

PRIVATE SECTOR BRIEFS

Private Sector Involvement
in Public Transportation



U.S. Department
of Transportation

Urban Mass
Transportation
Administration

Office of
Private Sector
Initiatives

Joint Center for Urban Mobility Research

• program of research of RICE CENTER



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Private Sector Briefs

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The Joint Center for Urban Mobility Research, a program of research of Rice Center, provides this series of Information Briefs on Private Sector Involvement in Public Transportation for the Office of Private Sector Initiatives of the Urban Mass Transportation Administration, U.S. Department of Transportation.



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**PRIVATE
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- 1 INSTITUTIONAL DEVELOPMENTS

- 2 LEGISLATIVE/POLICY DEVELOPMENTS

- 3 PLANNING, RESEARCH AND ANALYSIS

- 4 FINANCING AND FACILITY DEVELOPMENT

- 5 BUSINESS/COMMUNITY SERVICE ASSOCIATIONS (TMOs)

- 6 PEAK HOUR TRANSIT SERVICES

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- 12 VEHICLE MAINTENANCE AND OTHER SUPPORT SERVICES





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Private Sector Briefs are a series of newsletter-style research summaries designed to keep subscribers up-to-date on the latest private sector involvements in public transportation. The Briefs examine the major categories of private sector activity:

- o Institutional Developments
- o Legislative/Policy Developments
- o Planning, Research and Analysis
- o Financing and Facility Developments
- o Business/Community Service Associations (TMOs)
- o Peak Hour Transit Services
- o Regular Route Transit Services
- o Elderly and Disabled Paratransit Services
- o Off-Peak, Low-Demand Transit Services
- o Suburban Circulator Services
- o Vanpool and Ridesharing Services
- o Vehicle Maintenance and Other Support Services

A new set of briefs is produced and published bimonthly and circulated to subscribers. Each "Brief" gives you a complete look at the private sector in action, including...

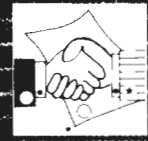
- o Complete project descriptions
- o Capital and operating expenses, contracting costs, patronage, subsidies, development impacts
- o Analysis of the experiences gained by other transportation professionals
- o A review of the political, social and equity issues and impacts
- o Names, addresses, and telephone numbers of key contacts

The Office of Private Sector Initiatives of the Urban Mass Transportation Administration of the U.S. Department of Transportation sponsors the research conducted by The Joint Center for Urban Mobility Research, a program of research of Rice Center.





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New Institutional Arrangements - Regional Transit Board

Minneapolis-St. Paul, Minnesota

In 1982, the Metropolitan Council of the Twin Cities (a metropolitan planning organization) initiated a study of each of the metropolitan commissions that provide services in the Minneapolis/St. Paul metro area, with special emphasis upon transit. The Metropolitan Transit Commission (MTC, a public transit authority) at that time was forecasting a \$40 million shortfall over and above the subsidy budgeted for the 1982-83 biennium. This financial crisis brought into question the adequacy and equity of the current means of financing services, as well as the appropriateness of the services being provided.

The Metropolitan Council reached the following key conclusions:

- 1) The regional transit services provided by the MTC were cost-effective in the central cities, but not in the suburbs.
- 2) The operating cost of MTC services had escalated much faster than inflation, primarily because of labor utilization and the types of expansion services being provided, (suburban, peak-hour express).
- 3) Several service options, i.e. contracting high cost services, special labor arrangements, using demand-responsive ridesharing, and reorienting existing routes to timed-transfer points in suburbs, could improve the cost-effectiveness of the transit service.
- 4) There was no comprehensive short-range service plan and program that addressed the overall transit needs (including paratransit) in the metro area.
- 5) It was difficult for the MTC to objectively plan for service needs in areas unsuited for MTC service or for providers that would compete with MTC service.
- 6) Planning, programming and coordination should be clearly separated from operations (service delivery) by the establishment of a new Regional Transit Board and the contraction of the MTC to a publicly-owned transit company.

The analysis, finding and recommendations were communicated directly to a Minnesota legislative study commission. Most of the legislators on the study commission were unaware of the depth and breadth of the problems of transit in the area. The Metropolitan Council, the Citizens League, the Humphrey Institute of Public Affairs, private transit providers, handicapped persons and groups, suburban municipalities, and the League of Women Voters contributed to the consciousness raising of the study commission, and all later supported the resulting legislation.

The Study Commission made the following key organizational recommendations regarding agency roles and responsibilities:

- 1) A Regional Transit Board (RTB) should be established with primary responsibilities for metropolitan transit planning, financing, and arranging/contracting for transit services. The RTB should be designated a recipient of federal funds.
- 2) MTC responsibilities should be focused on transit operations.
- 3) The Metropolitan Council should continue its role in long-range transit policy planning.
- 4) The role of the Minnesota Department of Transportation in transit should be phased out and responsibilities transferred to the RTB.
- 5) Local units of government should be assisted and encouraged to plan and arrange transit services that meet their needs.
- 6) The Legislature should focus its role on the development of overall regional transit policy goals.

The stage has been set for effective decisionmaking in the Twin Cities metro area as a result of these sweeping changes. The need has been stated for cost-effective provision of services in the suburbs, i.e. peak-hour express and paratransit services. The decision to contract for the provision of transit services with the public or private sector is clearly a local governmental decision. These decisions will be made, however, by a Regional Transit Board that does not have the potential conflicts or parochial interests that the MTC previously had, i.e. being the federal funding recipient, the short-mid range transit planning and development entity for the region, and the provider/operator of the transit services combined.

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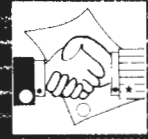
Legislative/Policy Developments







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Private Sector Involvement in the Regional Planning Process

Chicago, Illinois

In 1982, the Metropolitan Transportation Association was formed by private transit operators in the greater Chicago area who believed that the cost-effective capabilities of private sector transportation providers were not being fully utilized by public agencies to save taxpayers' dollars. The MTA, which consists of private taxi, livery (airport shuttle), paratransit, vanpool, school bus, and charter bus operators in the six county area centered on Chicago, started its activities by organizing small conferences on the private provision of transit services. The MTA met with several public agencies, including the Chicago Transit Authority, to discuss ways in which MTA members might be able to provide selected services on behalf of public agencies at significant savings. The MTA argued that the private sector could complement and supplement the services of public operators, and stressed that the private sector should be included early in the planning and bidding processes for transportation services in order to maximize savings.

The MTA's efforts were slowly rewarded as the public sector, recognizing the financial pressures on the local public transit industry, began to support the use of private providers. In 1982, representatives of the MTA requested seat on the Policy Committee of the Chicago Area Transportation Study (CATS), a metropolitan planning organization (MPO). The Policy Committee of CATS was made up of 24 representatives of the counties, the City of Chicago, RTA, CTA, the rail operators (called METRA), the suburban bus division of the RTA (called Pace), the Northern Illinois Planning Council, UMTA, FHWA, the Illinois Department of Transportation, and the Regional Council of Mayors. The request, though denied, resulted in the award to the private sector of non-voting seat on CATS' Work Program Committee. Just two years later, in December of 1984, the Policy Committee and the Work Program Committee of CATS voted to change their by-laws to give private transportation providers voting representation.

MTA members used their committee membership to help convince the CTA and the Advisory Board for Special Services for the Disabled that privatization of existing publicly-provided paratransit services would result in significant savings and potentially better service. To date, the cost per trip has been more than halved, and the monies saved will enable the CTA to double the trip-carrying capacity of the elderly and handicapped paratransit system, while still maintaining the quality of service that had previously been provided.

CATS has become very active in promoting private sector involvement, partly because of UMTA regulations, and partly in response to pressure exerted by the 600 private providers in the Chicago area. CATS formed a Private Providers Steering Committee which meets monthly to discuss issues of importance to private providers and to facilitate communication between the private providers. Private providers have also been given seats on CATS' Mobility Limited Advisory Committee and Transportation Operations Committee. This allows the private providers to be involved directly in the planning and developing of programs and services. In addition, CATS publishes a quarterly newsletter for the local private transit industry, called "The Private Operators Transit Dispatch." These efforts by CATS have been instrumental in making forthcoming contracts of public agencies known to private providers who might otherwise not know of their eligibility to bid on the provision of services.

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Planning - Transportation Zones

San Gabriel Valley, Los Angeles, California

In November 1980, Los Angeles voters approved Proposition A, which increased the sales tax in the county by one-half percent to fund public transportation improvements. During the first three years, a substantial percentage of these funds was earmarked to subsidize bus fares from the previous rate of 85¢ per trip to a new rate of 50¢ per trip. Ridership in the Southern California Rapid Transit District (SCRTD) increased 42% over the three-year period. At the end of this time, fares returned to 85¢ per trip, prompting local transportation planners to predict a decrease in ridership that would necessitate cuts in the hours and frequency of bus service.

Approximately one-third of the routes in the SCRTD system are contained within the San Gabriel Valley, which houses 29 separate municipalities. Service cuts to this area were anticipated to be disproportionately high, and in December of 1984 Los Angeles County Supervisor Pete Schabarum proposed a study to consider the separation of San Gabriel Valley into a separate Transportation Zone under the purview of the LACTC. The Zone would independently set service policies and competitively-contract those services currently provided in the Valley by SCRTD. On December 17, 1985, Ralph Stanley, UMTA Administrator, announced his intention of funding the proposed study.

The LACTC is authorized under its State enabling legislation to create local transportation zones where the SCRTD "cannot otherwise provide adequate and responsive local transportation services in a cost-effective manner." Because of the successful contracting experiences of other cities and the knowledge that SCRTD incurs some of the highest operating costs per unit of service in the public transit industry, it is projected that the residents of the San Gabriel Valley will get more service at a lower cost by contracting with private operators for service provision.

In February, 1986 the LACTC adopted additional criteria for the formation of the transportation zones, such as conditions for setting transit zone boundaries, maintaining levels of service, and demonstrating a 25% savings potential. In addition, they addressed the concern over reapportioning the transit subsidy that currently goes to SCRTD. During a three year trial period, the funds to be transferred to the new zone would be calculated in terms of the amount of services transferred in comparison with the previous amount of services operated by SCRTD in that area. If the zone is successful, the operators in the new transportation zone will be eligible to participate in the standard LACTC subsidy allocation process.

A Request for Proposals to analyze the financial impact and prepare an application for the transit zone was issued on April 15, 1986. The proposals/bids were due on May 15, 1986, and the County of Los Angeles Public Works Department has 30 days to review applications and select a consultant. As liaison between the County and the consultant, Supervisor Schabarum has chosen Bill Forsythe, a man with considerable experience in public/private partnerships through his work on the Los Angeles Olympic Committee. The consultant will be allowed 16 weeks for the preparation of Phase I, an analysis of the impact of the proposal on commuter-oriented, express bus services. Phase II of the Study will address the impact of the proposal on local services within the Valley. A draft report will be due one month after the conclusion of the study, or 48 weeks after the consultant is selected. Before the transit zone is finally approved by LACTC it must have the approval of all cities involved.

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Alternatives Analysis

Oakland County, Michigan

Oakland County is located in the Detroit-Ann Arbor metropolitan area. It is bordered on the south by Wayne County and the Detroit city limits, and is the second largest county in the state. In 1985, Oakland County executive officers initiated a study of transportation service options. Rising costs and declining revenues experienced by the public operating agency, Southeastern Michigan Transit Authority (SEMTA), led to reductions in service levels and even service curtailments. Projected financial difficulties threatened the continued availability of service. This crisis stimulated consideration of a county-directed program using private carriers selected from a competitive procurement process.

An analysis of the existing services revealed that despite a 13.3 percent increase in non-CBD destined work trips during the last decade, bus service remains oriented towards Detroit's CBD. While downtown-bound commuting now represents less than one quarter of work trips, only three routes operate wholly within the county or in a general east-west direction, perpendicular to the CBD-bound commuter services. Moreover, increasingly segmented travel demands are requiring specifically defined services for each market.

To address these deficiencies, a four-pronged "mobility program" was proposed as an alternative to the service currently provided by SEMTA. This program would consist of: (1) a Specialized Mobility Program, (2) a General Mobility Program, (3) a Commuter Mobility Program, and (4) a Rural Mobility Program

The Specialized Mobility Program is designed to meet the needs of elderly and disabled citizens, and includes demand-responsive curb-to-curb paratransit service. The county might contract with private carriers for a dedicated fleet, or qualify existing private operators (i.e. taxicabs and ambulances) and implement a user-side subsidy.

The General Mobility Program would provide fixed-route service in the urbanized areas. Operational features would include the use of small buses with one hour headways and a route structure that mirrors 'cross-county' lateral movements. Malls and office parks would be transfer points, and buses would operate on a "timed transfer" basis. Planners estimate that one or more private carriers could provide 131,580 annual hours of service with 43 privately- or publicly-owned vehicles operating twelve hours per day.

The Commuter Mobility Program would provide an alternative to commuters driving alone to work, encouraging private sector involvement in using carpools and third-party vanpools for work trips. Program components would include: (1) intensified marketing of ridesharing at major employers facilities, (2) promotion of home-based ridesharing programs thru local neighborhoods, and (3) the creation of sub-area Transportation Management Associations (TMAs).

The Rural Mobility Program would provide service to the approximately 2,500-3,000 elderly and disabled persons residing in rural portions of the county. Service would be provided by private carriers, and user side subsidy the means of assistance. Annual costs are estimated to be \$270,000.

The Oakland County executives reached the following key conclusions:

- o Existing SEMTA operations in Oakland County could be replaced with county-sponsored privately-operated service with an annual cost of \$2.1 million or 34% of the total FY 1987 subsidy attributed to Oakland County.
- o The combined cost of replacing existing SEMTA services with privately-provided, county-sponsored service, and implementing the proposed Mobility Program is \$5.7 million, or 85% of the FY 1987 subsidy -- a \$1 million annual savings in operating subsidies.
- o Higher levels of service and greater coverage would be provided by the alternative Mobility Program.
- o The privately-operated Mobility Program's annual cost of \$3.6 million represents 54% of total SEMTA subsidy attributed to Oakland County during FY 1987.

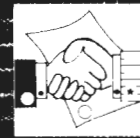
The program outlined maximizes the use of private providers through competitive bidding, user-side subsidies, and encouragement of independent operations. It appears that Oakland County will find no shortage of interested private sector transportation providers. Over a hundred private transit companies are located in Southeastern Michigan. In addition, many national carriers have offered their services to the County.

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Planning, Research and Analysis

----- Unsubsidized Transit Services

Private sector involvement in urban transportation has increased in recent years, as programs in cities such as New York, Chicago, Los Angeles, Boston, and Norfolk have proven that private providers of transit service can help meet specific public needs while achieving a reduction or elimination of subsidy requirements. This is important to any transit agency seeking effective ways to reduce subsidy requirements without decreasing the overall level of service provided.

A study performed by the Urban Mobility Corporation (UMC) of seven public transit operations in major metropolitan areas examined the potential annual public subsidy savings generated by private sector involvement (Unsubsidized Transit Services, December, 1985). It was determined that over \$27 million in public subsidies could be saved if all publicly-operated peak-period express bus service in those seven cities was competitively-procured from private carriers. If all available express bus service was included, subsidy savings would double. Extrapolating these results to the 17 next largest areas in the country, the study estimates a potential annual public subsidy savings of \$70 million by contracting peak-period express bus service.

Service contracting is the most common form of private-sector participation. Policy control and decision-making remain with the authorized public body, while the day-to-day operations are relinquished to a private operator or operators. Though public subsidies are still required, private contract costs have been 20-50% less than the cost when operated by a public transit agency. Examples of this can be seen in Sections 6 and 7 of the 'Private Sector Briefs' notebook (e.g., Johnson County, Kansas and Fairfax County, Virginia). Many transit officials believe that private transportation providers are only interested in running profitable routes (the "cream-skimming" objection). In fact, there is little if any "cream" to skim in public transit, only subsidy to reduce. Operating cost savings reduce subsidy costs significantly, even though the enterprise would not be "profitable" if operated as a separate business by a private firm.

Privately-sponsored services can eliminate the use of public subsidies altogether by operating as ventures controlled by the private sector. Many large corporations have employee ridesharing programs providing low interest loans and subsidy for vans. Several office parks and shopping centers operate shuttle and local circulation services to train stations and suburban centers similar to the one at the Hacienda Business Park in California. Transportation Management Organizations, such as the Rideshare Co. in Hartford, Connecticut, have recently emerged providing customized transportation services to their membership.

The UMC study shows that the opportunity exists for public transit providers to provide a significant portion of their services on an unsubsidized basis. Unsubsidized operations currently exist in at least ten metropolitan areas. Generally, these are peak-period commuter bus services offered to suburban patrons. The authors believe that the potential for this type of unsubsidized service exists in areas such as Houston, Los Angeles, and San Francisco. Drawing from experience in seven major metropolitan areas with unsubsidized transit operations, the study identified the following conditions as favorable for unsubsidized operations:

- o Buses should have a load factor 80% or higher,
- o Capacity requirements should be scheduled in advance through use of charter agreements or subscription sales,
- o Routes should consist of long-haul runs (averaging 15-20 miles in each direction) with few intermediate stops,
- o Trip destinations should be to high density areas such as activity centers or central business districts, and
- o Service should operate during the peak period as a premium service for patrons that can afford a higher fare.

This UMC study also identified major institutional obstacles to private sector participation in public transportation provision, and recommended steps to help overcome this resistance. These include:

- o UMTA enforcement of stronger compliance with section 8(e) and 9(f) of the Urban Mass Transportation Act and the statement on private enterprise participation in the Urban Mass Transportation Program,
- o Use of UMTA's discretionary grant-making authority to reward jurisdictions that encourage private sector participation,
- o Establishment by UMTA of a speedy process to review and adjudicate private operator complaints concerning impediments to competition and transit agency non-compliance with UMTA's policy on private enterprise participation, and
- o Incentives for private carriers providing unsubsidized services.

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Private Sector Involvement in the Regional Planning Process

Seattle, Washington

The Puget Sound Council of Governments (PSCOG) is the Metropolitan Planning Organization for a four county area and includes the central cities of Seattle, Tacoma, Everett and Bremerton. In July 1986, as part of an effort to increase private sector participation in the regional transportation planning process, the PSCOG expanded the membership of its Transportation Operators Committee (TOC) to include representatives from the private sector. The TOC is an advisory body to the PSCOG's Standing Committee On Transportation (SCOT) composed of elected officials throughout the region. Prior to expansion of the membership, the TOC consisted only of staff representatives from the public transportation operators. The private transportation providers now have the opportunity to participate in shaping public transportation in the Puget Sound region. Private sector representation on the TOC also provides the private operators an opportunity to provide input to the Transportation Improvement Program, the Regional Transportation Plan, and other planning efforts that have a major impact on the future of transportation in the region.

The TOC advises the SCOT on policy, program and funding issues, and monitors state and federal transportation issues and programs. The strength of this committee has been its efforts in co-operative problem solving and information sharing. The TOC appoints special task forces to research specific issues or to perform certain functions. The TOC oversees a program totalling approximately \$320,000 in 1986-87. The public agencies represented on the TOC pay annual

dues based on the population within their respective service areas. In 1986, the dues ranged from \$3,382 to \$79,153; the sum of these dues make up the local match required for the PSCOG's basic Urban Mass Transportation Administration (UMTA) planning grant. SCOT elected to waive dues from the private sector for the first year. The question of charging dues to private sectors TOC members in the future will be addressed next year.

The first step leading to the inclusion of private transportation operators on the TOC was the designation of a Private Enterprise Participation Task Force in the fall of 1985. This Task Force was assigned the responsibility for researching private sector issues and developing recommended policies for the TOC to pursue. In December, 1985 the Task Force produced a paper outlining issues and identifying possible strategies for addressing those issues. Subsequent to developing the issue paper, the TOC sponsored a workshop on "Privatization in Public Transportation." The objective of the workshop was to provide a forum to discuss the perspectives and opportunities associated with UMTA's Private Enterprise Participation Policy. Approximately 60 participants attended the workshop which represented a fairly even distribution of both public and private transportation providers. Mr. Jim Carson of the Bus Association of Southern California shared his experience with an association of private bus operators who are actively participating in the public transportation planning arena. The workshop also provided an opportunity for

'business exchange' of cards, marketing material, and other literature. A summary of the workshop discussion was sent to the participants, as well as those who were interested but unable to attend.

Several issues were aired at the workshop. Among them were problems that small private operators encounter in doing business with large public agencies. Many private providers responding to Requests for Proposals expressed that they found these documents difficult to understand. Others were critical of unrealistic contracting requirements and other barriers, such as labor agreements, to increased private sector participation. Such comments from the private sector were helpful to the public agencies, many of whom have since designated staff liaisons to the private sector and tried to streamline and clarify their bid processes. The idea that private sector representation be included on the TOC was also discussed for the first time at this workshop. During the course of the workshop, the Washington Motor Coach Association agreed to send a letter of interest to the PSCOG regarding their interest in participating on the committee.

In May 1986, the TOC endorsed and submitted a recommendation to the SCOT for the creation of three additional seats designated for private sector representation. The TOC's recommendation identified the Washington

Motor Coach Association and the Evergreen State Taxi Association as two likely sources for private sector representation. The third seat was recommended for designation for the small bus/van operators. In taking up the recommendation, the SCOT approved both associations to fill seats on the committee, but also approved the Evergreen State Specialized Transportation Association as the designated small vehicle association, and created a fourth seat on the committee for the Seattle/King County Taxi Association. The addition of the fourth seat was in recognition of the fact that many independent taxi operators are not represented by the State Taxi Association.

As the TOC is only an advisory body, private sector representation on the committee does not mean that the private sector representatives can directly vote on such programs as the Transportation Improvement Program (TIP), but it does mean that the private sector now has an opportunity to help shape the future of public transportation service delivery in the region.

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Financing and
Facility Development





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Dulles Corridor Rapid Transit Development Feasibility Report

Washington, D.C.

The Urban Mass Transportation Administration has released the results of a congressionally-directed study which addressed the feasibility of the development of rail transit between Washington D.C.'s Dulles International Airport and the West Falls Church Metrorail Station. Because of the expressed interest of a number of private groups in building a rail transit facility to Dulles International Airport, the study simultaneously examined how such a facility might be developed as a cooperative venture between local governments and the private sector, with no direct Federal support. In summary, the study:

- o Identified a viable low cost rail transit system which met the needs of the Dulles Corridor;
- o Assessed the financial feasibility of the identified system;
- o Tested the practical feasibility of the private sector undertaking the development of rapid transit service in the Dulles Corridor;
- o Identified mechanisms through which beneficiaries, both users and non-users, would pay for the proposed improvements; and
- o Developed a model procurement mechanism which could be utilized to solicit private sector involvement in the development of transit facilities.

The report found that:

- o Light rail transit represented a viable rail transit system for the Dulles Corridor and is financially feasible, under a private/public (local) partnership;
- o Private/public partnerships are effective in reducing costs of service through reduced capital costs, reduced operating costs, lower direct financing costs and full utilization of tax benefits. Private partnerships also offer an excellent approach for funding major transit projects in the future given diminishing Federal resources;
- o Non-user benefits are significant and, if effectively captured, could make a substantial contribution to the financial feasibility of such a project; and

- o The developed procurement approach increases private sector competition while contractually transferring the risks of cost overruns and performance to the private sector.

The study examined two financing alternatives: (1) private sector ownership with a contractual agreement with the local governments to provide a specific level of service for a stipulated service fee; and (2) public sector approach, based on financing the entire system cost through dedicated tax sources. A comparison of actual cash expenditures under the alternative development structures resulted in present value costs of:

- o Private sector development \$119,374,000
- o Public sector development \$181,278,000

The study stated that the private sector approach required much less of a contribution from the public sector than did the purely public approach which would lead to an aggregate present value savings to local governments of just less than \$62 million, or 34.3 percent of the public sector cost. Given the current level of national funding assistance, privatization may be the only form of financing available to insure implementation.

The study recognizes the unique role of the local governmental jurisdictions in this process by acknowledging their responsibility for system specification, selection of value capture mechanisms and in the decision on whether or not to pursue the procurement approach developed in the study. The process identified in this study should encourage other communities to look at local and private financing options before looking to Washington for Federal assistance.

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Business/Community
Service Associations (TMOs)





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Hacienda Business Park and the Pleasanton, TSM Ordinance

Pleasanton, California

The Hacienda Business Park (HBP) in Pleasanton, California, near San Francisco, is a commercial development which is projected to have in 2010 a daytime population of 35,000. In 1983, prior to city approval of the project, a traffic impact study was conducted to determine the effect that the park would have on traffic volume and patterns in Pleasanton and its three neighboring cities. The study, called the Tri-Valley Transportation Study, found that upon completion of the HBP, traffic volume would increase to levels deemed unacceptable by the city. In fact, the study suggested that peak-hour vehicle trips would have to be reduced by 45% in order to keep traffic volumes within "reasonable" levels upon completion of the project.

Based on the study's findings, the City of Pleasanton set two conditions for approval of the development: (1) that HBP create and implement a Transportation Systems Management Program (TSM), and (2) that HBP contribute to roadway improvements through an assessment district. The developers, Callahan-Pentz Properties and Prudential Insurance Company of America, had previous experience with a successful TSM at Moffett Park in Santa Clara County, and therefore supported the city's requirements. The developers set up the Hacienda Business Park Owner's Association (a transportation management organization, TMO) to implement and enforce the TSM program.

A year later, a group of Pleasanton residents approached the City Council to express its concern over HBP, which was the largest commercial development to date in the predominantly residential community. In response, the Council created the Industrial General Plan Review Committee to examine the development's impact on the community as a whole. As the committee members examined the documents related to the Hacienda Business Park, they read the Tri-Valley Transportation Study and learned of the plan to mitigate the impact of the development.

The committee recommended that the city adopt a TSM ordinance which would apply to all companies and commercial complexes. HBP strongly supported the proposed ordinance and helped the city set up meetings during which area employees and owners could discuss with city planners how to structure the ordinance's requirements. With the support of Pleasanton residents and businesses, the ordinance went into effect in November 1984.

The Pleasanton TSM ordinance requires employers and developers to achieve a 15% reduction in peak-hour vehicle trips by the end of the first year, and 25%, 35%, and 45% at the end of the next three years, respectively. As a commercial complex, HBP has two responsibilities in complying with the ordinance. Employers and complexes with over 50 employees on the largest shift or at work at any given time of day must appoint a transportation coordinator. The transportation manager for HBP's TMO is responsible for overseeing implementation of the TSM program at all of the Park's companies. Each company coordinator conducts a transportation survey for the city, develops a plan for each year to promote alternative transportation, and submits a report to the city detailing the results of the program. Companies with over 100 employees must also appoint a management-level employee to the city's Task Force which helps to enforce the ordinance.

HBP plans to spend more than \$42 million on transportation-related improvements, including the services it now provides such as employee shuttle buses which travel to and from the Bay Fair BART station (16 miles from the Park), and which run during lunchtime into Pleasanton, bus shelters, preferential parking for carpools and vanpools, computerized ride-matching, bicycle racks at each site, and bicycle lanes throughout the Park. During the ordinance's first year, which ended in June 1985, HBP's companies achieved the goal of a 15% reduction in peak-hour vehicle trips, individually and for the Park as a whole. Currently, 31% of the HBP's 4,000 employees are now using some kind of alternative to the single occupant vehicle.

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PRIVATE SECTOR BRIEFS



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Business/Community Service Associations (TMOs)

Hartford, Connecticut

Office development in downtown Hartford increased dramatically in the early 1980's. With increasing volumes on existing highways that service downtown, city government and business leaders confronted a reduction in accessibility to the central business district. Downtown employers remained committed to the area. In response, local officials explored alternatives to those traditional transportation service and infrastructure enhancements which would require new sources of federal and local funds.

The initial response was a study, financed by a \$175,000 private sector contribution, conducted by the city and a downtown business association called the Downtown Hartford Transportation Project (DHTP). Realizing the difficulties involved with new infrastructure alternatives, the study focused on management solutions to the demand side of transportation, seeking to employ existing resources more effectively. The study recommended several objectives:

- o reduction of congestion;
- o management of the parking supply;
- o improvement of the street environment; and
- o development of managerial efficiency among public/private transportation providers and planners.

The findings also called for the creation of a Transportation Management Organization (TMO). The Greater Hartford Ridesharing Corporation (The Rideshare Company), a non-profit organization, was appointed to this role. A key element of the TMO is a working committee composed of 14 business representatives. They serve as staff guidance and as a direct link to companies with commuting employees. The TMO was originally funded with seed monies by the Urban Mass Transportation Administration's Service and Methods Demonstration (SMD) Program as a 2-3 year project. The TMO has successfully established itself with this funding and made the transition to full private sector funding, demonstrating the ability of the private sector to take responsibility for funding and direction of local programs.

The TMO gave priority to implementation of the DHTP study recommendations. The basic objectives focused upon changing the habits of those who "drive alone" by creating attractive alternatives. The accomplishments of the Hartford TMO to date include:

- o a downtown zoning ordinance which offered less than code required parking in exchange for certain on-site ridesharing activities;
- o a parking validation program between local retailers and the parking operators;
- o a peak period delivery prohibition;
- o rideshare staging and courier pick-up/delivery areas;
- o organization of a holiday shopper's shuttle;
- o exploration of a fare-free zone and/or publicly-run shuttle system from satellite lots;
- o reduction of 4,000 automobiles per day on city streets.

The working committee of corporate representatives has been an important success for the program. Enjoying stable membership, the committee has exerted a major influence upon the TMO. The committee has effectively handled the issues identified by the DHTP study, especially with respect to changes in transit routes and highway improvements. The strategy of the working committee has been to establish smaller, realistic goals to meet the identified objectives. The result has been a steady pattern of successes that helps to solve the more long-range objectives which are still under development. The committee specifically wanted to avoid the "big fix" approach, which is becoming increasingly more difficult to finance and implement.

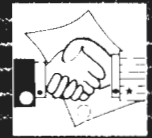
The TMO still has several issues to pursue. Underpriced downtown parking is a major problem. 70 percent of parking in downtown Hartford is either free or heavily subsidized, compared to the national average of 35 percent. The TMO has been trying to discourage single occupant automobiles in downtown by working with businesses to establish or increase parking rates. Downtown businesses have been reluctant to take away these employee benefits fearing it would reduce their competitive position compared to other businesses. Continuing negotiations are attempting to establish a fair and unified solution to this problem.

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The Airport Area Transportation Collaborative

Baltimore, Maryland/Washington, D.C.

The Baltimore/Washington International (BWI) airport complex has experienced a rapid rate of growth since 1980 that has surpassed all planner's projections. The BWI area, located in Anne Arundel County in Maryland, has grown from a 1980 employment population of 10,000 to the current estimate of 27,000, and is expected to grow to 45-60,000 by 1990. Contributing factors to this growth include the sites location between two major metropolitan areas, an abundance of open and undeveloped land, and accessibility to a well-developed highway and transit infrastructure. Current commuter services include modal options such as rail transit, bus transit, carpooling, and third-party vanpooling.

Several factors have contributed to the increased congestion in the BWI area. The most significant has been the "suburban sprawl" development pattern which favors the automobile and creates difficulties in the provision of transit services. Local officials were concerned that continued development in this manner would inhibit the areas ability to attract new employment and growth, to sustain the existing employment population, and to retain the accessibility advantage that the BWI complex has over other area sites.

This concern prompted the Regional Planning Council to initiate the formation of the Airport Area Transportation Collaborative (ATCo) in 1983. This collaborative is composed of airport-area developers, employers, state and local government representatives, and both public and private transportation providers. ATCo was created to operate as a policy review board to constructively manage the overall growth and development of the airport complex, while avoiding use of quick fix solutions.

ATCo's primary goal is to identify the transportation needs of its membership and to develop solutions to meet those needs. The initial objectives include: improving labor market accessibility to the BWI area using existing commuter rail and transit services, improving mobility by operating a cooperative shuttle bus and other paratransit services as required, improving coordination of public/private development interests through joint evaluation of land use and fiscal measures, and serving as a central voice for promoting development-related transportation improvements.

After a two year study by ATCo, the greater BWI Commuter Assistance Center (CAC) was established. The major objective of this center is to reduce traffic congestion and parking problems associated with the rapid growth by addressing those problems previously identified by ATCo. The current annual budget for CAC is \$102,500 with half of the funding provided by private sector sources and the other half from federal, state and county agencies. The center seeks to achieve a balanced transportation system which incorporates highway improvements, transit, rail, subscription vanpools, ridesharing and parking management. CAC believes that the direct benefits to the involved employers will include:

- o access to an expanded labor pool; and
- o better utilization of existing parking facilities; and
- o provision of transportation alternatives which might reduce employee tardiness/absenteeism, and might improve morale and job performance; and,
- o the opportunity to communicate with other involved officials and business representatives on a regular basis.

The CAC offers support to local employers in establishing programs to help reduce traffic congestion and increase accessibility. Programs include stressing the implementation of variable work hours, encouragement of ridesharing by reserving preferred parking spaces for carpools and vanpools in limited space lots, and company-sponsored discounts for train, bus or van fares (incentives to promote use of the alternate forms of multi-use transportation). In addition, the 'Commuter Exchange' newsletter was created to provide information on the cost-savings and benefits of ridesharing, bus and rail schedules, and to contribute to the promotion of the rideshare matching service by allowing carpool/vanpool classified ads. The Center also provides a "hotline" for more immediate rideshare matching assistance.

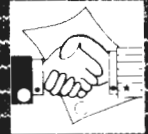
One of the more important programs offered by the CAC is the transportation audit. CAC will analyze origin/destination data, work schedules, parking availability, and existing traffic patterns and operations to determine which of the available transportation services are appropriate to best serve ATCo membership's employees. Situations which are currently under study include: examination of a shuttle service to selected employment sites from a rail system operated by the Maryland Rail Commuter Service, modification of bus routes and schedules provided by the Mass Transit Authority to respond more directly to employee needs, and the development of subscription van services for paratransit service.

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Dallas Parkway Center

Dallas, Texas

The Dallas Parkway Center (DPC), located in an area bounded by the LBJ Freeway, North Dallas, and Preston and Belt Line roads, is a 500 acre activity center which has experienced a substantial increase in multi-use development since 1970. Principal reasons for the rapid growth include a strategic, high visibility location at the intersection of two highways and the liberal zoning policies of adjacent Farmers Branch and Addison. By early 1980 almost 4 million square feet of office space had been developed in this area, in addition to 3 major shopping centers, 8 hotels and several industrial parks.

The proposed extension of the North Dallas Tollway through the Parkway Center area provoked the submission of a demanding load of rezoning and building permit requests to the City of Dallas. Concern over traffic impacts from adjacent residential neighborhoods, and a recognition of the lack of an overall framework for growth, led public officials to call for a special review of the relationship between the new development and transportation capacity. A series of technical studies led to the conclusion that non-residential development (exceeding current zoning allowances) could only be supported if a series of specific transportation system improvements and "demand management" measures were carried out. The City of Dallas developed, and eventually adopted, a program which provided the rationale for granting up-zoning to 23 million square feet of non-residential development in the 500 acre activity center (called the "primary" area in a 1984 study).

The comprehensive transportation program, designed to support this level of increased development, recommended several specific components:

- o A specific Dallas Parkway Center strategy should be developed and adopted. This program would "guide" up zoning to denser development, and introduce road additions and improvements, transit service, transportation management programs, urban design and landscape concepts, and funding mechanisms for all improvements.
- o A capital improvement program with appropriate amendments to the Regional Thoroughfare Plan must be developed which specifies a program of road projects (thoroughfares, intersections and regional connections), develops an implementation time frame, (keyed to development and reviewed periodically), and devises a funding mechanism for new developments so that those causing additional traffic impacts would participate appropriately in the costs of the solutions.
- o Transit service should be initiated which includes regional rail service from Dallas Area Rapid Transit (DART), as well as an internal circulator service that would be contractually provided by the private sector and DART.
- o An area-wide Transportation Management Organization (TMO) and Program should be established which will concentrate on

changing the current parking code (reduced maximum), require new developments and tenants to participate in ridesharing and other related programs, with the appropriate support and funding mechanisms.

- o An urban design program must be created to ensure the general attractiveness/image, to provide for circulation, and to provide for parking or similar facilities.
- o Formal and informal means of coordinating development and transportation responses in the study area are needed among Addison, Farmers Branch, DART, State agencies, and the private sector (employers, landowners, developers and service providers).

These recommendations are now being considered by the City of Dallas. The City has approved 10 zoning cases which have the potential to build up to 23 million s.f. of non-residential space. Potential exists for the development of another 15-20 million in an adjacent 2,500 acre 'secondary' study area. (Recent counts of office development show 2.9 million sq. ft. existing, 1.0 million sq. ft. under construction, 8.0 million sq. ft. announced, and 11.0 million sq. ft. with zoning granted). Commitments from the private sector secured in negotiations with planned development district zoning cases include: dedication of right-of-way and construction of on-site roadway and transit improvements valued in excess of \$75 million,

payment of 50 cent/sq. ft. for offsite roadway improvements; participation in a TMO including payment of 5 cent/sq. ft. fee; special transit provisions with rewards tied to easement dedication for DART bus stops, timed transfer centers (or rail stations), bus shelters, and employee transit pass programs; and reduced parking capacity requirements to encourage ridesharing.

The City of Dallas has also committed to several major programs. The 1985 Bond Program contained almost \$100 million for road construction in North Dallas which includes the study area. Traffic signal upgrading and computerization work is proceeding in and around the area with a combined city/county investment of \$4 million. Funds have been committed for the establishment of the TMO. In addition, the City is developing a detailed implementation schedule and financing program for thoroughfare improvements, an internal-circulator transit service and an urban design program. Aggressive coordination of the related activities of local jurisdictions is underway.

For further information contact:

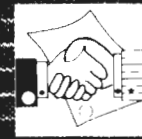
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Peak Hour Transit Services





PRIVATE SECTOR BRIEFS



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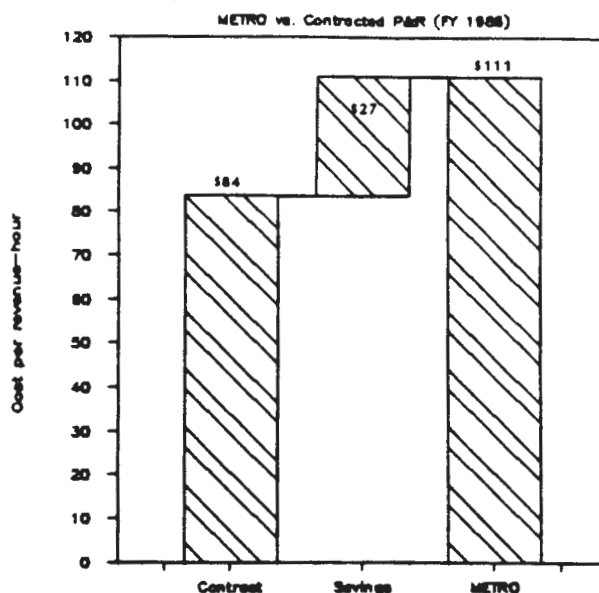
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Contracted Commuter Park-&-Ride Bus Services

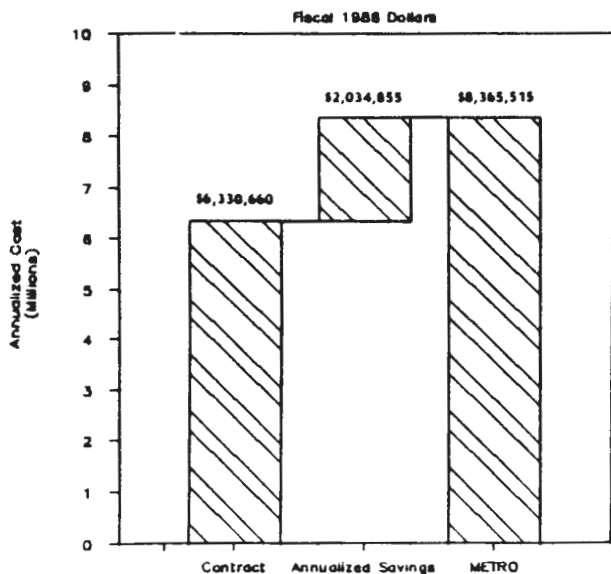
Houston, Texas

The Metropolitan Transit Authority of Harris County (METRO) in Houston Texas currently contracts 36% (74 buses) of its commuter bus services with private carriers. The competitively procured service constitutes about 10% of METRO's peak bus pullouts. Metro will spend \$6,070,000 for the contract commuter service in FY1986. This contractor-provided commuter service is 24% less than METRO's costs, enabling them to save approximately \$2 million annually. The five-year service plan includes plans for contracted commuter service to increase to 165 buses by 1990, which is more than double the current level.

Comparable Total Cost Per Revenue-Hour



Long-term Savings: Contracting 78 Buses



METRO's Board of Directors supports fully the involvement of the private sector in the delivery of services by METRO. The use of private contractors on a competitive basis has proven advantageous in the delivery of some of METRO's transit services. METRO will continue to take advantage of cost savings by contracting out future transit services to private carriers as long as there is no measureable decrease in the quality of service.

METRO had intended to provide all commuter park-&-ride services itself, but decided to contract with private carriers when bid prices

were compared to METRO costs developed through METRO's relatively advanced cost-allocation methodology. METRO uses a long-term avoidable cost approach, which is designed to determine the marginal cost of services, including those semi-fixed costs, (e.g. some administrative responsibilities and some capital facility needs) which would be shed in the long run if services were contracted out but may not be imminently variable in the short run.

METRO calculates its marginal cost of providing commuter service to be \$111 per revenue-hour. The fully allocated cost (derived from the fiscal 1986 budget) is \$155 per revenue-hour for park-&-ride service. To arrive at the \$111 figure, METRO subtracts capital items which both METRO and the contractor would use (such as the transitway) as well as costs which METRO maintains would remain fixed over the long run (e.g., scheduling, marketing, transit police).

The price of contracted service is \$72 per revenue-hour. To compare with the \$111 cost for public provision of the service, METRO adds costs of contract negotiation and administration for a total cost of \$84 per revenue-hour of contracted service. Thus, METRO calculates a long-run savings of \$27 per revenue-hour contracted.

This case demonstrates the importance of developing an accurate and logical cost-allocation methodology for comparing the cost of publicly provided service with the cost of privately contracted service. METRO estimates that the short term cash savings from contracting are much lower than the long-term savings. This is due to significant semi-fixed investment in general and administrative staff areas, supervision and operating facilities. Through cost-allocation analysis, however, potential cost savings are revealed and can be realized.

METRO estimates that its long-term avoidable cost of providing commuter bus service may have increased 10-20% since the computation of costs reflected here, due to the addition of a new maintenance facility and acquisition of new vehicles. Given METRO's history of recovering 50% of cost on its combined commuter Park-&-

Ride routes, the potential subsidy savings through using contractors for all commuter park-&-ride routes could result in 25% subsidy savings.

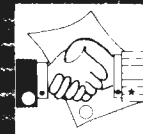
METRO's Office of Management and Budget has formed a task force, that will include private sector representatives, to examine the potential for contracting out more services. Several demonstration projects are currently being evaluated which attempt to integrate contractors more closely with METRO's local service, including circulator service, late evening and weekend service at transit centers. METRO believes they can continue to benefit from the private sector's lower costs and innovative ideas while remaining an industry leader in privatization, consistent with their long-term commitment of meeting Houston's transportation needs.

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PRIVATE BRIEFS SECTOR



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Contracted Bus Service and Maintenance

Johnson County, Kansas

Johnson County is a rapidly growing suburban area outside the Kansas City metropolitan region. Until 1982, Johnson County received bus service under an annual "Purchase of Service" agreement from the Kansas City Area Transit Authority (KCATA). That year, Johnson County withdrew from KCATA when it elected to contract for commuter and circulator bus service with a local private firm, A.T. Meyers and Sons. Meyers' \$730,000 bid for the commuter service was \$470,000 less than KCATA's bid. Because the county gave up around \$486,000 in Federal subsidy when it moved to the private provider, it is estimated that the county saved only about \$17,000 in its first year of contracting. However, the county gained greater control over service and freedom from diminishing Federal operating subsidies.

Beginning in January, 1986, Johnson County competitively procured services from ATE Management and Services Co. of Cincinnati, Ohio. ATE subcontracts with Ryder Truck Rental, Inc. to provide vehicles, fuel, maintenance, and an operating garage. The Johnson County contract provides for an expanded route system and new equipment, and extends for three years with three one-year extensions thereafter. The annual contract cost to Johnson County is \$1.32 million. The service is funded almost exclusively out of farebox and general local tax revenues. The county generates some revenues from an advertising contract and receives \$45,500 in UMTA Section 18 funding for a route which extends into a rural area.

Express service is provided between points in Johnson County and the Kansas City Central Business District (six routes; 12 peak vehicles; 1025 vehicle-miles per day). Intra-county circulator service is provided by high-roof mini-buses (four routes; 8 peak vehicles; 1160 vehicle-miles per day). All service is provided on weekdays only. The vehicles are clearly marked with the Johnson County logo.

Ryder's subcontract is about \$750,000 annually or 55% of the total contract cost. This includes vehicle depreciation and interest of

around \$380,000, or 29% of the total contract cost. Ryder also provides the operating garage, with rental payments constituting around 5% of the total contract cost. Fuel purchased through Ryder amounts to around 6% of the total contract. Labor, materials, supplies, utilities and overhead associated with providing vehicle maintenance constitute about 16% of the total contract cost.

Allocating the full contract cost between the commuter service and the circulator service, Rice Center estimates that the commuter service costs approximately \$3.08 per vehicle-mile or \$52 per vehicle-hour. The circulator service costs approximately \$1.75 per vehicle-mile or \$23 per vehicle-hour. Because approximately one third of these costs are capital-related (buses and facility rental), the figures are not comparable to figures of operating cost alone. The systemwide average operating cost, not including capital, reported in 1984 UMTA Section 15 data for KCATA was \$3.45 per vehicle-mile or \$47.61 per vehicle-hour.

A distinguishing feature of the new contract is the number of explicit performance standards. Repeated violation of a performance standard without adequate remedy can lead to penalties ranging from \$2000 to cancellation of the contract. This arrangement ensures that the private contractor will perform to expectation. Performance requirements were laid out in the Request for Proposal (RFP). Seven private firms submitted proposals for the downtown commuter and circulator services. KCATA submitted a proposal for the commuter service only. Of the private firms, no company took more than 3 exceptions to the stipulations in the RFP. The public transportation authority took 28 exceptions to the RFP. Johnson County granted 13 of these, but generally did not grant exceptions relating to on-time performance and service quality. The public authority ultimately declined to submit a bid.

Under the terms of the contract, Johnson County has a voice in issues that affect service quality. Reasonably strict standards are set for on-time performance and trip-completion. Detailed maintenance standards are set out and the county has the right to spot-check equipment and maintenance records. Working air conditioning and heating units are strictly required during the relevant seasons. Johnson County approves all interior and exterior advertising on buses. To monitor the impressions of riders, the county can conduct on-board passenger surveys. The Johnson County example demonstrates that contracting with private firms can offer public transit authorities great flexibility and control over the quality of the services provided.

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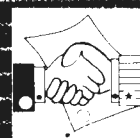
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Contracted Commuter Service and Maintenance

Snohomish County, Washington

Snohomish County is a growing suburb of Seattle, Washington. The Snohomish County Public Transportation Benefit Area Corporation (more commonly known as Community Transit) provides local, rural, elderly/handicapped and commuter services in Snohomish County. Since 1977, Community Transit has contracted with Seattle Metro to provide commuter park-and-ride and express service from urbanized areas in southwest Snohomish County to Seattle's Central Business District. Recently, Community Transit elected to competitively-procure approximately 70% of that service. A Request for Proposal (RFP) was issued in September, 1985. Four proposals were submitted, all by nationally-recognized private firms. Two firms were interviewed, and in February, 1986, ATE Management and Services Company was awarded a contract to begin operating the service in September, 1986.

Ridership on the commuter service is high. Though the quality of service provided by Seattle Metro has been very good, Community Transit engaged in competitive-procurement in order to achieve the following:

- o Increased visibility of Community Transit as provider of transit service in Snohomish County. Vehicles will be marked with the Community Transit logo and paint scheme. Community Transit will develop a new corporate identity independent of Seattle Metro.
- o Flexibility in adjusting service levels and schedules. The contract specifies marginal cost adjustment rates which apply to changes in service levels. Community Transit may make service changes easily.
- o Local control and monitoring of service. The contract sets performance standards and establishes financial penalties for non-compliance. Community Transit may inspect vehicles and survey passengers.
- o New commuter transit vehicles. ATE will run 49 new GMC RTS-II Suburban coaches equipped with several amenities not presently available on Seattle Metro equipment, including high-backed reclining seats, individual reading lights, overhead storage racks and air conditioning. ATE was the only bidder offering vehicles equipped with double-door configuration for faster downtown boarding.

ATE will perform all operating functions on a turnkey basis. Community Transit will continue to perform planning, scheduling, and marketing functions. Vehicle maintenance will be provided through Morgan Brothers GMC in Everett, Washington, with some work to be performed at the GMC Truck Center in Seattle. ATE intends to hire drivers, store buses, and contract for support services locally, as operations will be based in Everett.

The contract with ATE is for a fixed total price averaging \$2.95 million annually over five years. The contract extends for 3 years, with a one-year or two-year renewal option available to Community Transit at preset prices. The contract allows for extensions to a maximum total of 15 years. Insurance is not included in the contract price, and will be treated as a pass-through expense. At the time of the bid, ATE submitted an insurance quotation of \$247,000 for the first year. Liability insurance is expected to cost more in the immediate future due to the current volatility of the market. The service to be contracted from ATE would cost approximately \$4.0 million annually (including insurance) if procured from Seattle Metro at current costs.

Operating costs will be paid to ATE. Insurance costs remain outside the contract, but are paid through ATE. Vehicle costs are included in the contract, but will be paid directly to the General Motors Acceptance Corporation (GMAC) by Community Transit. The vehicles will be financed through a five-year capital lease. GMAC will own the buses, while Community Transit will hold a sublease under ATE's master lease. According to the ATE cost proposal, operating costs are roughly 56% of the total contract price. The cost of the vehicles constitutes the remaining 44% of the total contract. Within the operating cost, about 53% is vehicle operating expense, 20% is for maintenance, 21% is for administration, and 6% is the contractor's fee.

The average annual operating cost (without insurance) will be about \$1.6 million for an expected 26,000 revenue-hours of service per year. The operating cost in the first year will be \$59.22 per revenue-hour, rising at an average rate of 9% in subsequent years. For changes in the level of service within 25% of the total, the contract price is increased or decreased at predetermined rates. The marginal adjustment rate for the first year is \$27.985 per revenue-hour required, plus \$0.726 per revenue-mile required, plus a negotiated charge if additional vehicles are required. Community Transit may cancel the contract at its convenience; however, to cancel the contract without cause, Community Transit must take over the bus leases, buy ATE's supply inventory at cost, and buy out the ATE contract at a predetermined maximum cost (about \$300,000 during the first year, less in following years).

The annual cost of Community Transit's vehicle sublease will be \$1.43 million (\$29,272 per vehicle per year). Capital costs are relatively high because the entire depreciable base of the new buses is amortized over five years through ATE's capital lease. ATE will amortize vehicle cost at a rate of around \$23,000 per vehicle per year, to a salvage value of about 20% of original cost. At the termination of the five-year lease, Community Transit will have a first right of refusal option to buy the buses.

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Kronenberger



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Public/Private Funding of Commuter Service

The Woodlands, Texas

The Woodlands, Texas is a master-planned suburban community located in Montgomery County, 25 miles north of the Houston central business district. The Woodlands Corporation and Montgomery County have recently initiated a Park-&-Ride service to downtown Houston. The Park-&-Ride facility and operations have been funded with a mixture of public and private money, an arrangement in which the Woodlands Development Corporation is paying part of the cost of a public service which increases the value of the community.

The joint public/private funding gave The Woodlands Corporation the opportunity to provide the same benefit to residents of The Woodlands that has been available in other suburban developments around Houston through Houston METRO. Section 18 Federal funds paid for 80% of the cost of the new \$2.9 million Park-&-Ride facility. Montgomery County contributed around 6%, and a land-grant from The Woodlands Corporation constituted the remainder. The cost of the Park-&-Ride includes the capital cost of the three minibuses to be used to operate a circulator service, which The Woodlands Corporation will run itself beginning in the Fall of 1986. Turnkey operation of the Park-&-Ride service, including provision of vehicles, was procured competitively. Seven firms submitted proposals in response to a Request for Proposal issued in December, 1985. Trailways Commuter Transit Company was awarded the contract in February, 1986, with service commencing in May.

The subsidy cost of the Trailways contract is funded with Section 18 Federal funds matched with an equal contribution by The Woodlands Corporation (50%-50%). Contract administration expenses for the service will be funded 80% by Section 18 and 20% by The Woodlands. Montgomery County is the designated recipient of the Section 18 funds, with The Woodlands acting as a subcontractor to the County for provision of the service.

The commuter bus service operates weekday mornings and evenings between the Park-&-Ride and downtown Houston. Trailways runs 5 buses (with 1 spare) on 8 morning runs to the central business district and 7 evening runs outbound for a total of about 20 revenue-hours of

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service daily. Trailways provides a turnkey operation, with The Woodlands Corporation providing only printed materials, such as maps, schedules and tickets. Service is provided with 46-passenger, over-the-road coaches (1981 Eagle Model-10's) equipped with individual reading lights, highback seats, and air conditioning. Trailways Commuter Transit leases the buses from its parent corporation, Trailways, Inc, for a price equal to around 21% of the total contract cost. The vehicles are dedicated to The Woodlands service, with The Woodlands Corporation providing signage that identifies the service. Trailways maintains the vehicles at its downtown Houston facility, and parks the vehicles overnight at the Park-&-Ride lot.

The contract extends for 2 years with a 2 year extension-option available to The Woodlands. The service will cost a fixed rate of \$58.83 per revenue-hour in the first two years (including cost of vehicles), and \$64.03 per revenue-hour for the two-year extension. The Woodlands Corporation has great flexibility to adjust service levels at the base rate. Trailways will supply anywhere between 3 and 12 vehicles for the service at this price, as long as each vehicle is utilized between 4 and 8 hours per day.

The expected annual cost of the Trailways contract is around \$300,000 at presently envisioned service levels. The Woodlands keeps all farebox revenue, expected to be around \$250,000 for the Park-&-Ride service in the first year. (Passes are \$90 per month, comparable with Houston METRO's Park-&-Ride rates.) Thus, subsidy cost is expected to be around \$50,000 in the first year (Woodlands - \$25,000; Federal - \$25,000).

The contract includes performance criteria and liquidated damages for failure to meet the standards. Trailways is required to maintain 96% on-time performance. Late runs are to be paid for at a 25%, 50% or complete reduction in cost, with an additional penalty assessment of \$100 for runs leaving timepoints 15 minute late. Missed runs will not be paid, and Trailways is assessed an additional penalty of \$200 per occurrence. Vehicles not meeting air conditioning or other maintenance standards may be rejected by The Woodlands or service may be paid at reduced rates. Vehicles must be operated at least 7,000 miles between roadcalls, and representatives of The Woodlands may inspect the vehicles at any time.

Ridership in the first month of service has been excellent, averaging 220 passengers per day each way, or around 30 passengers per trip. The Woodlands has options for an intermediate stop at Houston METRO's Spring Park-&-Ride and an extension of the run to the Texas Medical Center.

For more information, contact:

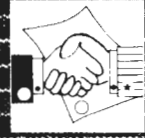
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Kronenberger



PRIVATE SECTOR BRIEFS



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Contracted Commuter Service and Maintenance

Corpus Christi, Texas

The Corpus Christi Regional Transit Authority is in a rapid growth stage. In order to increase the capacity of the system effectively, while allowing the attention of management to remain focused upon the system's planning and administrative needs, the Authority elected to competitively procure service for routes between four Park-&-Ride facilities and the Corpus Christi Naval Air Station. A Request-for-Proposal was issued in March, 1986. The request was for a short-term contract, and the RFP and selection process was expedited. Two proposals were submitted, and the contract was awarded to ATE Management and Services Company in April, 1986.

The contract runs for one year, beginning in April, 1986. During the one-year contract period, the Authority plans to solicit proposals for a longer term commuter bus services agreement (3-5 years). The longer-term contract will likely include all of Corpus Christi's Park-&-Ride operations (around 20 buses). In the event that ATE should gain the longer term contract, the present contract would terminate on the effective date of the new contract.

Each of the four Park-&-Ride routes requires one bus to make a single one-way trip in both the morning and afternoon for a total of 2 revenue-hours per day. Thus, the four routes require 8 revenue-hours of service each weekday. Service is provided in 45-passenger 1980 Model Year commuter coaches equipped with individual reading lights, highback seats, and air conditioning. The Authority provides decals for the buses to identify the service. Vehicles are maintained at a local Ryder facility, and are leased from Hausman Bus Sales and Parts, Inc. for an amount equal to around 28% of the total contract cost. The agreement with Housman is a conditional sale lease, with Hausman agreeing to buy the buses back at a fixed price upon the termination of the contract if ATE does not continue to provide the service.

Though ATE provides an almost complete turnkey operation, the agreement was negotiated flexibly to use available resources efficiently. ATE vehicles drive through the Authority's fueling bays and cleaning facilities, even though ATE provides its own maintenance

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program for the vehicles. The Authority will furnish fareboxes, decals, diesel fuel, routine fluid checks, exterior washing, and interior cleaning for ATE's vehicles daily. ATE will provide day-to-day operations, vehicles, maintenance facilities, equipment, supplies, and administration.

The basic rate for the service is \$156.86 per revenue-hour for the eight daily one-way trips. The annual cost of the basic service is expected to be \$320,000. The cost is relatively high due to the short term of the contract, low vehicle utilization and the high cost of peak-period deadheading.

The contract includes lower rates for marginal increases in service, offering an incentive for the Authority to utilize vehicles to a much greater extent. The agreement that allows ATE to fuel and clean vehicles in the Authority's facilities was negotiated primarily to help lower the rates. The Authority will pay only \$17.72 per vehicle-hour for each additional hour in service on a commuter bus route. The Authority pays \$7.70 for intervening or waiting time between trips on a commuter route. It is expected that the Authority will purchase significant additional revenue-hours of service beyond the basic contracted service. Thus, the actual overall cost per revenue-hour will be significantly lower than the basic rate, and depends upon the ultimate utilization of the service.

The contract allows the Authority, with ATE's consent, to book charter trips to be performed by ATE. The Authority pays \$17.72 per hour to ATE for each hour of charter work, calculating hours the same way that the Authority does in charging its own customers for charter work. The Authority, in turn, bills such charter trips to customers at a rate of \$25 per hour. In this way, both the Authority and ATE make a "profit" on each chartered hour of service. It is expected that chartered service will represent around 5% to 10% of the overall budget for the ATE operation in Corpus Christi, so the benefit to both parties could be substantial.

The contract includes performance standards with liquidated damages to maintain the standards. ATE is required to maintain 96% ontime performance. Late runs are assessed a \$50 or \$100 penalty. Vehicles must be operated at least 7000 miles between road failures, and representatives of the Authority may inspect the vehicles at any time. The contract can be terminated for cause, but cannot be canceled at the convenience of the Authority.

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Contracted Fixed Route Bus Service

Prince William County, Virginia

Since the 1970's, private operators have provided express, commuter bus services from Prince William County, Virginia to Washington, D.C., which is approximately 30 miles away. In the late 1970's, financial problems and management difficulties of the operator led to deterioration of the rolling stock and of the reliability of the service. Ridership plunged from about 5000 daily trips in 1978-79 to about 600 by 1983. In 1981, Prince William County initiated a program of supporting the privately-operated services by providing county-owned buses and a maintenance facility to the operator at no cost. Service with the 'leased' buses was started in 1984 after selection of an operator through competitive bidding. The most recent contract for operation of the service was awarded to BusLease Contract Services (BLCS), Inc. of Dallas, Texas in May 1986. The three year contract for operation of the 17-bus fleet for three years was awarded to BLCS for \$2.4 million and includes a provision for expanding the system at a cost of \$40,330 + \$0.85/mile per additional bus. For an expanded 23 bus system the total value of the contract will be \$3.66 million.

Fifteen buses were acquired through a \$1.4 million State grant in 1984 under the Experimental Aid for Public Transportation program. The buses cost about \$73,000 each to remanufacture according to county specifications and have an estimated useful economic life of 6-8 years. A unique feature of the 1984 contract for the service was the use of 'worker-drivers' by the operator, Washington Motor Coach Inc. (WMC). The 'worker-drivers' are part-time employees

with full-time jobs in Washington, D.C., who would drive the bus out in the morning, park the bus after the completion of the morning run(s) and in the afternoon would complete the return journey. The 'worker-drivers' received a \$7.00 fee for each one-way trip. Full time drivers were required to perform additional record keeping, maintenance and interim charter duties. By employing non-union labor and having the flexibility of using any of its 25 employees including management as drivers, WMC was able to keep labor costs for the service down to about 38% of the total expenses.

Ridership climbed to about 1100 by September 1984. A study by Ambrose, Jackson and Leiner, published in early 1985 by the Transportation Research Board estimated that the capital assistance provided by the county amounted to about \$0.79 per passenger per trip with the given occupancy level of about 60% of capacity for the buses. In annualized terms the subsidy amounted to approximately 36% of the total projected revenue. The program did not involve an operating subsidy.

The Request For Proposals for the recent contract was advertized in January 1986 and bids were received from 7 private operators. A major change in the new contract terms is that the operator is assured of covering his costs and is not totally dependant on farebox revenues thereby reducing the private operators exposure to risk. For the county this arrangement means a predictable expenditure on providing transit services. BusLease Contract Services will act as a

manager-operator and agent of the county. The operator's responsibilities include operation of the services, collection and remission of fare income, maintenance and repair of county equipment (which includes buses and the leased maintenance facility), provision of office, information and accounting services, recruitment/training of personnel, payment of utilities, taxes and service charges, etc. The county's responsibilities include coordination with other local bus systems (both public and private), establishing bus routes, schedules and service policy, marketing, service monitoring of the contract operations, provision of equipment and premises, etc.

The operator is contractually required to provide back up units equivalent to about 15% of the system fleet, and also to be able to supply as many as 10 additional buses (comparable in quality to the county buses) for lease to the county. As per the contract, Bus Lease will provide the additional buses for \$40,330/bus + \$0.85 per mile. Deadhead mileage in excess of 37% of the total miles will be paid at \$0.50 per mile. The operator may use their operator supplied vehicles for charter operations provided the charters do not interfere with the contracted commuter services. The operator is required to pass on 5% of any profits made on the charter operations to the county. Fuel price fluctuations in excess of 10% of the projected amounts are to be reimbursed by the county or rebated by the operator.

The contract prescribes standards of vehicle cleanliness, adherence to schedule, heating/air conditioning, completion of vehicle trips, reporting, preventive maintenance, etc. Penalties may be imposed for failing to meet the prescribed

standards. Penalties are financial in nature (generally up to \$300 per violation) and apply on dates that the county performs its random check.

The County has recently acquired 5 additional buses bringing the bus fleet up to 20 remanufactured buses. With 23 buses (20 + 3 back up) the total cost of operations is estimated at \$3.66 million for an estimated total mileage of 1.9 million, including 1.4 million revenue miles. BusLease Contract Services (like the previous operators) is also employing 'worker-drivers', though to a more limited extent due to scheduling problems when these 'worker-drivers' are required to travel out of town, as a course of their primary employment. Labor costs are projected to be approximately 33% of the total expenses with the head count going up to 29 for 33 buses (compared with the earlier 25 for 15 buses). This is BusLease Contract Service's first contract for direct operation of a bus system. The company was formed in November, 1985, as a subsidiary of BusLease, Inc. which has been active in financing and leasing of buses for inner-city/suburban services.

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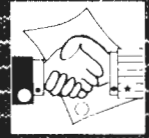
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Regular Route Transit Services





PRIVATE SECTOR BRIEFS



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DART II - Suburban Local/Crosstown Bus Service

Dallas, Texas

In the spring of 1984, the Board of Directors of the Dallas Area Rapid Transit (DART) took a bold step towards the development of a public/private business partnership by voting to contract through a competitive bidding process the peak-hour, express bus portion of its service plan to private enterprise (DART I). Just over a year later, the DART Board of Directors awarded a second contract through a competitive bidding process to the private sector for the provision of regular route, local and crosstown service (DART II). The recipient of both the DART I and II contracts was an entity called Trailways Commuter Transit, Inc. Actually, this firm is not one, but a consortium of three distinct and separate firms...the Trailways Corporation, Ryder Truck Systems, and ATE Management and Service Company.

For the DART II contract, the public transit authority first purchased 204 transit-style buses to be used by the private operator in the operation of the service. The recipient of the contract award, Trailways Commuter Transit, Inc., provides drivers, driver training, and management; Ryder Truck Systems provides the maintenance facilities (ten in Dallas) and manpower for cleaning, washing, and mechanical upkeep of the fleet under a subcontract agreement; and ATE Management and Service Company provides a general manager to interface with the DART Board of Directors and its employees, and oversees the management of Trailways Commuter Transit, Inc.

DART establishes the schedules and routes to be operated and sets fares to be charged. All revenues to be collected by Trailways for operating the local/crosstown services belong to DART. In turn, DART pays Trailways a fixed price for operating the service.

The DART II agreement is a five-year contract between the public transit authority and Trailways Commuter Transit, Inc. for \$103.5 million. The project was scheduled to start-up in two phases, based upon the delivery dates of the new vehicles. The first phase began in September, 1985 with a fleet of 87 buses operating on 24 routes (DART also provided 9 spare buses, a 10% spare ratio). The second phase, scheduled to begin in November, 1985 will increase the number of buses in the DART II operation to 204 (including spares), and will increase the number of routes to 52. Route services are operated approximately 15 hours per day, six days per week (Monday-Saturday). Peak-hour headways are approximately 20 minutes and 60 minutes at other times.

There are three major reasons given for the cost-effectiveness of the DART-Trailways operation. The first reason is flexibility... because of the "expansion" nature of the operations, the company has established work rules that are very labor efficient. Trailways can more easily schedule flexible work hours, including part-time shifts, split shifts, and four-day work weeks. This flexibility enables Trailways to accomodate high peak-hour demands and lower off-peak and base period demands. Secondly, because Ryder Truck System's facilities and experienced personnel are already in place for heavy - and light-duty vehicle maintenance operations, vehicle reliability can be kept at a high level. This should ensure smooth fleet operations and cost savings to the public authority. Thirdly, the contractor operates with a modest overhead that has enabled it to compete effectively for many years in the highly-competitive private charter and intercity transit market.

This mix of private and public resources provide a comprehensive, high-quality, and cost-effective system of transit service provision for the public transit authority. DART has taken great pains to ensure that these services meet the high standards of a quality transit system. The competitive work environment of the private operation allows those standards to be met flexibly, rapidly, reliably and efficiently.

DART has succeeded in providing new services to the public both quickly and cost-effectively. Contracting for service is a viable option for public transit agencies who desire to save money, and for private operators who desire to make money.

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PRIVATE SECTOR BRIEFS



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Regular Route Transit Services

London, England

The London Regional Transport Act of 1984 requires London Regional Transport (LRT) to provide/obtain public transit services in London, and further requires inviting competitive tendering (contracting) from the private sector. LRT is a nationalized industry which acts as the holding company for its two subsidiaries, London Buses, Limited (LBL) and London Underground, Limited (LUL). LRT devises corporate strategies, ensures service coordination, and obtains services from either public or private operators, whichever is deemed the most cost-effective.

LRT is in the process of competitively contracting its mainline transit services to public and private operators. Recently, LRT called for bids for service on 12 bus routes. Routes identified as candidates for contracting were driver operated and were in the top 25% on two or more of the following criteria: low average load per bus, high cost per bus hour, and small number of buses required to operate the service. Since LRT sets fare levels, it assumes revenue risk, and therefore chose to use a 'cost contract' in which the operator supplies a specified service for a specified price and fare receipts are remitted to LRT, rather than a 'bottom-line' (or minimum-subsidy) contract, under which the contractor has direct financial responsibility for costs above a specified level and is financially affected by the receipts collected.

The contract specifies basic service requirements, but invites operators to submit alternatives so that innovations can be evaluated as well. The basic service specifications include: a general statement on minimum service level, regularity, vehicle capacity and the appropriateness of the existing timetable; a schedule indicating the minimum number of departures in each time period between the main points on the route and the regularity required, with first and last buses specified; and a schedule describing the streets and stands to be used on the service.

The process adopted for the first package of tendered routes was as follows:

- o Service Planning - Selection of routes to be tendered, evaluation of optimum service levels and preparation of service specifications (6 weeks).
- o Pre-Tender - Advertising of the intention to invite tenders, presentation of information to operators (5 weeks).
- o Pre-Qualification - Operators submit a company profile, financial summary, resources available, licenses held, experience and an indication of routes which interest them. Companies with a suitable financial base, resources and experience are added to the tender list (4 weeks).
- o Invitation To Tender - service specification and draft contract sent to operators (4 weeks).
- o Tender Evaluation - formal opening of tenders and evaluation of bids (6 weeks).
- o Contract Award.
- o Services Begin Operation (10-14 weeks after contract award).

The entire 9-10 month proposal and award process will be shortened in the future by limiting service planning, eliminating the pre-tender phase because of wide publicity which tendering has had, and including pre-qualification in the tender evaluation.

Twenty-three companies submitted pre-qualification proposals. Twenty-one were included on the formal tender list, including LBL, 4 subsidiaries of the National Bus Company (the UK's nationalized bus company), one municipal operator and 15 independent operators. Two companies were rejected because of inadequate financial strength, experience, and size.

LBL was awarded six routes, National Bus Company subsidiaries were awarded four routes, and independent operators were awarded two routes. The total contract price was £3 million (\$4.59 million; May, 1986), 25% less than the previous total of £4 million (\$6.12 million; May, 1986) per year. Estimated costs of administering the tendering process are £200,000 (\$306,000; May, 1986) per year, or 6.7% of the total contract cost. LRT expects to save 20% to 25% on future contracts as well.

The most important result cited by LRT was the cost-cutting conducted by the public operator that enabled LBL's bid to be considerably lower than its previously reported operating costs.

To avoid the danger that LBL might drive out the competition by using its large system to subsidize a lower cost on the tendered routes, LRT requires that LBL keeps accounts for the contracted routes that are separate from the rest of its bus operations.

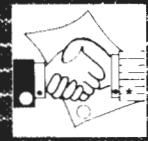
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PRIVATE SECTOR BRIEFS



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Contracted Bus Operations and Maintenance

Fairfax County, Virginia

Fairfax County, a suburban county outside of Washington, D.C., has been a member jurisdiction of the Washington Metropolitan Area Transit Authority (WMATA) since 1973. In 1984, WMATA operated approximately 500,000 vehicle-hours of service on 110 bus routes in Fairfax County. But, in response to increases in the County's share of the unpredictable and growing WMATA bus operating subsidy, Fairfax County elected to replace WMATA as provider of service on ten routes in the southeastern portion of the County. Fairfax County provides buses, facilities and other equipment for the service, but has competitively-procured operating services from National Transit Service (NTS) for the day-to-day operations of the system. Called the "Fairfax Connector," the privately-contracted system offers feeder service to the recently-opened Huntington Metrorail Station.

A 1983 study by ATE Management and Service Co., Inc. predicted a \$1.2 million annual operating cost savings if Fairfax County replaced WMATA as provider of the Huntington feeder service. This estimated operating savings was large enough to merit the purchase by Fairfax County of 33 buses, a maintenance facility and major equipment for use by a private operator. The ATE study estimated that the County, after capital costs, would save \$735,000 annually by competitively-procuring service. The ATE study presented a complete operating plan, which the County Board of Supervisors decided to implement in July, 1984. The Request for Proposals (RFP) was issued in February, 1985. Three firms submitted proposals on the service, and NTS was awarded the contract in June, 1985. Operations began in September, 1985.

The \$1.98 million operating contract with NTS is a one-year, fixed-price contract. NTS provides for day-to-day operation of the system, vehicle maintenance, maintenance parts/supplies, and administration. The County provides all buses (distinctively marked, "Fairfax Connector"), major equipment, fuel, and an operating garage/administrative building. The County also performs all policy, planning, and marketing functions. NTS will provide about 71,300 vehicle hours and 1,174,000 vehicle miles in the first year, or 10% to 12% of the total countywide bus service.

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The total capital budget required to initiate the service is expected to be around \$8.08 million. 49% of this has been spent for buses. 41% is expected to be spent on the garage facility. The remaining 10% has been spent on land and other assets. The County has received \$500,774 from safe-harbor leasing of the buses. Thus, net capital costs are estimated to be \$7.58 million. By depreciating assets over their estimated useful lives, the County calculates a first year capital charge of \$473,698.

In May, 1986, after seven months of operation, County transportation officials projected total costs for the first year. Fuel, services and contract administration provided by the County are expected to cost around \$342,000. The total operating cost is projected to be around \$2,346,000 (\$32.90 per vehicle-hour, or \$2.00 per vehicle-mile). In comparison, WMATA estimates its current systemwide average operating cost per vehicle-mile to be \$4.91. Fairfax County estimates that the marginal cost to the County for each vehicle-mile of WMATA Metrobus service is \$3.27. The marginal savings is therefore estimated at \$1.27 per vehicle-mile of WMATA service replaced by the Fairfax Connector.

Fairfax County transportation staff estimate that the County realized approximately 88% of the savings predicted in the original ATE study (on an equal basis of miles and hours). The total first-year savings are estimated as follows:

<u>REDUCTION IN WMATA SUBSIDY</u>	
Allocated Operating Cost Savings	\$3,724,975
<u>Allocated Capital Cost Savings</u>	<u>54,900</u>
Subtotal WMATA Savings	\$3,779,875
 <u>COUNTY COSTS</u>	
Operating Cost	\$2,346,377
Amortized Capital/Start-Up	515,429
<u>Amortized Safe-Harbor Lease</u>	<u>(41,731)</u>
Subtotal County Costs	\$2,820,075
 <u>NORTHERN VIRGINIA TRANS. COMM. AID REDUCTION</u>	 \$ 246,166
 <u>NET COUNTY SAVINGS (FIRST YEAR)</u>	 <u>\$ 713,634</u>

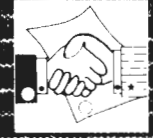
Insurance costs have grown to account for almost 13% of the operating cost of the system, and are presently 2.65 times the cost estimated in the 1983 ATE study. Due to the uncertainty of liability insurance prices, most insurance costs are passed through to the County, and are the only pass-through expense in the contract. The parties have agreed to attempt to bring the insurance costs into the contract on a fixed-price basis when the current liability insurance crisis eases.

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PRIVATE SECTOR BRIEFS



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Contracted Bus Service and Maintenance

San Mateo County, California

The San Mateo County Transit District (SamTrans) was created in 1974. When formed, SamTrans consolidated 11 municipal systems into a system covering a 446 square-mile area. The total system presently consists of 76 routes, 72 of which are operated by SamTrans. Since 1977, four trunkline routes, connecting Palo Alto with San Francisco, have been operated by Greyhound under a long-term contract. The contracted service had been provided by Greyhound as an unsubsidized private enterprise, and is one of the earliest examples of a public transit entity contracting with a private firm. Greyhound had operated in the area under a Certificate of Public Convenience and Necessity from the California Public Utility Commission. When SamTrans took over the Greyhound operation, Greyhound gave up its right to transport local passengers within the County. The most recent contract, effective in July 1982, provides for extensions of service through July, 1987.

The total contract price is over \$6 million annually. Greyhound operates about 2.7 million vehicle-miles annually for SamTrans. The four routes run from 5:00am to 2:30am on major arterials, such as El Camino Real and the Bayshore Freeway, connecting with many other SamTrans routes. SamTrans plans the operations of the service, including all schedules and locations of stops. Greyhound performs all operating and maintenance functions, and provides fuel, lubricants, and tires. Greyhound also provides for administrative, storage, and maintenance facilities (located in San Francisco and Redwood City). SamTrans and Greyhound jointly provide liability insurance, with SamTrans providing primary liability coverage to \$7,500,000, and Greyhound providing excess liability coverage to \$100,000,000.

SamTrans presently provides 68 buses for the operation. The fleet consists of Volvo (articulated), AM General, and Flyer buses. The average age of the fleet is around six years. Greyhound operates 56 buses in the peak period and 51 in the base. The contracted service represents approximately 22% of the total SamTrans peak bus fleet and about 30% of the total SamTrans systemwide vehicle-miles. The Greyhound contract constituted approximately 22% of the SamTrans system's total operating expenditures in 1984-85.

The contract is a cost-plus arrangement, with SamTrans keeping all fare revenues. Greyhound's expenses are reimbursed, with SamTrans paying a 15% operating margin on most expenses. SamTrans is invoiced according to a standard costing system which applies costs in over 50 expense categories at a contracted rate per vehicle-mile (e.g., driver wages were billed at \$0.8876 per vehicle-mile in 1982). The only exception to this process is where hands-on maintenance labor is charged by the man-hour. The application rates are adjusted quarterly to reflect changes in wages, fuel and other costs. Actual costs are reconciled with the contracted standard costs semiannually, when a CPA appointed by SamTrans audits the expense records of Greyhound. Either Greyhound or SamTrans is then required to pay the difference between the invoiced (standard cost) price and the actual reimbursable expenses plus operating margin. The results of the semiannual audit of actual costs lead to the adjusted contract costs which are to be applied in the following quarter.

The basic rate of the 1982 contract was \$2.28 per vehicle-mile. The present rate is around \$2.75 per vehicle-mile, which includes standard costs of around \$2.30 plus maintenance labor charged by the hour. The systemwide average operating cost for SamTrans, reported in 1984 UMTA Section 15 data, was \$3.05 per vehicle-mile of bus service. The cost of service is invoiced on a monthly basis, and is adjusted as Greyhound reports actual mileage.

According to the standard costs in the original contract, vehicle operating expenses account for 55% of the total cost. Maintenance accounts for 19%, administration - 13%, and the calculated rate of return - 13%. Labor costs are relatively high compared to many other private operators, as the Greyhound operation is unionized.

The contract sets forth performance standards regarding maintenance, cleaning and on-time performance. Financial penalties are assessed for failure to meet standards. Expenses for deadhead miles are only to be allowable expense miles if kept under 2.5% of the total mileage operated. The contract dictates that no more than 15% of the buses provided by SamTrans to Greyhound may be out-of-service at any one time. Greyhound keeps passenger counts on a daily basis, submitting daily schedule-by-schedule passenger reports to SamTrans.

SamTrans has incorporated 15 new articulated buses into the Greyhound service. There are no ridership incentives built into the contract, but SamTrans is considering the addition of such incentives when a new contract is awarded in July, 1987.

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Kronenberger



PRIVATE SECTOR BRIEFS



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Contracted Fixed Route Bus Service and Maintenance

Yolo County, California

Yolobus is a public bus system jointly funded by the Cities of Woodland and Davis and by Yolo County in California. The system runs bus service within the cities and to Sacramento, connecting with several nearby municipal bus systems. The system has been operated by a private contractor since 1982. Yolo County issued the most recent Request for Proposal for the service in December, 1985. Four firms submitted proposals, and ATE Management and Service Company was awarded a three-year contract which began in February, 1986.

The system consists of six routes providing around 400,000 revenue-miles annually. Yolo County provides 14 Gillig 1985 coaches. The vehicles were acquired when the Authority went to bid jointly with the Sacramento Regional Transit Commission, which needed 27 buses. The joint procurement lowered the unit cost of the buses substantially for both agencies. Except for the buses, ATE runs a complete turnkey operation of the service, supplying all operations, maintenance, consumables, and facilities. ATE stores and maintains buses at regional Ryder's facility located in West Sacramento.

The contract with ATE is for three years at a fixed price each year. The total cost of the contract is about \$857,000 in the first year, \$916,000 in the second, and \$942,000 in the third (equal in the first year to around \$2.16 per revenue-mile or \$40.20 per revenue-hour). The price is derived from fixed and variable components. In the first year, these components are \$35,326 per month fixed cost, \$9.19 per revenue-hour and \$0.60 per revenue-mile. The per-mile and per-hour factors will be applied to service adjustments under 15% of the total service. Insurance price quotes are included in these totals. However, payment adjustments will be made based on actual insurance invoices (i.e., insurance will be treated as a pass-through expense). The diesel-fuel portion of the per-mile factor is adjusted quarterly by a formula to adjust for changes in fuel-prices. ATE keeps any warranty reimbursements for work done on the new buses.

While most transit service contracts contain liquidated damages for failure to meet contractually established standards, this contract contains incentives, as well. The contract contains three standards with both incentives and disincentives, in addition to several other requirements bearing only penalties for lapses in performance. Assessments are made in the following areas:

TOTAL VEHICLE MILES BETWEEN ROADCALLS - If the Contractor achieves a monthly average of less than 4,000 total miles per roadcall, he is penalized \$0.01 per revenue-mile. If the Contractor achieves a monthly average of more than 7,000 total miles per roadcall, he is awarded an additional \$0.01 per revenue-mile. (Based upon review of Contractor's reports, complaints, and inspection of vehicle maintenance records.)

Maximum potential for penalty - approximately \$4,000/year
Maximum potential for reward - approximately \$4,000/year

PERCENT OF RUNS WITHIN FIVE MINUTES OF SCHEDULE - If the Contractor achieves a monthly average of less than 90% "on-time" performance, he is penalized \$0.01 per service mile. If the Contractor achieves a monthly average of more than 95% "on-time" performance, he is awarded an additional \$0.01 per service mile. (Based upon Yolo County Transit Coordinator performing time checks on at least 20 runs.)

Maximum potential for penalty - approximately \$4,000/year
Maximum potential for reward - approximately \$4,000/year

TOTAL VEHICLE MILES BETWEEN PREVENTABLE COLLISION ACCIDENTS - If the Contractor achieves a six-month average of less than 50,000 total miles between preventable accidents, he is penalized \$0.01 per service mile. If the Contractor achieves a six-month average of more than 70,000 total miles between preventable accidents, he is awarded an additional \$0.01 per service mile. (Based upon Yolo County Transit Coordinator's review of accident and police reports, as well as upon visual bus inspections.)

Maximum potential for penalty - approximately \$4,000/year
Maximum potential for reward - approximately \$4,000/year

Given that the annual contract is currently budgeted at \$856,802, the incentive/disincentives constitute plus or minus 1.4% of the budget. The remaining standards allow for only penalties, constituting additional percentages of the budget, but not offering "bonuses" for exceptional service. Even though the total value of the incentive schedule is relatively small, the technique seems to be an excellent means of insuring that contracted service will meet expectations.

For more information, contact:

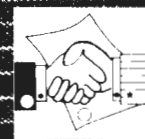
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Contracted Services

Fargo, North Dakota

Fargo Metropolitan Area Transit System (MAT) covers a population of about 70,000 in the city of Fargo. It operates 18 buses with a 11-bus peak, 6-bus off-peak and a one-bus/one-route evening service. MAT's bus drivers and vehicle maintenance were provided by a private company under contract from the mid 1970's until 1984 when the city took over the vehicle maintenance. In June 1986 MAT awarded its most recent contract to National Transit Services, of Chicago for 'turnkey operation' of the system at a cost of \$10.94 per running hour. The turnkey operation includes provision of drivers and supervision. MAT estimates it will save nearly \$100,000 in the first year of operation as a result of the new contract.

The total value of the contract is about \$311,000. The contract is based on a standard year set at 28,500 hours. The annual mileage for the system is estimated at 350,000. The agreement also provides for compensation for training hours at the rate of \$8.20 per training hour. The contract runs from September 2, 1986 through December 31, 1988. Under the terms of the contract, NTS will provide bus drivers to cover all work shifts specified in the agreement. NTS will also provide drivers for any charter services or additional route support required by the city. NTS will provide road supervision of at least 100 hours per month. At least 50% of the road supervision will be during peak hours and each driver will be observed for at least 2 hours each month.

The city will provide all the required transit and support vehicles, vehicle maintenance and

support facilities, and supply all consumables. The city will be responsible for establishing all routes, schedules and fares. NTS will select and train personnel in compliance with the minimum qualifications specified, and operate the service in accordance with performance standards specified in the contract.

The city will collect and retain all revenue including passenger fares, charter and advertising revenues. MAT will provide the insurance coverage for the vehicles, maintenance facilities and accident liability. The contractor is prohibited from subcontracting or transferring any activities except as permitted by the city.

The contract prescribes standards regarding conduct, attire and behavior of drivers, record keeping, adherence to schedule, and reporting. Driving under the influence of alcohol or drugs, damage to city property, and possession of firearms are treated as reasons for the immediate dismissal of drivers. The contract prescribes penalties if the operation does not meet the prescribed standards such as missing scheduled work hours, failing to meet any of the performance standards and for the use of personnel who fail to meet the minimum qualifications as specified in the contract.

The contract will be administered by a Manager designated by the city to whom the contractor will report. The contract is non-renewable with any services provided by the contractor after expiration of the term of the contract being covered under a new agreement.

Labor costs constitute about one third of the total system costs for MAT. It is expected that the total system costs per hour, which currently stand at about \$35.00 per hour, will come down to about \$31-32 per hour. The average cost of the 6 other bidders for the contract was \$14.45 per running hour as compared to \$10.94 for NTS. This contract provides a good example of a relatively small transit property achieving significant cost savings by generating competition through an effective contracting process. MAT officials expect other significant benefits such as better reporting and data gathering requirements to be embodied in the contract.

National Transit Services is participating in management/service contracts with transit properties in many states. The Fargo contract is one of several in which NTS provides services on a turnkey basis.

The award of the contract to NTS has created some legal problems for the city of Fargo. The local firm providing the service prior to the new contract has sued the city for breach of contract in cancelling the existing contract without adequate justification. The firm has sued for loss of profit, punitive damages and legal costs. The

Teamsters local has also submitted a petition to the court to intervene on behalf of its members who were employed by the previous contractor. NTS is also involved in this suit by the Teamsters on the grounds that NTS has not agreed to take over the earlier labor contract nor has it invited the employees to work with NTS under the new arrangement. NTS has received applications from 7 of the former drivers (out of a total staff of 16) for employment and has offered 6 of them employment (one applicant withdrew his application). NTS's operations are currently non-unionized and it has hired drivers for wages of around \$6.00 per hour, as compared with \$8.30 per hour, that were being paid by the previous operator.

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**Elderly and Handicapped
Paratransit Services**





PRIVATE SECTOR BRIEFS



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CTA Special Services - Elderly and Handicapped Paratransit Services

Chicago, Illinois

In February of 1985, the Board of Directors of the Chicago Transit Authority (CTA) charged its staff to develop a plan to increase by 100% the number of trips CTA makes available to mobility-limited riders and to do this by using the existing budget more efficiently.

CTA staff returned to the Board with a report that concluded that:

- 1) Many improvements in the program were necessary;
- 2) Service levels were inadequate to meet demand;
- 3) The cost of \$28.00 per one-way trip (n.i. capital costs) was very high; and
- 4) It was entirely feasible and practical to have the private sector provide this service.

The report showed that the CTA Special Services had one of the largest budgets for demand-responsive, elderly and handicapped services in the nation, \$4,000,000.00. It also showed that, because of the high costs per trip, far fewer trips were being provided than could have been expected.

CTA staff then embarked on the development of a plan to double the number of trips to be provided... With no increase in the budget! Staff estimated that the cost of purchasing service from the private sector would be \$11 - \$14 per trip,... a significant savings.

The privatization plan contained several key elements:

- 1) Competition between carriers;
- 2) Freedom of the riders to choose between carriers;
- 3) Cost-efficiency
- 4) Rigorous service monitoring, contractor selection and service specifications; and
- 5) Quality training and tight driver requirements.

Unlike most public demand-responsive programs operated by private contractors, there would be no guarantees for the contractors. The riders would be free to choose the carrier they wish to ride with. If a contractor failed to perform to the level expected by the rider, the rider could call another carrier for service. Thus, the contractors would compete each day for each and every trip. To make a profit and to attract ridership, the contractor must operate at an optional level at all times.

Contractors would not be paid hourly as in most programs of this nature, but would be paid on a cost-per-one-way-trip basis (a user-side subsidy). This would give the private operator the incentive to be productive and to group trips as much as possible, instead of giving the operator the incentive to send out more vehicles to increase cost-per-revenue hour fees.

CTA started the contractor selection process by holding a pre-Request for Qualification meeting, which was attended by potential contractors and members of the CTA Advisory Committee on Services for the Disabled. Of the 14 firms responding to a request for submission of qualifications, all were able to pass the initial screening requirements. Eleven firms were extensively interviewed, evaluated and ranked by qualifications.

Several of the firms that ranked highest in qualifications later submitted prices in the range estimated by staff to be \$11 - \$14 per trip. CTA then proceeded to negotiate prices with the six most highly qualified firms. Although it was not possible to negotiate a standard rate, the difference between the lowest and highest average price was less than 5%, attesting to the power of competition.

The privatization effort accomplished the following for the CTA:

- 1) CTA achieved a 100% increase in service (twice as many potential trips can now be provided), and an increase in the quality of service without incurring additional operational OR capital costs.
- 2) CTA avoided the need to purchase additional specially-designed or converted vehicles.
- 3) CTA avoided an expenditure of at least \$8 million for the rehabilitation of a garage for the Special Services program's purposes.

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Off-Peak, low-Demand
Transit Services





PRIVATE SECTOR BRIEFS



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Private Provision of Late-Night, Shared-Ride Taxi Service

Ann Arbor, Michigan

The Ann Arbor Transportation Authority (AATA) provides public transportation in the greater Ann Arbor area. In response to community concerns about public safety during night hours, AATA instituted a shared-ride taxi service called Night Ride in March, 1983. The Night Ride service operates between the hours of 11:00 p.m. and 6:00 a.m. (AATA service previously ended at 11:00 p.m.). The service is provided by a local private taxicab company.

Citizens groups voiced concern about the relatively high incidence of assault and rape in Ann Arbor, and contended that provision of public transportation through the night would improve public safety. AATA determined, however, that the cost for AATA to provide a late-night dial-a-ride service would be prohibitive. Aware that there was excess capacity among taxicab companies during the night hours (the City of Ann Arbor requires taxicab operators to maintain 24 hour service) AATA saw an opportunity to contract for relatively low-cost taxi service. A contract was agreed upon with a local taxicab operator and funding for Night Ride was arranged through an UMTA demonstration grant.

The contract calls for passengers to pay a standard fare of \$1.50 per ride. The taxicab company keeps all fare revenue plus a subsidy per revenue vehicle hour paid by AATA (\$7.50 per revenue vehicle hour in 1984). Reservations for service can be made up to 24 hours in advance, though advance reservations are not necessary. The service is provided by dedicated vehicles (generally 12 vehicle-hours are dedicated during the winter months and 10 in the summer). The taxicab company provides all aspects of service -- vehicles, drivers, fuel, maintenance, and dispatch.

The innovative service gave AATA the opportunity to respond in a definitive manner to a specific request from the community. Through cooperation with the private sector, AATA was able to do this on

cost-effective terms. The arrangement is designed to offer several key benefits to AATA:

- 1) The subsidy cost of the Night Ride system to AATA is pre-determined and controllable. This was accomplished through contracting for a fixed subsidy per revenue-vehicle hour.
- 2) The service is simple to provide and offers the private firm incentives for efficiency and quality service. Since the taxicab company provides all elements of service provision, AATA does not need to spend significant staff time in oversight of the service. Since the taxicab operator retains all fare revenues, AATA needs only to verify that the operator keeps the requisite number of revenue vehicles in operation. Further, since the taxicab operator relies on fare revenues for profitability, there is incentive for efficiency and service quality.
- 3) The service is easy and convenient for the public to use. The fixed fare eliminates need for advance ticket purchases and passenger uncertainty regarding cost. The door-to-door transportation addresses the need for a safe mode of late-night transportation.

During its first year, Night Ride carried 14,587 passengers or 3.3 passengers per service hour. The subsidy per passenger was \$1.80. The per-passenger subsidy for Night Ride eventually proved to be less than half that of the general evening dial-a-ride service offered by AATA. After the 22-month demonstration period, AATA continued Night Ride with local funding.

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PRIVATE SECTOR BRIEFS



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Suburban Circulator - METRO's Clear Lake Shuttle

Houston, Texas

In the fall of 1980, the Metropolitan Transit Authority of Harris County (METRO) proposed a demonstration effort to test the viability of local circulator transit service in a geographically distinct suburban community with the METRO service area called Clear Lake City. The selection of the Clear Lake City area was based, in part, upon the following characteristics:

- 1) A large percentage (47%) of internal commuter trips directed towards major employers, i.e. NASA/Johnson Space Center.
- 2) A large number of internal shopping trips and the presence of a regional mall.
- 3) Proximity to a METRO Park-and-Ride commuter service.
- 4) Close geographic proximity to several METRO suburban communities which are physically separated from the rest of the METRO service area.

From the onset, it was recognized that standard transit vehicles would be inappropriate due to the physical characteristics of the streets and the anticipated low ridership level. The ultimate decision to implement service was based more strongly on the concept of equity (services rendered for taxes paid) as opposed to economy (cost-revenue considerations).

Staff recommended a fixed-route system be designed for the Clear Lake area using vans or minibuses. The smaller vehicles would allow easy access to Clear Lake neighborhoods and would not conflict with community concerns about "big buses" on their street system. The Clear Lake Shuttle began operations in March of 1982. The service was comprised of three routes which met regularly at the Courthouse Annex (a central transfer point) and METRO's Bay Area Park-and-Ride lot. Vehicles (converted vans) and maintenance were contracted through a private provider. The vans were operated by METRO drivers. One METRO Assistant Superintendent and one METRO Street Supervisor were assigned to the service and officed in Clear Lake City.

The Clear Lake Shuttle was the poorest performing route in the METRO system from an operating cost-recovery perspective. METRO's estimated service cost per revenue-hour to provide the service for FY 1985 was \$40.86 and farebox revenues were only covering \$2.61 per revenue-hour...just 6.4%. There were several reasons for this:

- 1) Operating costs included lease-financed capital costs.
- 2) Labor and Administrative costs constituted 67% of total costs.
- 3) Ridership had been very low (0.67 passengers/revenue-mile, July-Sept.'84)... producing little revenue to offset unusually high costs.

METRO staff undertook an effort to improve the financial performance of the Clear Lake Shuttle service. Staff examined a host of methods to increase revenues and decrease costs. The most cost-effective method suggested by staff was to contract the entire service on a "turn-key" basis to the private sector. To do this, METRO would have to achieve two unprecedented tasks. First, METRO would have to obtain the labor union's concurrence to contract the Clear Lake Shuttle service and all future suburban neighborhood circulator services to the private sector; and second, because METRO had never allowed a private contractor to accept cash from passengers, to devise a method for the contractor's handling and transferring of cash revenues to METRO.

Upon completion of the above, METRO elected to procure service from the private sector through a competitive bidding process. Sierra Stagecoaches, Inc. of Houston was the successful bidder for the two-year contract. The contract cost to provide the Clear Lake Shuttle service on METRO's behalf was \$20.60 per revenue-hour. Assuming an additional 10% cost for METRO to administer and monitor the contract services, METRO achieves at a very significant cost-savings (45%) and subsidy-savings (48%) to METRO and its region's taxpayers.

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PRIVATE SECTOR BRIEFS



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Suburban and Downtown Circulators

Los Angeles County, California

The long-standing debate over control of local transit service policies was addressed when 25% of the State's Proposition A funds and the attendant policy-making responsibilities were dedicated for local return to the 84 cities in Los Angeles County. Local systems are restricted from duplicating services offered by public systems, notably SCRTD, and the Los Angeles County Transportation Commission (LACTC) has been designated the agency to work with cities on an individual basis to restructure service, where appropriate. LACTC also offers technical assistance for communities wishing to start new services, and provides incentive monies on a year-to-year basis of up to 50% of operating funds for cities who can demonstrate a potential 25% cost-savings by replacing transit services offered by existing public providers.

The City of Carson was the first city to create its own transit system using Proposition A dollars. They investigated contracting with the municipal bus company in the nearby city of Gardena. The municipally-operated 36-passenger bus service would have cost Carson their entire Proposition A local return of \$750,000, however, plus an additional \$100,000. The City elected to competitively procure the transit services, and awarded a contract to Transit Contractors, a subsidiary of ATE Management and Services Company, who agreed to provide the service for \$500,000. With the money saved by competitively contracting with private operators, the City is able to fund six additional transportation related programs.

The Carson Circuit operates seven separate fixed routes using seven 21-passenger vans. The system covers the city and also acts as a feeder connector to the region's other transit service providers - SCRTD, Long Beach Transit, and Torrance Transit. The vehicles run on half hour headways and converge simultaneously at the Carson Mall. The Carson system currently carries approximately 1600 passengers a day.

For fourteen years, the City of Los Angeles contracted with SCRTD for downtown shuttle service using full-sized buses. Before Proposition A, funding for the shuttle came from a variety of sources. The City became actively involved in the operation of this service when it made a policy decision to test the competitive market for transit service provision. Their goal was to identify and utilize the services of a qualified transit service contractor who could

maintain the previous level of service provided by SCRTD at a capital and/or operating cost-savings. In addition, the City wished to gain more control over service reliability, and to be able to promote the system in a manner which would meet the unique needs of the central city. The shuttle is an important component of the City's downtown revitalization plans, and the City did not feel it was getting the focused attention it desired from SCRTD.

The City elected to open the proposal process to both private and public operators. All proposals came from the private sector. The City had been spending \$1.4 million annually on SCRTD service, not including capital costs. The contract awarded to Diversified Paratransit is for \$1.3 million annually, including capital costs for the twelve wide-body conversion vans. A capital-adjusted cost comparison of SCRTD and Diversified Paratransit was made by the City of Los Angeles staff, who found that the service provided by the private operator cost 40% less than services previously provided by SCRTD.

Since the contracted shuttle, the Downtown Area Short Hop (DASH), was placed in operation in October of 1985, the service has achieved a 15-20% increase in ridership, and the farebox recovery rate has grown to 30%, ten percent higher than the rate experienced during SCRTD's operation of the service. The eight-mile, fixed-route service connects 4500 riders daily with local activity centers, i.e. the financial district, Little Tokyo, and the music center. Lunch-hour transit patrons account for 40-50% of DASH's ridership with the remainder being commuter transit riders from peripheral parking lots and the train station, and intra-city transit riders to activity centers, i.e. the Federal and Municipal Court buildings.

When the City of Glendale considered SCRTD for the operation of a local circulator service in 1984, SCRTD's price of approximately \$60 per hour for full-size buses was considered to be prohibitively high. Proposition A funds made it possible for the city to begin the planning and subsequent contracting process for their shuttle. Both public and private operators were invited to bid. The lowest bid was \$27 per hour which was awarded to Pacific Busing.

The usage by lunch-hour patrons was predicted to be the greatest. But, a post-implementation rider survey indicated that 58% of the patrons were age 55 or older. The Beeline Shuttle, which currently carries 275 people a day, travels a three-mile fixed-route which stops at the Glendale Galleria, the Civic Center, and the Post Office. Four vehicles, which seat 17 riders and 2 wheelchair passengers, are operated on 10 minute headways during the lunch hour peak period (11 a.m. to 2 p.m.), while two vehicles are operated on 20 minute headways during the other service period (9 a.m. to 6 p.m). The City has asked local businesses to fund a portion of the service by encouraging them to purchase bus tokens for distribution to their customers.

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Shared-Ride Services - Tidewater Regional Transit

Southeastern, Virginia

Tidewater Regional Transit (TRT) is a regional transportation authority that provides transportation service to the five cities of Chesapeake, Norfolk, Portsmouth, Suffolk and Virginia Beach in southeastern Virginia. The TRT service area covers over 1,000 square miles with a population of 800,000. The Tidewater Transportation District Commission (TTDC), which is composed of appointed local city council members, and TRT were formed in 1973 by the cities in hopes of preserving regional public transportation services. At that time, the region was faced with decreasing transit ridership and with increasing subsidy requirements for the existing transit services. This problem was compounded by the approaching financial collapse of three existing private bus companies which were providing the existing services. The evolution of TRT to a public operator required the acquisition and consolidation of the subsequent private operators into one regional authority.

An internal staff study was conducted, after the initial formation of TRT, to find solutions to providing transit service in a region which was dominated by low density housing and employment typical of suburban development. Even in the older, more established neighborhoods, a decline in bus ridership was being experienced, while operating costs continued to rise. It was concluded that the operating costs for fixed-route bus service was increasing at an unacceptable level, that fare revenues were decreasing, and that the cities were unwilling to provide more subsidies to retain the

existing, more conventional transit services. In order to guide and formulate public transportation policy, the following goals were established for the region: to enhance public mobility by offering a mix of innovative transportation services; to provide those services which will maximize ridership within the available financial resources; to attract more people into fewer vehicles through the provision of a variety of programs; and to use existing resources (i.e. the existing highway system and rail rights-of-way) to provide public transportation in an effective and efficient manner.

One of the solutions developed by TRT was to competitively-procure services from the lowest-cost, qualified provider from the private sector in an effort to achieve lower subsidy requirements from the city. Shared-Ride Service, a demand responsive service specifically designed for low-density residential areas, was one of the more innovative programs that resulted from this study.

The first test for shared-ride service came in 1977. TRT asked local taxi companies to bid on providing shared-ride service from sparsely-populated areas in southern Virginia Beach to Military Circle, a shopping center located twenty miles away. Two Norfolk taxi companies expressed an interest in providing the service, but the Virginia Beach taxi operators objected to allowing an outside taxi company to provide the service. The program never got off the ground. Even though this first attempt was unsuccessful, it provided TTDC with valuable negotiations experience.

When the Chesapeake City Council decided to eliminate bus service to Deep Creek, the only available public transportation in this middle-class suburb, TRT proposed that the bus route be replaced with a shared-ride service. This service would involve the use of 15-passenger vans, supplied by TRT, being operated by private cab companies. Residents would call in advance and arrange trips to local shopping centers for a one-way fare of \$1. Running the previous fixed-route bus service in the neighborhood resulted in an average monthly loss of \$4,134. The shared-ride program, which received enthusiastic public support, reduced monthly losses to \$2,054 while providing a much needed demand-responsive service at comparable ridership levels.

Application of this service was expanded to other TRT service areas and included replacing bus service after 7 p.m. when ridership characteristically drops off. With evening and weekend bus services being replaced with the shared-ride service, TRT was able to reduce the number of overtime hours for bus operators, which provided additional cost savings.

After starting in 1979 with only a few interested taxicab operators, TTDC now gets at least six qualified bids for its competitively procured paratransit and bus services. TTDC has found it convenient to start up new services with contractors because of their low costs and the elimination of costs associated with typical transit service start-up and service termination problems.

TRT's union drivers, members of Local 1177 of the Amalgamated Transit Union, had expressed concern over anticipated layoffs from the continued use of the private operators for contracted services. TTDC was able to obtain two work-rule concessions from the Union in 1982, which included the establishment of a

minimum 7.5 hours per day rather than the previous 8 hour minimum and the creation of a new 'minibus division'. The reduction in the minimum-hour day has allowed TRT greater flexibility in the construction of weekly runs for operators, and in the reduction in overtime. The 'minibus operator' job was created at \$4 an hour with no work rules, less holiday and vacation time, no pay for report time, meals, travel time, and spread time. A number of limitations concerning the contracting of service by TTDC are included. In return, the union agreed to an eight year wage-tier system, where all operators would start at 45% of the top rate and would have to work for the TTDC for eight years before receiving the top wage rate.

"TTDC's service delivery program incorporates the belief that there is a high potential for payoff in less costly and more useful services through offering a wide range of public transportation services. The effort required to change will be repaid many times over if we can continue to provide services that would otherwise be dropped because they are too expensive to fund. In the example of substituting neighborhood van type services for bus routes, both taxi company and transit system employees have been noted as resisting the change. However, if transit is to continue in many neighborhoods for the benefit of our citizens, we must find new ways to provide at least a basic public transportation service."

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Vanpool and
Ridesharing Services





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Competitively Procured Vanpool Services

Fort Worth, Texas

The Fort Worth Transportation Authority of Fort Worth, Texas (FWTA) currently provides subscription bus services for commuters, running one 45-passenger bus on each of nine subscription routes to the Bell Helicopter and General Dynamics facilities.

Responding to low ridership and high subsidy costs, FWTA initiated an experimental vanpool program in April, 1985. A private carrier, Van Pool Services, Inc. (VPSI), replaced one of the 45-passenger buses with three 15-passenger vans.

Average ridership on some of the subscription routes had declined to less than 50% of capacity by the end of 1984 (average of 21 passengers per bus). The three vanpools which took over one route to Bell Helicopter attracted 39 participants. The subscription rider fee remained constant at \$40.00 per month. Riders benefitted from new equipment and shorter trip time through more focused trip patterns.

FWTA has compiled comparative operating cost statistics for an eight month period of the experimental service. During the period, VPSI charged FWTA an average of \$615.00 per month in subsidy fees to run the three vans. This represents a savings of 22% compared to operating subsidies for the bus service estimated by FWTA to be \$785.00 per month. The operating savings based on the estimated FWTA bus subsidy and the actual VPSI subsidy was almost \$2,000 for the eight-month period of operation.

FWTA's cost estimate does not include capital equipment depreciation expenses or cost of money. The VPSI charges are fully-allocated, including operating and capital costs. Capital costs are especially important in this case because FWTA dedicates an entire revenue-vehicle to each subscription route. (Buses remain at the worksite all day.)

Rice Center has estimated appropriate yearly capital equipment charges. The average age of the FWTA fleet, estimated using 1983 UMTA Section 15 data, is around 8.5 years. Assuming a capital acquisition cost of approximately \$93,000 (complete) eight and half years ago, a salvage value of 10%, a depreciable base of \$83,700, an average bus life of 12 years, and a 5% imputed cost of money, equal annual capital charges total \$9,444. Thus, if capital costs are included, the imputed savings are estimated to be almost \$11,500 annually per bus route converted to vanpool service.

Subscription services are ideal for competitive procurement because capacity and capital resources can be utilized efficiently. Demand can be scheduled in advance and cost recovery through subscription fares can be substantial. FWTA has been able to use the buses previously dedicated to subscription routes in other route services.

FWTA and VPSI are presently considering replacement of other subscription bus service routes with vanpools. An attitude survey by FWTA and VPSI has shown that almost 90% of experimental program participants feel the program is successful and merits continuation.

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