number of independent variables which might otherwise skew the comparative analysis of operations by RTD and by private contractors. Also, line sharing will enable the District to honor existing labor contracts and thus maintain harmony with the District's labor force. The attached letter from Earl Clark, General Chairman, United Transportation Union, amplifies our interests regarding this aspect of privatization.

As we face the prospect of a continuing decline in federal operating support, it is clear that restructuring of transit services will be required. The Consolidated Transit Service Policies recently adopted by our Board set the framework for the restructuring of District services. Over time, the District will be cancelling service on some lines, increasing service on other lines, and modifying the route of yet other lines. This restructuring of service, necessitated for business reasons could provide additional opportunities for the City of Los Angeles to provide service using private operators funded by Proposition A local return funds. As in the case of line sharing, we believe this privatization approach can be done within the framework of the District's labor contracts and applicable state and federal laws.

Finally, we believe there are unmet transit demands in the City of Los Angeles which could be served by the City using private operators funded by local return funds. We have defined potential corridors along which the City could initiate new service. One or more lines could be established as part of the UMTA demonstration project if the City desires.

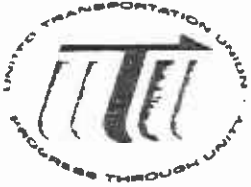
Mr. Donald Howery
Page 2

We look forward to the meeting scheduled for May 16, 1986 to discuss this matter further.

Sincerely,

John A. Dyer

Attachment

cc: Bill McCarley
Mark Pisano
✓ Rick Richmond



united transportation union

GENERAL COMMITTEE OF ADJUSTMENT

36 S. Kinneloa Ave. • Pasadena, CA 91107 • (213) 624-5567 • (818) 584-0721

Earl Clark
General Chairman
Archie F. Grant, Jr.
Vice Chairman
James A. Williams
Secretary
John H. Cockburn
Member
Stephen Smith
Member

April 21, 1986

RECEIVED

APR 24 1986

General Manager

Mr. John A. Dyer, General Manager
So. Calif. Rapid Transit District
425 South Main Street
Los Angeles, California 90013

Dear Mr. Dyer:

We are aware that there is an increasing trend toward privatization among communities in Los Angeles County as a result of Proposition A funds which are available through the Los Angeles County Transportation Commission. Many of these privatization projects have already or will have impact on the service provided by the Southern California Rapid Transit District.

Since this Union represents the more than 5,000 RTD drivers, who could be adversely impacted as a result of increased privatization in transit operations, we believe it is incumbent upon the SCRTD, the LACTC and any community involved in major privatization projects to call upon the experience, knowledge and capabilities of this Union before any final determinations are reached.

We believe it is in the best interest of all concerned to move cautiously and to assure that all moves are in compliance with existing labor contracts and with applicable state and federal laws. If there are any doubts or questions concerning this, we can provide the answers.

This Union is sincerely interested in the best quality of public transportation which can possibly be achieved, and we recognize that in some instances privatization can fill service voids which the SCRTD cannot or finds too expensive.

However, this Union has achieved a reputation over the years for being extremely militant when it comes to the protection of our members. We have also achieved a reputation for being responsible, honorable and truthful.

united transportation union

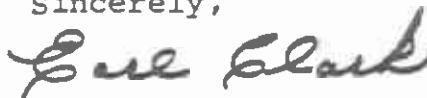
Mr. John A. Dyer
April 21, 1986
Page 2

There is no way we would simply sit back and allow privatization to adversely affect our members, and we believe we would be able to present our case very effectively in the public forums.

It would be far more beneficial to all if we were able to be participants rather than "impactees," and we believe the results would benefit the riding public.

I would very much appreciate hearing your comments on this.

Sincerely,

A handwritten signature in cursive script that reads "Earl Clark".

Earl Clark
General Chairman

EC:bf



John A. Dyer
General Manager

L.A.C.T.C.
Received

1986 APR -7 PM 3:40

APR 7 1986

To: Don Howery
Bill McCarley
Mark Pisano
Rick Richmond ✓

RE: Proposed Transit and Privatization Policy in Los Angeles County

Attached for your review is a copy of a discussion paper entitled, "Proposed Transit and Privatization Policy in Los Angeles County."

I am hopeful that this paper will serve as a basis for constructive discussions at our meeting scheduled for April 9, 1986, at 7:30 a.m. in the RTD Executive Conference Room. Please plan to bring no more than two persons with you due to the size of the facilities. We do plan to serve breakfast and then have approximately one and one-half hours for discussion of the paper and other issues you think appropriate.

I look forward to seeing you on April 9, 1986, at 7:30 a.m.

Sincerely,



John A. Dyer

Attachment

PROPOSED TRANSIT AND PRIVATIZATION POLICY DIRECTIONS IN LOS ANGELES COUNTY

1.0 BACKGROUND

The transit systems in Southern California and especially the RTD, have operating budgets whose funding sources are slowly being constrained. Prime sources of revenue to support operating needs come from the federal government, State of California, the LACTC through Proposition A, and the farebox. With the end of the fifty-cents fare program, funding that was available from Proposition A revenues has been significantly reduced. Revenue received from the federal government also is slowly being reduced. It is anticipated that by FY 1990, there will not be any federal operating assistance available. In RTD's case, approximately \$48 million was received in FY 1986.

Coupled with a reduction in funding availability is the fact that there has been a dramatic increase in transit usage over the past ten years. Despite fare increases in every year between 1976 and 1982, ridership on District buses continued to increase. Lower fares resulting from additional Proposition A operating subsidies in FY 82 have contributed to unprecedented growth in public transit so that by the end of FY 85, almost 500 million annual boardings were recorded. Average weekday ridership jumped from 1.1 million boardings in June, 1982 to 1.7 million in June, 1985 an increase of 40 percent in three years. Current projections over the next five years indicate that District ridership will increase at least 8 to 10 percent. This will only be accomplished by institution of considerable privatization efforts within the region including District resources.

A major factor inhibiting the ability to provide needed service is that the cost for providing a unit of service delivery has been steadily increasing over the past number of years. This exacerbates the problem of providing required service delivery to accommodate demand in an era of reduced funding sources. There are a variety of factors responsible for the SCRTD's current level of operating costs. Since the establishment of the District in 1964, the base hourly wage of its bus operators has been approximately the same as that of U.S. transportation and utility workers. Fringe benefits have been consistently high, and transit work rules changes have not compensated entirely for other costs. The District does provide a very complex operation for Los Angeles County residents. In addition, its transit services meet some very important social goals.

There are ways to decrease costs primarily in the area of reducing peak-base ratio, thereby permitting more productivity from the current work force. Competition between operations could also be helpful in meeting performance and cost objectives. Privatization efforts could meet the replacement of high cost service and allow competitive service to remain and even expand to meet current and future demand.

It is anticipated that with the current philosophy of the Administration there will be a reduction in federal operating subsidies. Funding sources will be shifted from the federal to local level. One source of additional

revenue is from the farebox. However, there is a practical, finite amount available from this source before demand is stifled and severe hardships are imposed on transit dependent people. The only additional significant local source of revenue for transit is Proposition A revenues that are disbursed to the cities within the County. Many worthwhile projects have been instituted as a result of this source of funding. However, there is still surplus revenue that could be put to good use with an agreed common, cooperative approach by all agencies. If such an approach is achievable, it should result in providing the region with needed capacity to accommodate projected demands.

It is our belief that the current way of doing business must dramatically change. Several business decisions must be made that will reduce unit service delivery costs. This will result in the region's ability to provide needed service to match demand for current and future riders. The District is ready to reconfigure service that is consistent with service policies that are to be shortly adopted by the Board. Major changes in philosophy are required. The District is prepared to be fully in step with local and regional bodies so that needed service can be provided to transit riders. This will require a major change in direction from the present operations using different operational techniques that should result in this region's ability to provide good and coordinated service delivery.

2.0 POLICY AND PROGRAM DIRECTION ISSUES

2.1 UMTA REQUIREMENTS IMPACT GRANTEE INDIVIDUALLY

UMTA's Private Enterprise Participation Policy Guidelines, issued on January 29, 1986, impose direct requirements on public transit operators to contract out services to the private sector. Public operators must adhere to these guidelines in order to receive federal capital and operating grant monies. Rather than give credit, these guidelines as published would appear to penalize the District for relinquishing service to the cities for private contracting as part of the LACTC's Proposition A Local Return and discretionary funding programs. Given that federal funds are allocated to Metropolitan Planning Organizations (MPOs) by urbanized areas and not by grant recipients, an issue to be considered is whether there should be support for a broader approach to privatization by UMTA which recognizes the total efforts within that urbanized area.

2.2 COST CONTROL AND PERFORMANCE

Both SCAG and LACTC studies show that costs of providing transit service are growing faster than the economy or the CPI. Moreover, studies have shown time and again that there is no competition among operators--indeed existing law and policies of public bodies discourage, if not preclude, competition among operators while effectively preventing new operators from going into business. In an effort to begin to address these and other issues, the LACTC in FY 1985-86 provided for a set-aside program from its discretionary Proposition A dollars in order to encourage competition from private operators and begin to address the issues of cost control and performance through stimulating new ventures and contracted services to private operators.

2.3 CITIES WANT MORE CONTROL AND VISIBILITY IN TERMS OF LOCAL FUNDING

In FY 1985-86, an estimated \$80 million in Proposition A Local Return funds will be distributed among the 84 cities and Los Angeles County based upon population. The LACTC must approve all Proposition A projects pursuant to guidelines intended to focus local return program funding on legitimate public transportation purposes. The cities feel that they are entitled to these local return funds and want direct control over how these funds are to be spent. The cities feel that they, not others, can best decide what transportation uses are needed in their communities. In addition, the cities want more visibility for the services purchased with their local return funds. The cities want residents and others to be able to recognize their efforts in spending local tax dollars to improve the community.

2.4 NEW OR EXISTING SERVICE NEEDS NOT BEING ADDRESSED

Rapidly increasing demand for transit services coupled with rising costs and lessened funding levels has resulted in significant voids in the provision of transit services. In addition, the demand for transit services seems to be increasing between 30,000 and 45,000 riders annually. SCRTD staff has identified many potential services where the latent demand warrants that they be addressed. Some examples of potential new services which could be established include peak period express service to downtown

Los Angeles from areas such as Cerritos and Whittier, express service from areas outside the District, such as San Bernardino County and Simi Valley, and commuter services to non-CBD employment centers such as Century City/Westwood and Warner Center. The reinstatement of weekend service and the establishment of limited stop service on scheduled regional local demand lines are some ways to meet the needs for existing service.

2.5 RESTRUCTURING OF EXISTING TRANSIT SERVICES

The local transfer and/or private contracting of District services creates a number of policy issues which must be addressed. Some of these issues are discussed below:

2.5.1 TRANSPARENCY OF CHANGES TO USER

A restructuring in the provision of transit service requires planning in order to maintain the level of regional connectivity and minimize the negative affects of any changes to the user. The maintenance of previous service levels and the transferability of fares between any new services and the District's regional service are among the requirements to be resolved.

*even/odd
op. - more
confusing*

2.5.2 CONSTRAINTS TO TRANSFERRING OF SERVICES

Article 51 of the labor contract between the District and the United Transportation Union (UTU) places constraints on the District for transferring of lines to localities for private contracting. According to Article 51, the District cannot abandon or transfer service to a city or any transit system without first making adequate provisions for all affected employees to ensure that none are adversely affected. The terms and provisions of such provisions must be negotiated through collective bargaining with the UTU. Further, as a condition of any transfer, the District must require that the acquiring agency assume and observe the UTU contract and protect the position of all UTU employees. The cooperation of the UTU is therefore essential before the District can begin transferring any of its service. See Attachment 1 for a legal description of the issue.

*assume
would also =
parts of 3k*

*transfer ≠
dropping*

2.5.3 13(C) RESTRICTIONS ON DISTRICT CONTRACTING OF SERVICE

Section 13(c) of the Urban Mass Transportation Act of 1964, as amended, is federal legislation which is similar in language and intent to Article 51 of the District's UTU labor agreement. Like Article 51, Section 13(c) requires the District to make provisions for the protection of employees whenever funds from a capital or an operating grant are used in any way to create service displacement. The affected employees must be guaranteed similar wages and working conditions, thus limiting any potential cost savings to the District.

attrition ?

2.5.4 CONSTRAINTS TO CONTRACTING OF SERVICES

Perhaps the major impediment to the District for contracting services to the private sector rests with Article 7 of the District's UTU contract. Article 7 (Section 2) states clearly that no contracting shall take place unless there is insufficient equipment, or insufficient operators to

perform that service. In addition, Article 7 states that said contracting shall not adversely affect the existing employees of the District. Labor negotiations with the UTU are therefore necessary before the District can legally contract any of its services. See Attachment 2 which shows the specific contract language of Articles 7 and 51 of the UTU contract.

3.0 RECONCILING POLICY ISSUES

At the heart of the privatization issue is whether or not this region can successfully bring together the diverse elements of policy into a coherent and viable transit service policy for Los Angeles County. The UMTA privatization policy requires each bus operator to involve independently the private sector in the provision of transit services as a means of lowering transit costs through competition while achieving other objectives. As a regional transit agency, the SCRTD believes that privatization plans and decisions should be coordinated and integrated in order that deployment decisions achieve the maximum cost-effectiveness potential intended by the policy. Moreover, we believe other agencies and officials agree with that position. Given this approach, the District has identified below, elements related to the privatization policy which are agreed by everyone and issues and policy issues which still need to be addressed.

3.1 COMMON ELEMENTS WHICH EVERYONE AGREES ON

It appears that several basic transit related issues are agreed upon by all entities in the region. These issues could serve as a basis to resolve other issues which have not yet achieved a consensus or a resolution. Four major issues are stated here which we believe everyone should agree.

First, making the most efficient use of the available public funds for transit is a goal believed to be shared by all entities in the region. This means that transit services should be looked upon as any other business and based upon business decisions. All services that are not cost effective to operate, should be evaluated in terms of alternative operations, service modifications or service cancellation.

Second, the need to increase the transit capacity in the region. Demand for transit services is increasing at a rate of three percent a year. Transit is losing mode split to the automobile through lack of deployment of resources, not conscious decisions. On the other hand, federal operating and capital resources for public transit operators are shrinking. If we are to respond to the increased demand, innovative ways need to be found to increase the capacity of all transit systems in the region. Involvement of private operators in the provision of transit services at a lower cost than public operator is one way which may increase the regional transit capacity.

on existing
lines RTD
plans to quit

Third, there is a need to be flexible with implementation of new operational concepts. Given the current reality of increased demand for transit during an era of declining financial resources, new and innovative ways need to be evaluated as alternative solutions which respond to the existing challenges.

Finally, the cities and County of Los Angeles receive about \$80 million annually from revenues generated from the one-half cent local sales tax. It is understandable that local jurisdictions would want to spend their respective share of Proposition A funds on transit projects for their residents. Within the context of the regional transit service system,

these dollars must be put to work to meet local and regional transit needs. Visible local transit service will be perceived by the residents as a service they receive for the additional tax they pay.

3.2 POLICY ISSUES WHICH NEED TO BE ADDRESSED

Due to the nature and multiplicity of jurisdiction in our region, several elements related to the development and implementation of a privatization program may not be agreed upon by all entities. Differences in perspective, size, and approaches of entities result in an overriding need to evaluate, address, and reach a consensus on major policy issues.

One of the major potential problems from a regional perspective is that decision for service are made independently by various entities. At present, 84 cities and the County of Los Angeles share 25 percent of the Proposition A local sales tax revenue. Each of these jurisdictions makes decisions regarding the use of their funds for transit projects serving their needs. Decisions emanating from local boards are likely to emphasize responsiveness to local needs and to deemphasize or perhaps neglect altogether, longer distance intercommunity transportation needs. Provision of an area-wide transportation system that seeks to ensure minimum mobility levels for the general population requires a broad base, regional coordination, and decision making authority. In short, a rational balance between the local transit decisions and the regional transit system needs to be achieved.

city/Co. Proposition?

New policy directions in relation to labor constraints is another important issue which needs to be addressed. The UMTA's privatization policy states that labor constraints (federal or local) cannot be an excuse for operators inability to implement the privatization policy. However, the federal regulatory requirements of Section 13(c) of UMTA and the current District agreements with its labor unions still pose serious constraints to freely implement a privatization program. The District will require from others assistance, support, and a coordinated policy on labor issues to fully realize potential savings of a privatization program.

An additional issue which needs to be addressed is Senate Bill (SB) 325. SB 325 reserves service areas for each operator receiving this bill's funds. This means that one operator cannot operate freely in an area reserved by SB 325 for another operator. This approach causes inefficiencies in operation and increases costs of operation. Coordination among operators and agreements to allow the most efficient bus operation by the most suitable operator within each of the reserved service areas will eliminate this conflicting element.

minutes?

Regional lines passing through several cities may encounter operational and financial problems. If a bus line is a contracted service and is paid for by Proposition A Local Return funds, an agreement of the cities along the line needs to be reached to pay collectively for the operation of the line. If, however, one or more cities along the line decides that they do not desire this service, the problems to be resolved are who will pay for this service and will there be any operational restrictions to operate the service through the non-participating cities.

agree for pt-to-pt : price load

The UMTA privatization policy is, at this point in time, not specific and lends itself to numerous interpretations. If we are to focus on an effective plan of action, it would be productive to reach a consensus by the regional entities on the direction the region as a whole would like to proceed in relation to the policy.

Finally, there are two elements which are not addressed in the privatization policy but are of a need to be addressed by entities in the region. These issues relate to overcrowding of existing services and to latent demand and future demand for transit.

At present, many District lines are overcrowded and require additional manpower and equipment to relieve these conditions. Current available District resources are not sufficient to relieve crowded lines without adversely impacting other lines. Similarly, it is projected by L.A. City and the District that by 1990, some 300 additional peak hour buses will be needed in Los Angeles Central Business District to respond to demand generated by current growth in downtown office space. Both of these issues need to be addressed by regional and local transportation agencies.

*logical turnover
redeployment
argument.*

4.0 A COMMON CONSISTENT POLICY FOR LOS ANGELES COUNTY

The development of a common policy for privatization in the county requires new approaches to the provision of service. As stated above, the District cannot transfer a line to the City or anyone unless the receiver agrees to assume and observe the District's labor contract. If, however, the District were to agree to share the operation of a line up to fifty-fifty percent of service with the City or others, this would not constitute a transfer as contemplated by the labor agreement. This sharing of services and lines can form the basis for a common policy for privatization in Los Angeles County. The adoption of this approach or another common policy base can led to positive implementation of privatization for the region.

4.1 AN ALTERNATIVE REGIONAL SERVICE POLICY BASELINE

It is proposed that a regional service policy be developed and implemented that sets a baseline for the sharing of lines and services. The objectives would be an orderly implementation of federal and local privatization policies and to insure that those who use transit and pay for transit are not burdened with disjointed service or unnecessary duplication of costs.

In general, under this regional policy the RTD would share the operations of mutually acceptable lines with other entities and to share other services as appropriate. By sharing lines and services, important advantages can be gained for the users, the operators, the County, the cities, and the LACTC. The sharing of lines would respect existing labor agreements that were negotiated in good faith. The sharing of lines would also permit privatization of existing services, and its expected reduction in cost, to move forward while allowing for the expansion of transit capacity in the region.

If the District and the City of Los Angeles were to share operation of a line, the City service would be provided by private operators. If the operation were split "fifty-fifty", every other bus would be a City contract bus. To a user, the sharing would not be apparent because his/her fare, pass, or transfer would be valid no matter which bus the user boarded. Other services could also be shared when appropriate. The telephone information system, for example, could provide route and schedule data for the line no matter who operates the service. Line sharing agreements would be negotiated that would lay out the roles and responsibilities for each party to the agreement.

The sharing of lines has the potential to increase transit capacity within the region. The equipment and manpower that the District saves on shared lines can be redeployed to relieve overcrowding on existing services or create new routes.

The shared service concept can be extended to other cities or the County. New routes could be established by cities to meet the needs of their residents. Redeployed services could be used by the RTD to share in those locally provided lines, to the extent the local line serves regional needs or inter-community needs. The new services would all be provided by the private sector and would be integrated with existing services in a way that would be transparent to the users. The cities or the county would retain

control of the private operations, have assurance that the service is appropriate to local needs, and have a direct voice in operation of the shared service.

This approach would address the policy issues of preventing fragmentation of services for the user; allow local control of services fulfilling local needs; increase the cost-efficiency of transit within the region; and provide for an orderly implementation of federal and local policies on private enterprise participation. Moreover, such a policy base when translated to specific operations would avoid the "subterfuge" legal issues described elsewhere.

4.2 IMPLEMENTING THE SERVICE POLICY BASELINE

The implementation of the shared line concept will require development of a set of policies by SCAG, LACTC, the City, the RTD, and others. In addition, as never before, a plan of coordination from each agency is absolutely necessary. These vertical policies and plans need to address each agency's service and privatization plan, and identify where coordination is necessary.

With SCAG as the MPO and the designated recipient of UMTA Section 9 funds, their policy and plans may differ considerably from those of an operator. With the LACTC as the programmer of all funds and the agency in control of 75 percent of Proposition A funds, their policies and plans can go beyond federal requirements, and can be one basis for tying together all privatization efforts in the County. With the County and the cities in possession of 25 percent of Proposition A funds, they have a golden opportunity to do things in public transit that never have been done elsewhere. We have the potential for destroying the existing system or reconfiguring it into an enormously successful operation, depending on the directions we go with the policies, plans, and deployment of our resources.

It is our desire that this paper on policy directions will stimulate a mutually beneficial dialog on the future provision of transit in Los Angeles County for the greater benefit of the public we serve.

which option accomplishes which?

LEGAL DEPARTMENT

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

INTERDEPARTMENTAL MEMORANDUM

DATE: April 6, 1986

TO: Al Perdon

FROM: Richard T. Powers

SUBJECT: Privatization/UTU Contract

This is intended to reaffirm and, to a lesser extent, amplify upon comments previously made by Jeff Lyon on this general subject.

In any discussion of Privatization, the Provisions of Article 51, Section 2 of the UTU contract invariably arise. However, the section applies only to "the sale transfer or other disposition of--facilities or assets or any part of them" by the District to a third party. This would include buses, real property and improvements and specific bus lines. It constitutes a relinquishment of property rights and the control thereof. As discussed below, Subcontracting and Business Development Divisions are not impacted by the section; but the abandonment of lines may be, under certain circumstances.

SUBCONTRACTING

Under Article 7, Section 2 of the UTU contract, the District may contract for services if there is insufficient equipment or there are insufficient operators to perform the service (and existing employees are not adversely effected). This is a concession by the Union which permits us to subcontract our services to a common carrier on whatever terms are best for the District. It is something of an emergency provision in that we would be incapable of providing the service ourselves due to lack of equipment/operators. "Franchise" and "license" probably mean a permit from the city and certification by the PUC, respectively.

By subcontracting under Article 7, we would not be disposing of facilities or assets as contemplated by Article 51. Rather, we would be contracting with a carrier to operate our assets (bus lines) on our behalf and in compliance with the terms and conditions set forth in our bid specifications. Under these circumstances, the subcontractor is not required to assume and observe the UTU contract.

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"abandonment"*

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city to
oper. T.
also
constitute
an abandonment
to operate
assets on
RTD's behalf?*

BUSINESS DEVELOPMENT DIVISIONS

Under Article 25 of the UTU contract, if we lose 20% of current federal operating funds, the District may create BDD's to contract with cities or the County to provide replacement or new services; "replacement" apparently meaning services which have been eliminated because of the decreased funding. Article 51 is not relevant because we would be using District employees in compliance with the UTU contract.

ABANDONMENT

The District was created to ensure the movement of people in and around the Los Angeles area and to meet the transit needs and problems of the whole southern California area. (District Law, Section 30001). Because of this regional mandate, the reason for the abandonment of regional lines must be much more compelling than the reason for abandoning a line providing service only to a local area.

Apart from observing our regional mandate, the District may abandon lines at the discretion of the Board of Directors in the exercise of its business judgment. However, under Article 51 of the UTU Contract, if the District transfers a line two requirements must be met: (1) the District must make adequate provisions for employees who are adversely affected (this shall be a subject of collective bargaining); (2) the District shall require that the acquiring agency assume and observe the UTU Contract and protect the rights and benefits of UTU employees. 13(c)

The circumstances of abandonment vis-a-vis Article 51 are probably best examined with examples.

1. If a line is abandoned solely for economic reasons meeting reasonable economic criteria, it is irrelevant, as far as Article 51 is concerned, if another entity subsequently reinstitutes service.

2. A situation could arise where two lines with a similar lack of productiveness are being considered for abandonment, one of which would be replaced by a city. The fact that the District, in the public interest, elects to abandon the one which will be replaced, does not trigger the application of Article 51.

union wages provision for an pl.

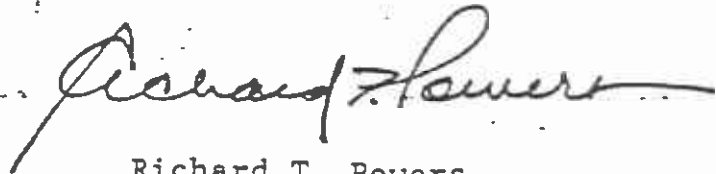
Speaks in support of threshold grouping of lines

3. A last example would be the case where the city has expressed a desire to take over a particular line. Although it is not one of our better lines, it did not meet the criteria of lines which would be eliminated as a cost saving measure. Nevertheless, the District abandons the line so that the city can institute service with a private carrier. To use the non-productiveness of the line, in this case, as the motivation for abandonment would be a subterfuge, an attempt to circumvent Article 51. In our opinion, a court, at the instance of the UTU, would either enjoin both parties from acting (because the city is well aware of the requirements of Article 51); or would assess economic damages against the District, since the obligation to the UTU lies with us.

*in
RTP's
notes*

of what magnitude?

The examples of various types of abandonment used are rather clear cut. Situations will arise which do not lend themselves to easy resolution. Each must be viewed separately and decided on its own set of facts.



Richard T. Powers
General Counsel

RTP:cv
6:21

ARTICLE 7

MANNING REVENUE EQUIPMENT

SECTION 1. NON-OPERATOR EXCEPTIONS

All revenue equipment of any type operated by the District will be manned by Operators who are qualified for such service, except that Mechanics qualified to operate said equipment may change off equipment in revenue service if no Extra Operators are available at the Division.

The provisions of this Article shall not be construed to prohibit Mechanics, or members of the supervisory forces, from operating revenue equipment in cases of emergency or on test trips, or for the purpose of instruction where such trips do not involve transferring equipment between garages, shops or Divisions. In cases of emergency, or when qualified Operators are not readily available, Mechanics may transfer equipment between shops, Divisions and Terminals.

SECTION 2. SUB-CONTRACTING AND PARA-TRANSIT

- (a) Nothing in this contract shall be deemed to preclude the District from contracting for service with common carriers of persons operating under a franchise or license for services, providing that no contracting shall take place unless there is insufficient equipment, or there are insufficient operators to perform said service, and provided further that said contracting shall not adversely affect the existing employees of the District.
- (b) Nothing in this contract shall prohibit the District from becoming an "umbrella" agency with responsibility for administering, regulating, and contracting with respect to Para-Transit Programs.
- (c) At no time during the term of this contract or any extension thereof between the District and Union will the District reduce its hiring of new employees covered by said contract as the result of the inclusion of sub-contracting of Para-Transit Programs.
- (d) The District's participation in subcontracting or Para-Transit Programs shall not adversely affect any of the District's employees covered by this Agreement.
- (e) No Para-Transit equipment shall, during the term of this contract, be stored, serviced, repaired or maintained on any District property where District revenue equipment is stored.

ARTICLE 51

TERMS OF PROTECTION

SECTION 1. TERMS OF PROTECTION

The District shall not acquire any existing systems or part thereof, whether by purchase, lease, condemnation or otherwise, nor shall the District dispose of or lease its system or any transit system or part thereof, nor merge, consolidate or coordinate its system with any transit system or part thereof nor substitute any type of equipment of its system or part thereof for the then existing equipment or reduce or limit the lines or service of any existing system or of its system unless it shall first have made adequate provisions for any employees who are covered by this Contract between the United Transportation Union and the District, who are or may be displaced, or whose wages, hours, place or conditions of employment are or may be adversely affected. The terms and conditions of such provisions shall be a proper subject of collective bargaining with the United Transportation Union and an agreement providing adequate protection shall be negotiated and executed prior to the time any of the acts described above become effective.

SECTION 2. SALE OR TRANSFER OF FACILITIES OF THE DISTRICT

As a condition to the sale, transfer or other disposition of its facilities or assets or any part of them to any other agency, firm or corporation, the District shall require as a condition to said sale, transfer or other disposition, that the acquiring agency, firm or corporation, assume and observe all existing labor contracts, to which the United Transportation Union is a party and shall appoint all of the employees of the District covered by this Contract, to comparable positions without the loss of any rights or benefits to which they are then entitled.

Close oper
division,
does
parties
have to
meet agents