

Contracting for Bus and Demand-Responsive Transit Services

*A Survey of U.S.
Practice and Experience*

**Committee for a Study of
Contracting Out Transit Services**

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This report has been reviewed by a group other than the authors according to the procedures approved by a Report Review Committee consisting of members of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine.

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Preface

Section 3032 of the Transportation Equity Act for the 21st Century, enacted in June 1998, calls on the Transportation Research Board (TRB) of the National Research Council (NRC) to conduct a study of the effects of contracting out by public transit agencies for operations and administrative functions. The act specifically calls for an examination of the rationale for decisions to contract for public transportation and an assessment of impacts on service cost and quality, availability, safety performance, and labor-management relations. In response to this legislative mandate, the Federal Transit Administration funded the present year-long study beginning in June 2000.

To conduct the study, TRB assembled a 12-member committee with expertise in transit operations, management, economics, and policy. Following NRC practice, the committee members served in the public interest without compensation. Gorman Gilbert, Head of the School of Civil and Environmental Engineering and Director of the Transportation Center at Oklahoma State University, chaired the committee.

In conducting this study, the committee undertook a nationwide survey of public transit agencies and their general managers. More than 500 agencies received the survey questionnaire and more than half completed it, including many that do not currently contract for transit services. The survey consisted of two parts. In the first part, agency respondents provided information

on their contracts and contracting programs. In the second part, general managers explained why their agencies do or do not contract out for transit services and assessed their experiences, both positive and negative, with contracting. To enlarge and enrich its source of information, the committee also interviewed local labor representatives, transit managers, contractors, and elected officials in five communities. These individuals offered their opinions on the advantages and disadvantages of contracting. The committee's analyses of the survey and interview results served as the basis for most of the study findings and conclusions. Tabulations of the responses to the survey questions are provided in Appendix C (Survey Part 1) and Appendix D (Survey Part 2). In addition, a file containing the survey data records will be posted on the TRB website.

The committee convened five times. Most of these meetings were open to the public. During these sessions, Robert Molofsky, General Counsel to the Amalgamated Transit Union, briefed the committee on issues of concern to members of his union—the largest representing public transit employees in the United States. Kelly Shawn of the Community Transportation Association of America explained the challenges faced by small and rural communities in providing and procuring public transportation services. Richard Clair, President of First Transit, and Timothy B. Collins, then Executive Vice President of Coach USA Transit Services and now Senior Vice President of ATC/Vancom, discussed their companies' experiences in supplying bus and paratransit services in communities across the country. Harold Morgan, Director of Research and Education for the Taxicab, Limousine, and Paratransit Association, described how the members of his organization supply public transportation and the issues they face in doing so.

Richard Steinmann, Director of the Office of Policy Development in the Federal Transit Administration, attended most of the committee meetings and offered assistance throughout the study. Greg Hull, Director of Operations, Safety, and Security Programs for the American Public Transportation Association, also attended meetings and assisted in publicizing the survey among transit systems. William M. Lyons of the Volpe Transportation Systems Center provided data from the National Transit Database, often on short notice. The committee extends its thanks to all three for their help.

In addition, special appreciation is expressed to the chief executives and staff of the transit agencies that took the time to complete and return the survey questionnaires. A list of the 269 responding agencies (as well as non-respondents) is provided in Appendix B. Thanks are also due to the transit agency general managers, local labor union officers, locally elected officials,

and private transit company managers who participated in the follow-on interviews, which yielded many additional insights into contracting issues and practices.

The study was managed by Thomas R. Menzies, Jr., who, under the guidance of the committee and the supervision of Stephen R. Godwin, Director of Studies and Information Services, drafted the final report. A paper by committee member Elliott D. Sclar formed the basis for the discussion on contracting theory in Chapter 3. William McCullough, under the direction of the committee, designed the survey, which is provided in Appendix B. Daniel Boyle tabulated and analyzed the survey responses and conducted the follow-on interviews; his extensive quantitative and written analyses served as the bases for many of the findings in the study, and specifically for the material presented in Chapters 4 and 5 and Appendices C and D.

This report has been reviewed in draft form by individuals chosen for their diverse perspectives and technical expertise, in accordance with procedures approved by the NRC's Report Review Committee. The purpose of this independent review is to provide candid and critical comments that will assist the institution in making the published report as sound as possible and to ensure that the report meets institutional standards for objectivity, evidence, and responsiveness to the study charge. The review comments and draft manuscript remain confidential to protect the integrity of the deliberative process.

We wish to thank the following individuals for their review of this report: Timothy B. Collins, ATC/Vancom, Alexandria, Virginia; G. J. Fielding, University of California, Irvine; Karen J. Rae, Capitol Metropolitan Transportation Authority, Austin, Texas; Paul P. Skoutelas, Port Authority of Allegheny, Pittsburgh, Pennsylvania; and Mildred E. Warner, Cornell University, Ithaca, New York. Although these reviewers provided many constructive comments and suggestions, they were not asked to endorse the committee's findings and conclusions, nor did they see the final draft before its release. The review of this report was overseen by Lester A. Hoel, University of Virginia, Charlottesville. Appointed by the NRC, he was responsible for making certain that an independent examination of this report was carried out in accordance with institutional procedures and that all review comments were carefully considered. Responsibility for the final content of this report rests entirely with the authoring committee and the institution.

Suzanne Schneider, Assistant Executive Director of TRB, managed the report review process. Jocelyn Sands directed project support staff and oversaw production and distribution of the survey. The report was edited and pre-

pared for publication under the supervision of Nancy Ackerman, Director of Reports and Editorial Services. Rona Briere edited the report. Special thanks go to Marion Johnson, Frances E. Holland, and Samuel Bardley for assistance with meeting arrangements and correspondence with the committee and to Alisa Decatur for assistance with word processing and production of the final manuscript.

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Executive Summary

Each year more than 500 state, regional, and local government agencies receive aid from the Federal Transit Administration (FTA) for the provision of public transit. They include the country's largest urban transit agencies, each covering thousands of square kilometers, operating thousands of vehicles, and serving hundreds of thousands of riders per week. They also include some of the country's smallest transit systems covering mostly rural areas and operating only a handful of vehicles, typically serving a few hundred passengers per day. Most of these agencies provide fixed-route bus and demand-responsive transit services, and some also provide other services, such as commuter and rapid rail. Given this assortment of system types and services, it is not surprising that one finds great variety in the way transit agencies deliver their services to the public—from the use of their own vehicles and personnel to the use of outside contractors for some or all services.

In the interest of learning more about contracting as a method of transit service delivery, the 1998 Transportation Equity Act for the 21st Century (TEA-21) called on the Transportation Research Board (TRB) to conduct a study of contracting by recipients of federal transit grants. The act called for an examination of the extent and practice of transit service contracting and its effects on operating costs, customer service, safety, and other aspects of service quality and quantity.

To conduct the study, TRB convened a 12-member committee of experts in public transportation management, labor, economics, and public policy. In carrying out the study, the committee reviewed previous reports on transit service contracting; conducted its own nationwide survey of public transit systems and their general managers; and interviewed transit managers, labor union leaders, contractors, and members of transit policy boards.

The study focused on fixed-route bus and demand-responsive transit services, which account for the vast majority of transit service contracts. Most of the findings and conclusions presented in this report emerged from the committee's survey of transit systems and their general managers. In the first part of the survey, transit systems from around the country were asked to provide information on the extent to which they contract for bus and demand-responsive services and to describe their individual contracts and contracting programs. In the second part of the survey, general managers were asked to explain why they contract or do not, to relate their experiences with contracting, and to offer advice on how to make contracting work better. Part 1 yielded much detail on the amount of contracting that goes on and how contracts are obtained and structured; the results from Part 2 offer important insights about the effects of transit contracting on cost, quality, and other aspects of service.

Though highly informative, the national transit survey was a challenging undertaking, its design, administration, and analysis consuming much of the time available to the committee for deliberation and analysis. While it would have been desirable to evaluate and critique the results of other studies and databases in similar depth, doing so would have been a time-consuming and contentious process that would have impeded the committee's ability to collaborate in conducting the survey. The committee believes, moreover, that the survey results in and of themselves are an important contribution to the field and anticipates their use by others to better understand and quantify the practice and effects of transit contracting.

The committee drew on its own varied expertise and experience to interpret the large amount of empirical information obtained from the survey. Resulting findings and conclusions are summarized in the following pages, along with additional insights and ideas for follow-on study.

Extent of Transit Service Contracting in the United States

As part of the National Transit Database (NTD), FTA maintains a database of "purchased transportation" by transit systems that have received federal aid.

The committee supplemented this information with the results of Part 1 of its survey of transit contracts and contracting programs. More than 250 systems, accounting for more than half of all federal aid recipients, responded to the survey. These responses, augmented by NTD data, are highly informative about the extent and methods of transit service contracting in the United States.

The survey findings reveal that transit contracting is neither rare nor monolithic in practice. Hundreds of transit systems—of all sizes and types—now contract for some transit services, and many have done so for a number of years. About one-third of all federal aid recipients contract for more than 25 percent of their services, and about one-quarter contract for a smaller share. The remaining 40 percent do not currently contract at all, yet about one in three of these systems has done so in the recent past (see Figure ES-1). Altogether, about 15 percent of all bus and demand-responsive vehicle-hours is provided by contractors, a percentage that has changed very little during the past 5 or 6 years (see Figure ES-2).

Contracting by System Size and Service Type

In general, larger systems (those with more than 50 total vehicles) are more likely than smaller ones to contract for some transit services (see Figure ES-3). Yet when small systems do contract, they are much more likely to contract for all services. Many small transit systems are run by city and county agencies that do not specialize in transit. These general governmental agencies are twice as likely as regional transit agencies to contract for all their transit services. A corollary is that while regional transit agencies are more likely than city and county agencies to have some contracted services, they seldom contract for most of their services.

A majority of both small and larger transit systems contract for demand-responsive services; however, they differ significantly in their propensity to contract for fixed-route bus services. About half of small and two-thirds of larger systems contract for all their demand-responsive services. By comparison, one-third of smaller systems contracts for all fixed-route bus services, whereas only one-sixth of larger systems do.

Overall, contracting is much more common for demand-responsive than for fixed-route bus services. About 60 percent of transit systems that provide demand-responsive service contract for 25 percent or more of this service, and more than half contract for all of it (see Figure ES-3). By comparison, only about 30 percent of systems that provide fixed-route bus service contract for 25 percent or more of this service, and about 25 percent contract for all of it.

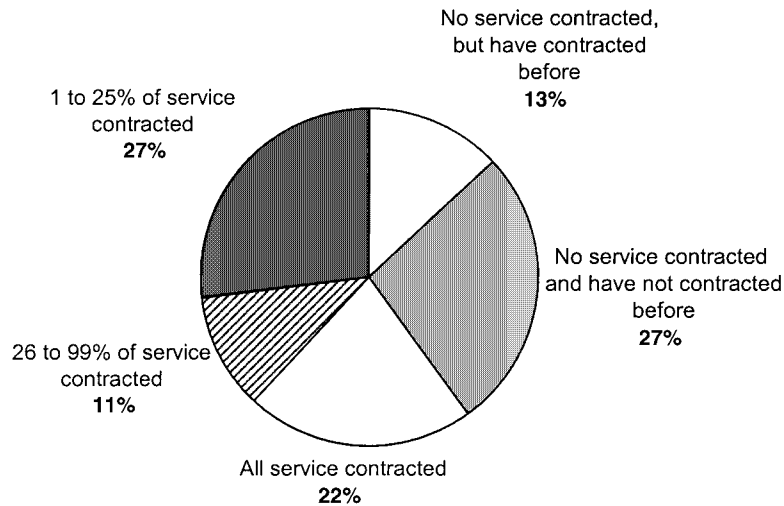


FIGURE ES - 1 Estimated share of transit systems receiving federal aid and currently contracting for fixed-route bus and demand-responsive services (based on survey results augmented with data from the National Transit Database).

Altogether, about two-thirds of demand-responsive service is provided through contractors, compared with only 6 percent of bus service (see Chapter 1, Figure 1-3, p. 5).

Possible Reasons for Contracting

The survey findings, coupled with NTD data, suggest some plausible reasons why transit agencies choose to contract. That a large number of systems contract for a relatively small proportion of services suggests that many are using the practice to fill service niches or to add or expand services quickly. Likewise, the findings indicate that many small systems, run by city and county agencies that do not specialize in transit, may be contracting for highly pragmatic reasons, such as the need to obtain certain specialized expertise.

Yet statistical data on the magnitude and incidence of contracting are not sufficient for assessing the validity of these possible reasons for contracting. Part 2 of the survey was therefore designed to elicit from general managers of transit systems the factors influencing their decisions about contracting. Their answers are summarized next.

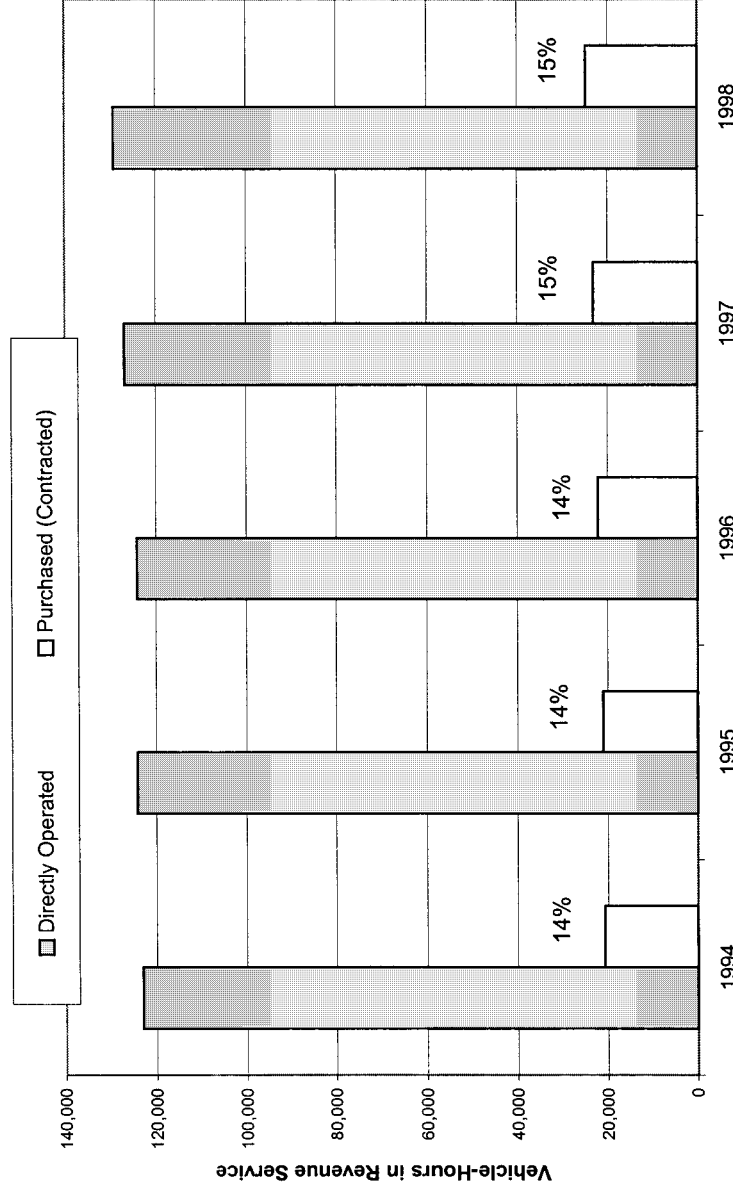
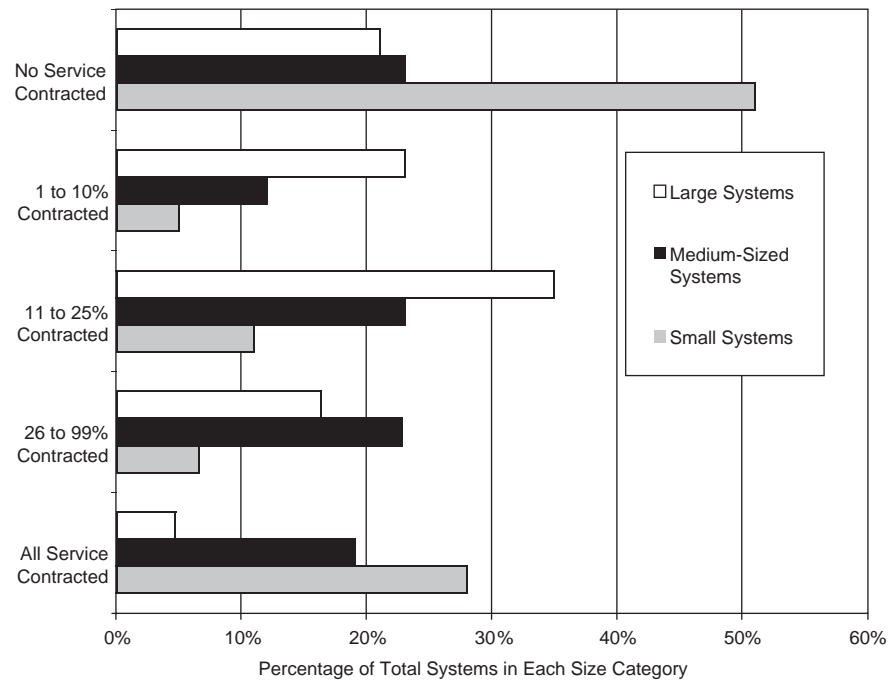
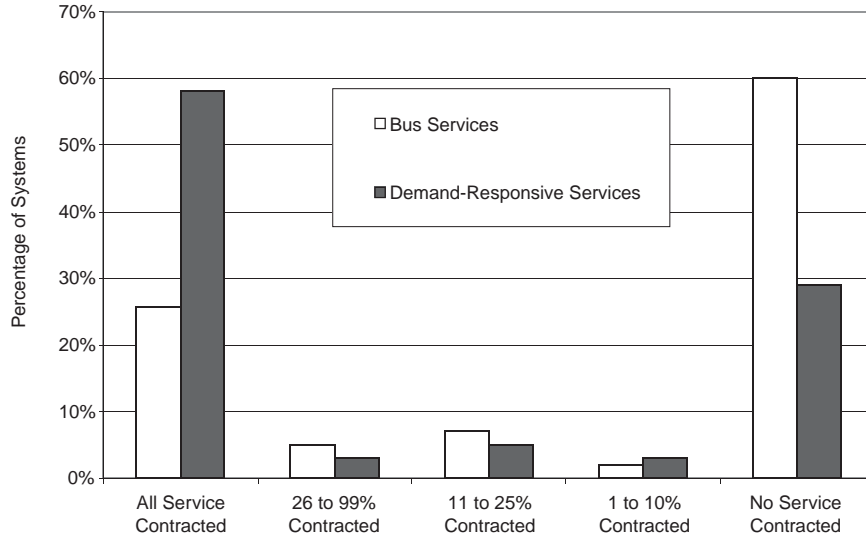


FIGURE S - 2 Recent trends in vehicle-hours directly operated and purchased for demand-responsive and fixed-route bus services, 1994 to 1998. (Note: Percentages refer to share of total vehicle-hours purchased. Source: National Transit Database.)



(a)



(b)

FIGURE S - 3 Contracting for fixed-route bus and demand-responsive transit services by (a) system size and (b) service type.

Transit General Managers' Rationale for Contracting

One could ask any number of individuals about factors influencing the decision to contract for transit service and obtain a broad range of answers. The committee chose to survey transit general managers because they are highly identifiable participants in the decision to contract and because they can provide specific information on contracting procedures and effects. At the same time, it must be recognized that the choice of contracting is often a policy-level decision influenced by political, legal, and institutional factors beyond the control of transit managers. Comparable surveys of others involved in the decision to contract, such as local elected officials and transit board members, would undoubtedly have yielded much additional information, and possibly different answers, about the factors influencing contracting decisions and about contracting outcomes. Yet while recognizing that the survey results represent the particular vantage point of transit management, the committee believes they offer much insight into why some transit agencies contract and others do not.

Chief Reasons for Contracting

Survey respondents included general managers of systems that currently contract and those that do not, among them some that have contracted in the recent past but have since stopped doing so. The general managers of systems that presently contract gave several reasons for the practice. The most prevalent were to start new services, reduce operating costs, and improve service cost-efficiency. Relatively few cited state and federal laws and policies as a main or important reason for contracting.

Chief Reasons for Not Contracting

In explaining why they do not contract, general managers cited a desire to maintain control over their operations, low anticipated cost savings, and little reason for changing current practice. Like the general managers of agencies that do contract, few general managers of agencies that do not contract cited state and federal laws and policies, including the labor protection provisions in Section 13c of the Federal Transit Act, as influencing their decision.

Interest in Change

Nearly 80 percent of the general managers of transit systems that currently contract reported that they would do so again given their experience; about 15 percent said they would not, and 5 percent were uncertain. Likewise, more than 70 percent of the general managers of systems that do not contract reported that they are not interested in adopting the practice to replace or supplement current methods of in-house service delivery; 25 percent said they are interested in doing so, and 5 percent were uncertain.

To be sure, some general managers indicating no desire to change may be defending or rationalizing their current approach. Yet the findings also suggest a fair amount of satisfaction with existing practice. It is certainly plausible that those systems whose circumstances make them best suited to contracting are now doing it, while those with less favorable circumstances are not. Taking a somewhat different perspective, however, the results also reveal that a sizable minority of general managers—one in seven who are now contracting and one in four who are not—have an interest in changing their current approach to service delivery.

Methods of Structuring and Obtaining Contracts

The surveyed transit systems were asked to provide details about their two largest fixed-route bus and two largest demand-responsive contracts. The survey asked about the length of each contract, the basis of payment, the use of performance incentives and penalties, and other details of contract terms and provisions. In addition, respondents were asked about the methods used to obtain the contract and the degree of competition experienced, including the number of bidders and contractor changes that occurred during each bid cycle. The answers to these questions, gleaned for nearly 300 contracts reported by more than 150 systems, reveal much about the way service contracts are structured and the degree of competition for contracts today.

Contract Specificity

Most transit service contracts are highly prescriptive and detailed agreements. They not only define the kinds of services to be offered, but also prescribe how those services are to be provided; how service quantity and quality are to be measured and monitored; and who will provide the vehicles, facilities, main-

tenance, and support services. Such specificity is often necessary to convey the multifaceted and sometimes intangible attributes of transit service, such as customer care. The survey findings suggest that detailed contracts are especially important as a means of ensuring that all parties understand each other's responsibilities and expected performance. Legal constraints that preclude the development of ongoing and informal relations between public agencies and particular suppliers—as are often found among private organizations that regularly buy and sell services from one another—can make such clarity and specificity even more important for transit service contracting.

Contract Provisions

Most transit service contracts include provisions that prompt the contractor to control costs and pay attention to service quality. Contractors are usually compensated on the basis of the amount of service they provide according to a specified rate, such as a charge per revenue-hour; relatively few are compensated on the basis of the costs they claim to have incurred in supplying the service. This approach shifts cost-containment responsibilities to the contractor. Furthermore, contract terms are often designed to foster competition. The most common contract duration is 3 years with two 1-year options. This interval is apparently long enough to avoid repeated transaction costs associated with frequent rebidding, but short enough to ensure that incumbent contractors do not become complacent and that competitor interest is sustained. Most contracting agencies provide the vehicles and facilities for the service, especially in bus contracts. This practice, too, may foster competition by reducing contractors' capital risks and by allowing the agency to retake and rebid the service if the winning contractor fails to perform as required.

Competition for Contracts

The survey results indicate that the majority of transit systems obtain service contracts through procedures intended to attract competing bidders. Most reported contracts, especially the largest ones and those for bus services, have attracted multiple bidders. As might be expected, larger contracts, more prevalent among the bigger transit systems, tend to attract greater numbers of bidders and involve changes in contractors more often than do smaller contracts. In general, however, the numbers of bidders on contracts have been stable in recent years, and many contracts continue to change hands even after

having been rebid numerous times, suggesting that incumbent contractors are frequently subject to competition.

Effects of Contracting on Service Cost and Quality

During the past two decades, numerous studies have focused on the effects of contracting on the cost and quality of transit services. These studies have addressed many pertinent questions, such as the extent to which contracting saves or contributes to transit agency overhead and budgetary costs, and how contracting's effects on labor productivity, labor-management relations, and worker retention relate to the quality of service experienced by customers.

As noted, contracting is used in many different ways for multiple purposes. Because of variations in circumstances and analytical methods, it has often proven difficult to use the results of individual studies to draw general conclusions about the nature and magnitude of contracting's effects on cost, quality, and other aspects of transit service. A comprehensive analysis and synthesis of previous research could not be undertaken within the time frame and resources available for this project. Instead of attempting to formulate such judgments about the effects of contracting by reviewing past studies, the committee chose to ask the transit general managers surveyed for their own assessments of those effects. Respondents received no guidance on what constitutes a cost saving or a high quality of service; instead, they were simply asked to use their judgment in identifying and rating various effects of transit service contracting.

Most of the general managers of systems that are now contracting reported that their contracting programs are meeting expectations. More than half stated that their expectations for contracting have been fully met overall, and another 38 percent reported that their expectations have been partially met.

Almost all of the general managers of systems that are now contracting reported cost savings from the practice. Most of these general managers, from small and large agencies alike, cited reductions in operating costs. Small agencies reported benefits from contractors' assumption of supervisory and administrative burdens.

The negative effects of contracting mentioned most frequently by general managers from systems that have contracted, including those that do so now and those that have done so in the past, were the loss of operational control, shortcomings in service quality, and problems with customer service. More than half the general managers that reported having their expectations for con-

tracting partially met identified service quality as an important problem. General managers from systems that no longer contract also cited problems with service quality.

General Managers' Advice on Contracting

By and large, the general managers from transit agencies that are now contracting are satisfied with the cost savings achieved and less satisfied with the quality of service provided. Yet often through practical experience, the transit systems that are contracting today have found ways of achieving acceptable levels of both cost savings and service quality. Many have advice to offer other agencies that are considering contracting, including the following:

- Anticipate the advantages and disadvantages of contracting, and set realistic expectations.
- Establish a competitive procurement process that invites high-quality proposals and screens out unrealistic proposals and unqualified contractors.
- Prepare an internal analysis of the cost of service contracting as a baseline for examining bids.
- Spell out all contractor responsibilities clearly, monitor performance closely, and communicate with the contractor frequently and openly.

Additional Insights and Ideas for Follow-On Study

In designing the survey, the committee sought to balance a desire for additional data against practical considerations involved in obtaining a sufficiently large number of responses that could be analyzed in a timely manner. Some relevant data were therefore sacrificed, such as the overall magnitude of the benefits and costs associated with contracting and general managers' satisfaction with their in-house services. Such information would undoubtedly have been helpful in providing an appropriate context for assessing the survey findings on contracting's results and cost-effectiveness. Nevertheless, the committee believes researchers and practitioners will benefit from the perceptual information on contracting outcomes obtained from the hundreds of general managers responding to the survey.

Likewise, more information on the extent to which policy and political environments have influenced the decision to contract would have been desirable. While the general managers surveyed offer one perspective on such

influences, the experiences of individual committee members suggest that political considerations, especially at the local level, can be important in decisions about whether to contract. In subsequent research, the information from the committee's survey of general managers must be supplemented with other information, obtained in part from other participants in transit policy making, if the overall effect of political considerations on contracting decisions is to be understood.

The survey results nevertheless provide much new information for assessing transit service contracting. Collectively they demonstrate that contracting is a dynamic undertaking. At any given time, some agencies are contracting for some or all their services, some are not contracting at all, and others are about to begin or forego contracting. Certainly, transit agency needs and circumstances can change over time in ways that affect the comparative advantages of contracting and direct service provision. Reports from general managers suggest that contracting can entail a trade-off between cost savings and service quality. An agency's original desire to contain costs through contracting may be tempered by concerns about ensuring service quality. Over time, as transit agencies exert more control over service quality by imposing more stringent performance requirements in contracts, it is reasonable to expect contractor costs to rise. At the same time, labor unions may agree to changes in collective bargaining agreements that make direct service provision more cost-competitive with contracted service. Although decisions to contract are sometimes portrayed as being politically or ideologically motivated, the committee believes that practical considerations and experiences such as these are important factors in the decision to start, stop, or continue contracting.

A final and related insight concerns the nature of service contracting relationships. The committee found much evidence of the need to define thoroughly and formally in contract documents the quality of transit service to be delivered. Yet not all the qualitative aspects of transit service can be articulated well in a written set of specifications. On the basis of past experience with individual contractors, transit managers can come to value certain contractor qualities that may not be adequately described in a request for proposals or a contract document. The emergence of such positive relationships is perhaps most evident in contracting for demand-responsive services; transit managers are reluctant to change contractors once they have found one that performs well by, for example, pleasing regular customers and generating few service

complaints. The continuation of these types of relationships may be as advantageous to riders as to the agency and contractors involved. The extent to which such service contracting relationships exist today in the transit industry and can be fostered and maintained to the benefit of riders deserves further consideration in follow-on studies that assess the appropriate role of public transit agencies in contract monitoring, oversight, and management.

1

Introduction

Each year the federal government distributes grants for capital investment and planning, as well as some operating assistance, to about 500 public transit systems across the country. State and local governments match and supplement these grants with funds for transit operations, equipment, and facilities. This large public investment continues a decades-long government commitment to the provision of transit in the United States.

As the workhorses of urban transit, buses operating on fixed routes are an especially important component of the nation's public transportation system. They are the most ubiquitous and heavily used form of public transport, carrying more than 16 million passengers a day. Together with demand-responsive paratransit vehicles, which carry more than 300,000 people each day, the nation's fleet of more than 75,000 transit buses accounts for about two-thirds of all daily passenger trips by transit (see Figure 1-1). Though often associated with large cities, both fixed-route and demand-responsive transit services can be found throughout the country, in large and smaller communities alike.

Transit officials and policy makers at all levels of government have a keen interest in finding the most efficient and effective means of delivering bus and demand-responsive transit services to ensure good service and minimize the need for higher fares and public subsidies. Most public transit systems provide the majority of these services directly, using their own facilities, equipment,

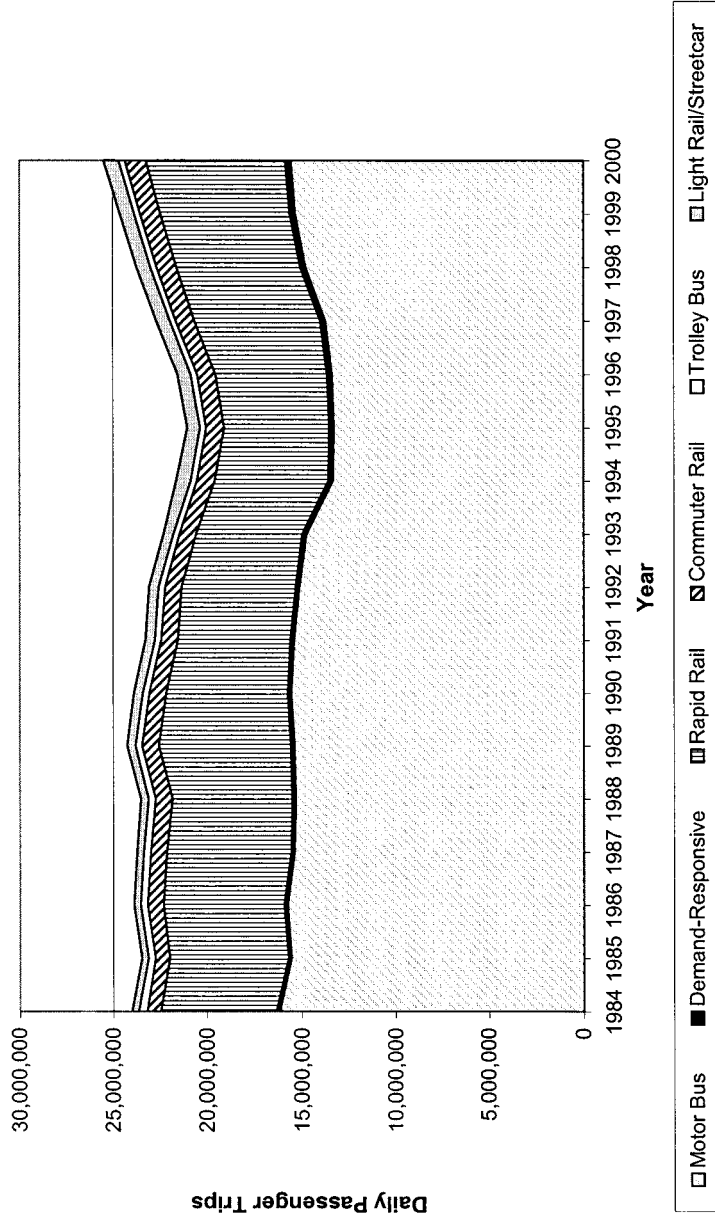


FIGURE 1 - 1 Annual trends in average daily passenger trips (unlinked) by transit mode in the United States, 1984 to 2000. (Source: American Public Transportation Association, *Public Transportation Fact Book, 1997 to 2000*)

and vehicles, which are operated by their own personnel. Many, however, procure some services from outside contractors. They may contract for a limited amount of service on specific routes or for particular needs (such as express bus or dial-a-ride paratransit services), or they may contract for all services in a given area or over their entire network.

According to Federal Transit Administration (FTA) data, most transit systems that receive federal aid purchase at least some services from outside contractors (see Figure 1-2). Of the nearly 500 systems offering fixed-route bus and demand-responsive services that received federal aid in 1998 (the most recent year of available data), about 40 percent supplied all services directly, 39 percent purchased some services from outside contractors, and the remaining 21 percent purchased all their services.

Again according to FTA's National Transit Database, demand-responsive services are the most likely to be contracted out completely; nearly half of transit systems receiving federal aid contracted all their demand-responsive services in 1998. A further one in six systems, or 16 percent, purchased some of these services. In almost a mirror image, 70 percent of systems directly operated all their fixed-route bus services, compared with only 18 percent that purchased

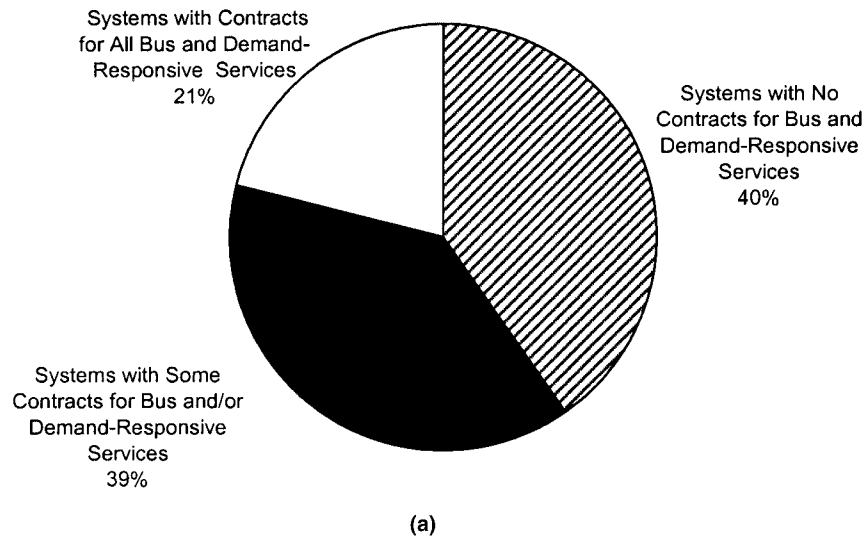
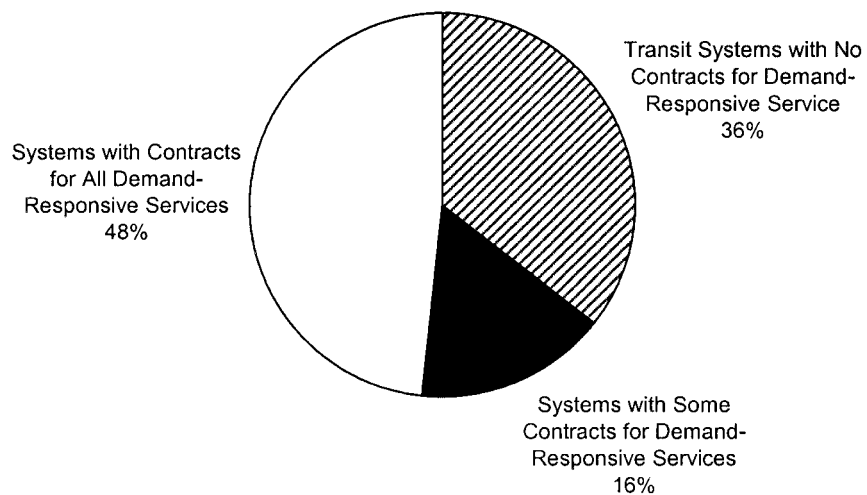
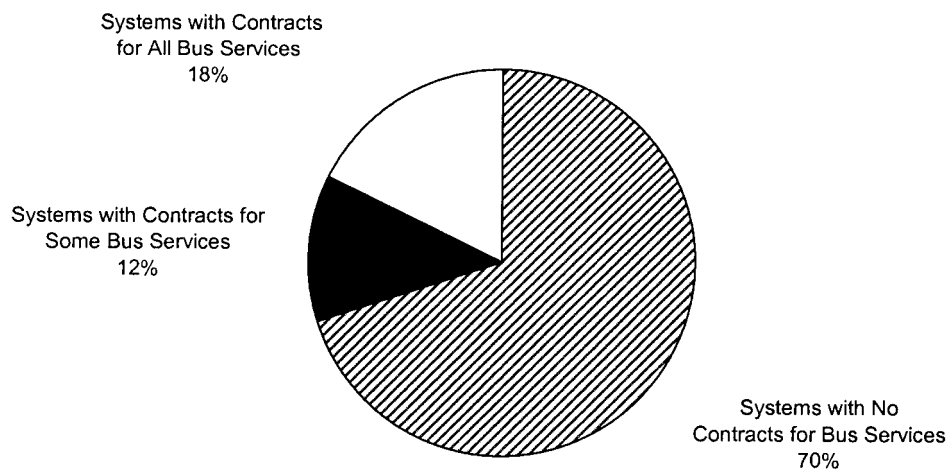


FIGURE 1 - 2 Percent of transit systems that contract for all, some, and no bus and demand-responsive transit services: (a) total transit systems reporting (N = 483). (continued on next page)



(b)



(c)

FIGURE 1 - 2 (continued) Percent of transit systems that contract for all, some, and no bus and demand-responsive transit services: (b) transit systems with demand-responsive services; (c) transit systems with fixed-route bus services. (SOURCE: National Transit Database, 1998.)

all of these services from contractors. Altogether, about 6 percent of bus vehicle-hours (in revenue service) and about 67 percent of demand-responsive vehicle-hours was purchased from contractors (see Figure 1-3). In total, contractors provided about one in seven vehicle-hours in 1998. This ratio has changed very little during the past few years.

The aggregate data on purchased transportation collected by FTA provide an incomplete picture of transit service contracting in the United States, however. They provide little insight into the many different ways in which contract services are obtained, used, and structured. The hundreds of transit systems that contract for services do so in a multitude of ways and for many different reasons. For instance, most find and select contractors through procedures intended to attract competing bidders—awarding contracts according to proposal quality or making their decisions strictly on the basis of lowest price (as

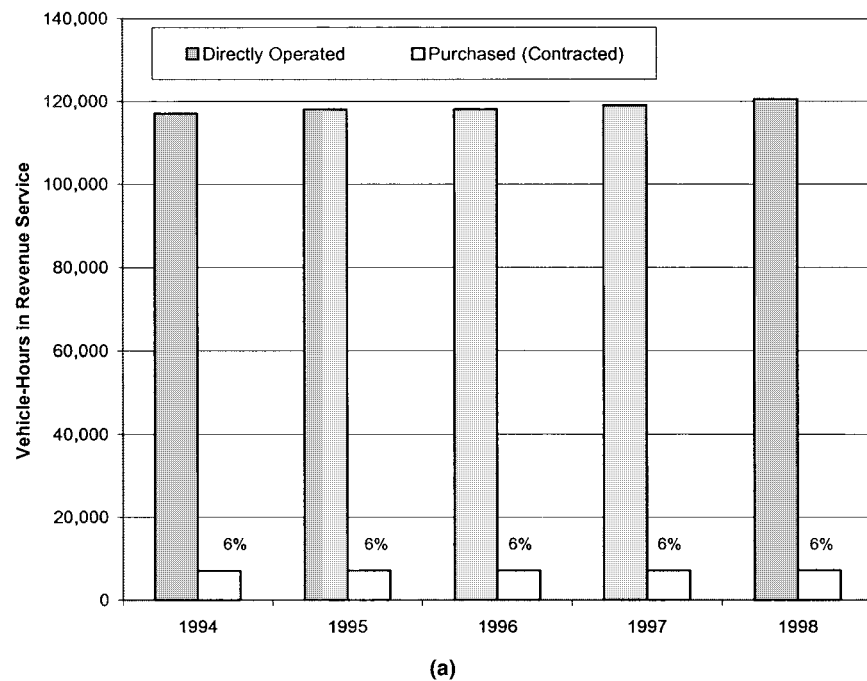
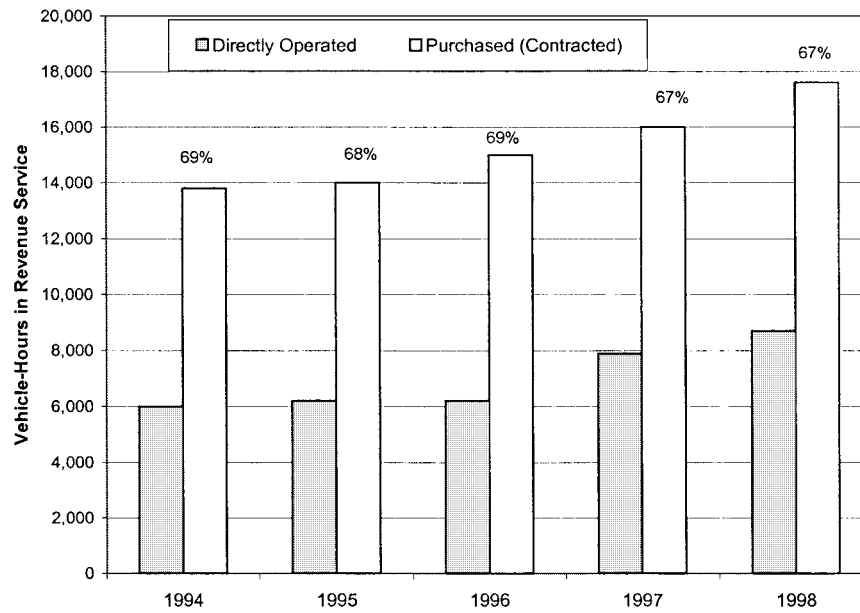
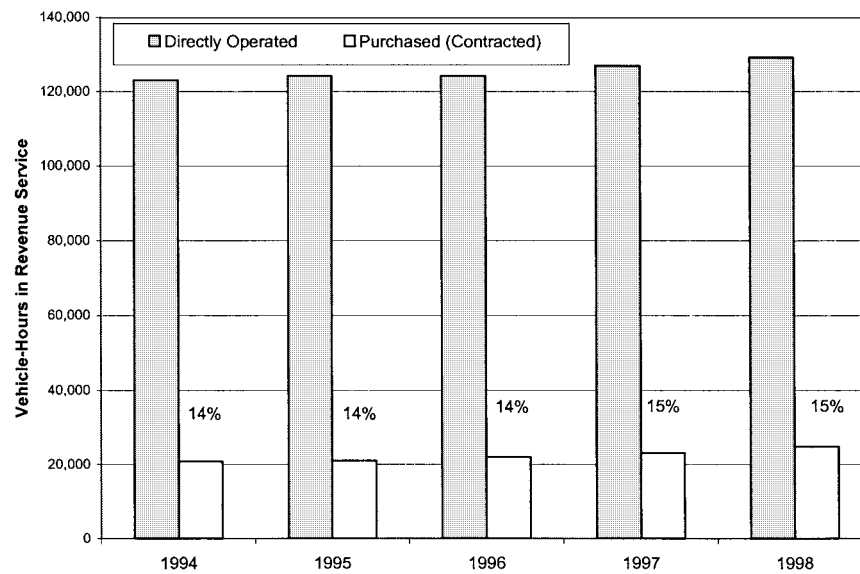


FIGURE 1 - 3 Recent trends in vehicle-hours directly operated and purchased for (a) fixed-route bus services. (continued on next page)



(b)



(c)

FIGURE 1 - 3 (continued) Recent trends in vehicle-hours directly operated and purchased for (b) demand-responsive services, and (c) total, 1994 to 1998. (NOTE: Percentages refer to share of total vehicle-hours purchased. SOURCE: National Transit Database, 1998.)

is often required by state or local law). These contracted services are usually rebid every 2 to 5 years. Yet other transit agencies have developed long-standing agreements with individual transit providers—both public and private—whose contracts are renegotiated periodically, but who, as a practical matter, are subject to little if any regular competition.

Transit service contracting received much attention during the 1980s and early 1990s, when federal policies favoring outsourcing led to numerous experiments and studies of transit service contracting while stirring much debate about its effects. The debate has subsided somewhat during the past decade as more transit systems have gained experience with contracting and as federal aid requirements have been more neutral with respect to the particular methods of service delivery used by transit systems. Nevertheless, much of the discussion and research on transit service contracting during the past decade has centered on the experiences, sometimes controversial, of a few large transit systems that have contracted for fixed-route bus services—even as the majority of contracting has taken place in smaller systems and for demand-responsive services. Thus after more than two decades of debate and study, there is still much to be learned about the wide array of transit service contracting practices and experiences across the country.

Study Purpose

As noted in the preface, this study was funded by FTA in response to a legislative request to examine the effects of contracting out by public transit agencies for service operations and administrative functions (see Box 1-1). However, the statement of task agreed to by the National Research Council (NRC) includes an explicit recognition that the broad scope of the congressional request was not commensurate with the time and resources provided for the study (see Box 1-2). Accordingly, the Transportation Research Board (TRB) charged the committee with gathering and analyzing information about the scale and nature of transit service contracting across the United States, and offering insight on those effects of the practice for which information could be obtained and examined. In particular, the committee sought answers to the following questions:

- How much contracting is practiced, by whom, and for what kinds of transit services;
- How contracting has been changing over time, in both quantity and quality;
- Why some agencies contract for transit services while others do not;

B O X 1 - 1

Text of Congressional Request for Study

Transportation Equity Act for the 21st Century (TEA-21), Federal Transit Act of 1998 Section 3032, Contracting Out Study:

- (a) Study. Not later than 6 months after the date of enactment of this Act, the Secretary shall enter into an agreement with the Transportation Research Board of the National Academy of Sciences to conduct a study of the effect of contracting out mass transportation operation and administrative functions on cost, availability and level of service, efficiency, safety, quality of services provided to transit-dependent populations, and employer-employee relations.
- (b) Terms of Agreement. The agreement entered into in Subsection (a) shall provide that
 - (1) The Transportation Research Board, in conducting the study, consider the number of grant recipients that have contracted out services, the size of the population served by such grant recipients, the basis for decisions regarding contracting out, and the extent to which contracting out was affected by the integration and coordination of resources of transit agencies and other Federal agencies and programs; and
 - (2) The panel conducting the study shall include representatives of transit agencies, employees of transit agencies, private contractors, academic and policy analysts, and other interested persons.
- (c) Report. Not later than 24 months after the date of entry into the agreement under Subsection (a), the Secretary shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate a report containing the results of the study.
- (d) Funding. There shall be available under Section 5338(f)(2) of Title 49, U.S.C. to carry out this section \$250,000 for fiscal year 1998.
- (e) Contractual Obligation. Entry into an agreement to carry out this section that is financed with amounts made available under Subsection (c) is a contractual obligation of the United States to pay the government's share of the cost of the study.

B O X 1 - 2**Study Statement of Task**

To reach conclusions about effects on transit cost, service, safety, labor, and efficiency, this project will review available literature reporting on the experience of U.S. transit agencies with contracting out some or all of their operational and administrative functions. Current information about the amount and type of contracting that is under way will be gathered.

As required by Congress, the study will consider the number of grant recipients that have contracted out services, the size of the population served by such grant recipients, the basis for decisions regarding contracting out, and the extent to which contracting out was affected by the integration and coordination of resources of transit agencies and other federal agencies and programs. The committee will select a consultant to review and synthesize the literature and to survey a sample of transit agencies.

The committee then will use this information to address the questions posed by Congress to the extent possible. Although the committee may not be able to answer the questions fully, it will identify those uncertainties that can be resolved with available information and those that cannot.

- How contract provisions and contracting processes vary among agencies; and
- How contracting has affected the level and quality of transit service, transit expenditures, safety performance, and relations between labor and management.

The aim in addressing these questions was to shed more light on the many purposes, methods, and outcomes of transit service contracting—information that should prove valuable to transit policy makers and managers in deciding whether to contract and how to make contracting programs work better.

Approach and Scope

Given the lack of detail on contracted services in FTA's National Transit Database, as well as the agency-specific nature of most recent research on contracting, the committee decided to obtain additional data on the practice by conducting its own nationwide survey of public transit systems. A two-part survey questionnaire was mailed to the general manager in each of more than 500 public transit agencies that receive grants from FTA (since the congressional request identified federal grant recipients as the primary focus of this

study).¹ Further detail on the survey design, method, and pool of recipients is provided in Chapter 4 and Appendix B.

The general managers were asked to forward the first part of the survey to the members of their staff most familiar with agency contracting programs. This part asked for information on the types of services contracted; the history of contracting agreements; and contracting methods, terms, and procedures. The general managers were asked to complete the second part of the survey, which contained more perceptual questions about their agencies' reasons for contracting and the outcomes, both positive and negative. This part of the survey also sought the general managers' advice on how to avoid and mitigate problems in contracting and how to make contracting programs work better. General managers from agencies that do not now contract were asked to cite the reasons for this decision.

The survey focused specifically on contracting for fixed-route bus and demand-responsive transportation services, which account for the vast majority of contracting practice in the United States. Nevertheless, transit systems were asked whether they offer other kinds of transit service and if so, whether any of these are contracted. None of the 10 respondents with heavy rail systems and one of the 10 respondents with light rail systems reported contracting for these services. Several transit systems reported contracting for vanpool and ferryboat operations (21 of 35 that offer these services), while most of the handful of respondents providing commuter rail service (7 of 11) reported using contractors.

In the interest of obtaining as much detailed information as possible, the respondents were asked to distinguish between fixed-route bus and demand-responsive services when reporting on their contracts and contracting methods. In the second part of the survey, however, the general managers were not always asked to make this distinction when assessing their contracting experiences and programs. In retrospect, such a distinction would have been helpful in examining contracting experiences by type of service—especially since many transit systems have been contracting for demand-responsive services for many years. Yet it was important to keep the survey from becoming too long and burdensome for respondents to complete, and some loss of specificity was accepted in anticipation of higher response rates.

Also to keep the survey manageable, as well as to retain the study focus on contracting for transportation services, recipients were not asked to provide information on their contracts for administrative and support functions, such as marketing, accounting, and vehicle maintenance (although such tasks may be subsumed within broader contracts for transportation service). Nor was infor-

mation sought on contracts for management services. Although potentially informative, a wide-ranging examination of all kinds of outsourcing by transit systems would have presented time and resource demands that would have compromised the committee's ability to fulfill the main purpose of the study. The practice of and experience with contracting for other transit functions, such as maintenance and management, may merit closer study in the future.

More than half of the transit systems receiving the survey responded, providing a wealth of information on service contracting practices and effects. The information gleaned from the first part of the survey, completed by contract program staff, provides a snapshot of the extent and methods of contracting today, including contracting amounts, terms, and procedures by mode, community size, and region. Responses to the second part of the survey, completed by general managers, depict how well contracting is working, where improvements are needed, and what steps can make the practice more effective.

To supplement and illuminate the survey results, the committee also selected five transit systems for more detailed telephone interviews with the transit agency managers, private contractors, and local labor union and elected officials most knowledgeable about contracting decisions and programs to obtain their perspectives on contracting experiences. Along with reports from the literature, these interviews provided ideas on how to analyze and interpret the survey results.

The findings presented in the following chapters are highly informative about the practice and outcomes of transit service contracting today. This report does not, however, offer recommendations on contracting. Contracting practices and experiences are varied, as are the individual circumstances of transit systems. Political environments and other exogenous factors (such as the available workforce) can influence both interest in contracting and its effects; the study did not address these broader influences. The aim of this report is to provide better information for those who must make policy decisions regarding transit service delivery, and to enable transit systems to learn from the experiences of others and adapt this information to their own situations as they see fit. Further analysis of the survey information will undoubtedly yield many more insights, and the survey data have been made available to interested analysts for this purpose.

Report Organization

Chapter 2 provides a historical overview of the role of the public and private sectors in the provision of transit services in the United States. The discussion ranges from the early for-profit origins of urban transit to the factors leading to

widespread public ownership and subsidy of transit during the past four decades. The chapter concludes with a review of more recent policies and legislation affecting the amount of transit contracting that takes place.

Chapter 3 offers a conceptual framework for the decision to contract for transit services, drawing on the precepts of organizational behavior and contract economics. This is followed by a brief review of the effects of transit contracting on service cost, quality, and safety as identified and examined in past studies. Although time constraints precluded a comprehensive review of the literature, the chapter identifies several gaps in the previous research that the committee has attempted to fill in the present study.

Chapters 4 and 5 present the survey findings. Chapter 4 describes the scope of transit service contracting today, the terms and methods employed, and the extent of competition—information obtained from Part 1 of the survey. Chapter 5 summarizes the reports of transit general managers in Part 2 of the survey on the factors influencing decisions about contracting, the positive and negative aspects of the practice, and ways to improve contracting programs.

The final chapter summarizes the main findings of the study. Taken together, these findings reveal much about the nature and extent of transit service contracting today, the motivations for and deterrents to the practice, and its advantages and disadvantages. The committee offers its own insights and ideas for further study at the conclusion of the chapter.

Note

1. The committee recognizes that some public transit providers receive aid from other federal programs, such as Medicaid, and that others do not receive any federal aid at all; however, tailoring and administering surveys to such a varied population would have exceeded the time and resources available for this project.

2

Public and Private Provision of Transit in the United States

The contracting of transit services by public agencies is often viewed as a recent phenomenon. Yet the public and private sectors have long collaborated in the provision of urban transportation in the United States. While the nature of this collaboration has evolved over the years, public and private involvement in transit has endured. This chapter describes the evolution of the public- and private-sector roles in transit provision to provide historical context for the ensuing discussion of transit contracting today. Also described are key legislation and public policies that have influenced transit service contracting in recent decades.

Early Experience: Private, Regulated Transit Service

Genesis of Local Transit Regulation

Long before electric streetcars and motor buses, horse-drawn vehicles provided urban transport on a for-hire basis. Early forms of such vehicles included the hackney—a coach pulled by one or two horses—which flourished in England for more than 200 years beginning in the 17th century. At the time, passenger transportation needs were escalating in London and the other burgeoning cities of preindustrial Europe (Smerk 1992, 3–7). Although a small proportion of city dwellers could afford hackneys, the English government soon began to treat this mode of transport

as an essential public service. Partly for this reason, the government established rules governing how much the hackneys could charge, where they could travel, and how many of them could provide service. The degree to which such licensing rules actually benefited urban travelers by ensuring sufficient service and fair pricing rather than benefiting the hackney operators by protecting them from competition is unclear, although the former benefits were their ostensible purpose.

Similar regulations were applied to successive forms of horse-drawn urban transportation. One such successor, the omnibus, was introduced in London in the early 1800s. Because it provided fixed-route and scheduled service, could carry up to 20 passengers, and was thus affordable to more people than the hackney, this wagon-like vehicle became immensely popular in Europe and to a lesser extent in the largest cities of the United States (Smerk 1992, 6–7). Like the hackney operators, those offering omnibus service were subject to public service regulations governing the fares they could charge, routes they could ply, and kinds of services they could offer.

Lasting Effects of Early Regulations

The decision to regulate the private suppliers of urban transportation has had lasting effects. The early regulations were based on the principle that for-hire passenger transportation in cities was important enough to the public that government intervention was warranted to ensure sufficient and stable service. The way taxicabs are regulated today is a legacy of the early hackney rules.¹ Perhaps more important, however, the early regulatory schemes established the basic model of transit service provision that would come to predominate in the United States through the first half of the 20th century. In this joint public–private model, the public sector sets the standards for transit service, while the private sector owns and operates the service.

Indeed, urban transit regulation, from its earliest applications, can be viewed as a form of public and private contracting. The agreement is straightforward in principle. The public is promised enhanced safety through licensing and inspection of vehicles and drivers, protection from exploitive fares, and a certain steadiness of service. In return, the regulated operators receive a degree of economic protection through limits on competitive entry and pricing (Meyer et al. 1965, 353–359).

A reason for regulating the early hackney and omnibus services was that relative ease of entry into the business would lead to an overabundance of willing suppliers. Neither service required large capital investments or specialized

labor skills. Hence cities worried that aggressive competition would result in erratic and unstable services characterized by operators repeatedly entering and exiting the business, leading to poor service quality. A longer-run concern was that a small number of well-financed or colluding operators could withstand the competitive onslaught, deter further competition through below-cost pricing and other exclusionary tactics, and charge high fares by exploiting their market power.²

Emergence of Franchised Operations

A common means by which cities regulated competition was by establishing franchises for public transit operators. In return for exclusive rights to operate in a designated area, franchise operators agreed to provide stable service for a specified period and to abide by limits on the fares they could charge (Jones 1985, 28–30). The operators were largely protected from competition (though not from other modes) and promised a fare structure that would be sufficient to meet their operating costs and generate profits on invested capital sufficient to maintain the service (Jones 1985; Meyer et al. 1965, 353–359).

In the United States, the early transit services followed this regulatory model. Franchises became even more popular following the introduction of street railways (first horsecars and later electric streetcars) during the mid- to late 19th century (Smerk 1992, 7–10; Jones 1985, 28–30). Because most roads at the time were unpaved, rail traction—by getting wheels out of the mud—greatly increased the speed and reliability of urban transportation and reduced the need for horse power and its associated costs. However, the street railways required greater capital investment than the omnibuses. Rather than pay for rail construction with public funds, most cities franchised streets to individual operators, who then paid for the traction (Jones 1985; Smerk 1992). Urban historians maintain that this regulatory approach led to an overinvestment in street railways as operators sought additional street franchises and laid parallel track to preempt competition (Jones 1985; Smerk 1992; St. Clair 1986, 104–107). Moreover, awards for street franchises were associated with public corruption during the latter half of the 19th century, prompting calls for more stringent regulation of transit fares and services (Jones 1985).

Electric street railways were introduced in the 1880s. Electric power made it possible to increase vehicle size and operating speeds dramatically while reducing operating costs (Jones 1985, 30–34). The streetcar operators could therefore extend their networks to reach more potential customers. Widespread introduction of electric street railways, as discussed below, occurred at a time

when American cities were undergoing rapid growth as a result of many new technologies (such as public water and sewer systems, structural steel, and elevators), industrialization, and immigration from the countryside and abroad (Tarr and Dupuy 1988). Although the electric streetcar, coupled with changes in the urban environment, revolutionized transit, most cities entering the 20th century continued to use franchises as the main means of regulating service.

Regulation of Private Transit Services: 1900 to 1960s

Rise of Electric Street Railways

The widespread introduction of electric streetcars at the close of the 19th century was a watershed event for American cities. The electric streetcars (along with rapid railways) allowed cities to expand outward by creating residential areas on the city edges (Smerk 1992, 14). They also allowed city centers to grow upward, as the street railways and their interurban lines carried millions of workers to centrally located high-rise office buildings and industrial sites (Pushkarev et al. 1982, 4–5; Warner 1978, 5–14). During the last decade of the 19th century and the first two decades of the 20th century, private street railway companies laid more than 70,000 kilometers of track (Pushkarev et al. 1982). By 1920, just about every U.S. city and town of any size had a public transit system, and the majority of transit vehicles used in these systems were electric streetcars (St. Clair 1986, 4).

It is notable that in Europe, most electric streetcar systems were municipally owned and operated before World War I.³ Yet with few exceptions—such as in San Francisco and Seattle—nearly all the street railways in the United States were privately owned and operated. Many were financed initially by real estate developers looking to extend residential and commercial areas outward to tracts of undeveloped land (Black 1991).⁴ The street railways were major users of electricity, and as such they were often owned and operated by electric utilities (Jones 1985, 37). Indeed, early in their development, the electric traction companies produced their own power and sold the surplus to other industrial and residential users; hence the streetcar companies were the electric power companies in many localities.

By World War I, Americans living in cities averaged more than 250 streetcar rides per year (Middleton 1987, 77; McKay 1988, 11). Yet by this time the nation's ubiquitous urban railways were already showing signs of contraction. Land speculators, more interested in the opportunities presented by the automobile, were no longer investing in them (Jones 1985; Foster 1981; Altshuler

et al. 1979, 396–397). Growth in demand for electricity and innovations in its production and distribution made powering streetcars through a single utility more economical and feasible (Hilton 1985, 38–39). The industry began to consolidate, and as it did so, many parallel and redundant services were abandoned (Jones 1985; Middleton 1987, 78–79; Hilton 1985, 38–39).

During this period of technology evolution, the basic regulatory model of transit service remained unchanged. Most cities awarded franchises for specific routes and charged operators franchise fees and levies for maintenance of bridges and road surfaces around the tracks (Smerk 1992, 8–15). Yet frequent requests for fare concessions by streetcar companies were poorly received by a public that was growing weary of poor service quality. According to historical accounts, widespread public perceptions of oligopolistic and anticompetitive behavior on the part of the streetcar companies alienated customers and government officials alike, prompting calls for even more restrictive obligations each time a franchise came up for renewal (Jones 1985, 30–37; Saltzman 1992, 34–37). Even as costs increased, many operators were not allowed to raise fares—long pegged at a nickel—and high franchise fees and levies for street maintenance were often viewed as punitive by the franchise holders (Saltzman 1992, 35). Furthermore, the franchise approach to regulation, which gave the public sector the ability to control fares and services, discouraged cities from assuming ownership or taking action to reestablish a more competitive environment. Both the transit operators and their unionized workforces were opposed to either a public takeover or substantive regulatory reforms (Jones 1985).

Decline of Street Railways

The above arrangements remained in place even as the popularity of the automobile grew and demand for transit began to wane after World War I. Americans purchased millions of automobiles during the 1920s (TRB 2001). By 1927 there was one registered automobile for every 3 or 4 residents in Detroit and Los Angeles, one for every 8 in Boston and Chicago, and one for every 12 in New York City—whereas two decades earlier there had been practically none (TRB 2001; Schrag 2000, 58; Foster 1981). To accommodate the automobile, state and local governments invested in better roads and traffic control devices after the war. Most interurban rail lines were abandoned during this period—some becoming the rights-of-way for new highways—while many city lines were paved over to make room for the automobile. City traffic engineers often viewed the lumbering and difficult-to-maneuver streetcars more as a source of traffic congestion than as a means of its alleviation (Middleton 1987, 168; Foster 1981).

Streetcar ridership declined throughout the 1930s, followed by a brief, albeit dramatic, respite during World War II caused by the rationing of fuel, shortages of automobile parts, and wartime industrial production that brought more people into the cities (Saltzman 1992, 28) (see Figure 2-1). The Public Utility Holding Company Act of 1935 called on electric power companies to divest themselves of ancillary holdings, including transit companies. Yet electric companies had already been divesting their transit operations voluntarily, having earned higher returns from the generation and distribution of electricity to the public than from the provision of transit service (Jones 1985, 48–50; Hilton 1985; Saltzman 1992, 37–38).

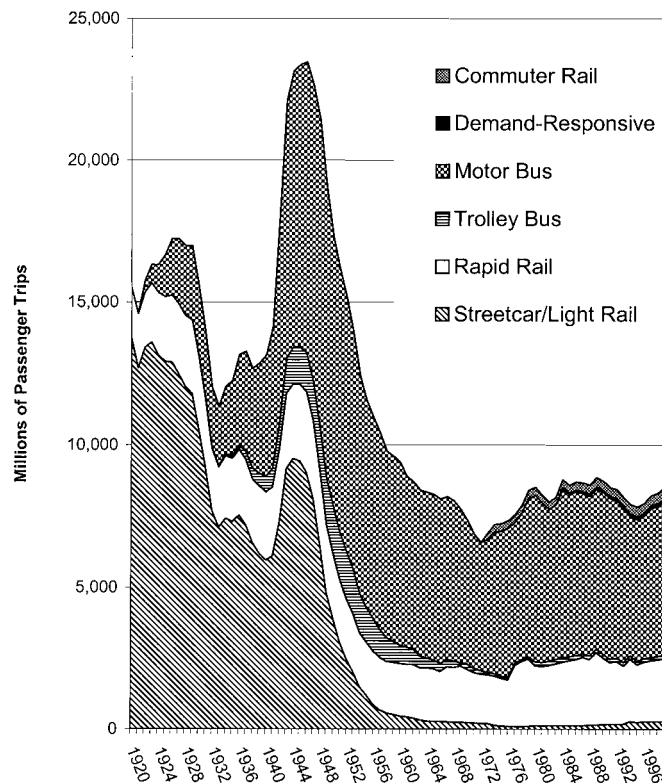


FIGURE 2 - 1 U.S. trends in annual passenger trips by transit mode, 1920 to 1998. (NOTE: Data on demand-responsive and commuter rail ridership are not available for the periods before 1984 and 1973, respectively. SOURCE: American Public Transportation Association, *Public Transportation Fact Book*, selected years, 1977–2000.)

Switch to Buses

During this period, motor buses were becoming the predominant mode of public transportation in many cities, especially after the reliable diesel bus and automatic bus transmissions were introduced shortly before the war (St. Clair 1986, 4). Both the transit companies and smaller entrepreneurs—even owner-operators—began operating the free-wheeled buses, which could be redeployed more easily and required far less capital than streetcars (Jones 1985, 53–54).

Sometimes local authorities encouraged motor bus services as a means of disciplining street railway companies unable or unwilling to provide quality service (Jones 1985, 54). Although controversy arose in the 1940s as some motor bus suppliers acquired distressed streetcar lines to replace them with bus operations,⁵ the rail-to-bus conversion was well under way even before World War II (Jones 1985, 1963–1964; Saltzman 1992, 38–39). Between 1930 and 1945, the mileage of street railways declined by more than 40 percent, while bus route miles increased by 50 percent (St. Clair 1986, 8).

The early motor buses were typically operated by a single driver rather than the two-person crews (operator and fare collector) found on streetcars and often stipulated in union contracts (Jones 1985). Buses were further advantaged by the continued improvements in public roads. Even New York City, which had invested heavily in a subway system three decades earlier, was in the midst of a building boom of new parkways, tunnels, and bridges.

Despite the advent of motor buses, however, urban transit patronage continued to decline following the temporary upsurge during World War II (see Figure 2-1). By this time, most of the early streetcar lines had been abandoned; in 1950, less than 10 percent of the original rail network remained in service (Middleton 1987, 169; Pushkarev et al. 1983, 6–7). Much of the urban population of the United States had moved farther from the center cities. Transit works best on dense corridors; hence, both streetcar and bus lines had long been configured to serve riders heading to and from downtowns (Levinson and Wynn 1963). Yet these markets were dwindling as both people and businesses moved to the lower-density suburbs (Meyer and Gómez-Ibáñez 1981, 41, 223). While suburbanization had been taking place in the United States since at least the 19th century (fostered by the streetcar, commuter railroads, and earlier forms of mass transportation), the private automobile—coupled with rising incomes, changing lifestyles, and the new federally funded urban freeways—allowed for increasingly dispersed settlement patterns that proved difficult for private transit operators to serve profitably (Lave 1985, 3; Smerk 1992, 18; Levinson 1996; Saltzman 1992, 26; St. Clair 1986).

Public Provision of Transit

Advent of Federal Aid: 1960s and 1970s

Between 1950 and 1960, transit patronage declined by more than 40 percent, and given the rapid increase in both urban populations and per capita auto use, the decline in transit's share of total travel was even more precipitous (see Figure 2-1). As a practical matter, the regulatory model that had been in place for decades was no longer suitable for the provision of urban transit, as the number of for-profit private firms was dwindling in the face of sharply declining rider demand. In the two decades after World War II, more than 200 transit companies around the country folded, and many smaller cities lost transit service altogether (Hilton 1985, 46; Black 1991). Private transit operators that were still providing service often were not earning profits sufficient to attract the capital needed to purchase new equipment and add services (Jones 1985). Many transit companies were operating buses that were more than 20 years old, and most of the remaining streetcars were antiquated, built before World War II.

Cities were the first level of government to respond to the emerging transit crisis. By the 1940s, some large municipalities—most notably Boston, Chicago, Cleveland, and New York—had taken over the private railways in their jurisdictions and were supplementing farebox revenues with public funds to finance physical plant (Jones 1985, 79). But the decades-long withdrawal of capital from the industry had taken its toll; most systems were in dire need of new equipment and facilities. With few exceptions, most American cities—having lost tax-generating households and businesses to the suburbs—were unwilling or unable to subsidize transit services (Jones 1985, 79; Meyer and Gómez-Ibáñez 1981).

Federal Aid for Public Ownership and Investment in Transit

As the declining fortunes of America's cities gained national recognition during the 1960s, Congress passed legislation that for the first time gave the federal government a prominent role in the provision of urban transit. The Urban Mass Transportation Act of 1964 (later redesignated the Federal Transit Act) provided loans and grants for transit capital acquisition, construction, and planning activities. The grants were offered on a two-to-one (federal to state and local) matching basis. The aid was restricted to capital acquisitions and planning assistance partly on the grounds that federal operating subsidies for local transit agencies would introduce a federal presence in decisions better left to state and local officials (Meyer and Gómez-Ibáñez 1981, 9).

Notably, only public entities could apply for the federal grants. Given the availability of federal aid, many cities, states, and counties purchased or otherwise took over their local rail and bus systems. Thus by the 1970s, a largely new model of transit provision—public ownership—had become increasingly prevalent in the United States. Many jurisdictions consolidated the operations of smaller private and public systems under the auspices of regional transit authorities. A few states, such as Connecticut, Rhode Island, and New Jersey, formed statewide transit agencies.

The evolution from public to private ownership, while not swift, was certainly dramatic. In 1940, only 20 transit systems in the country were publicly owned, and they accounted for just 2 percent of ridership (Black 1991, 69). By 1960, although the vast majority of all systems were still in private ownership, properties in public ownership accounted for nearly half of all transit ridership, mainly because the country's very largest systems were publicly owned (Jones 1985, 79; Lave 1991, 117).⁶ By 1980, more than 500 systems were publicly owned, accounting for 95 percent of ridership nationally (Black 1991, 69).

The federal aid was generally welcomed by states, localities, and distressed private transit companies alike (Jones 1985, 114–131). Transit labor unions favored public funding, but were concerned about possible adverse effects on unionized workers resulting from public ownership. The transit workforce had been well organized for decades, especially in the largest American cities. As early as 1920, more than half the workforce of the private streetcar companies was unionized (Jones 1985, 23). Ironically given more recent union concerns with privatization, transit workers at the time were concerned that a shift to public ownership would lead to their losing rights and benefits obtained through collective bargaining (TRB 1995). At the time, public employees were exempt from coverage under the National Labor Relations Act, and several states expressly prohibited collective bargaining by government workers (TRB 1995). As a remedy, Congress included a provision in Section 13c of the Urban Mass Transportation Act requiring that the condition of existing transit workers not be diminished through transit projects initiated with federal funds (see Box 2-1). This provision remains in effect today.

Federal Aid for Transit Operations and New Services

By the 1970s, nearly all urban transit systems in the United States were planned and funded by state and local governments with the help of federal aid, and most were owned and operated by state, regional, or local agencies. Despite public efforts to improve transit systems, however, ridership continued to decline in most

Section 13c of the Federal Transit Act

As a precondition for a grant of federal assistance by FTA, Section 13c of the Federal Transit Act [Section 5333(b) of Title 49 USC] requires that grant applicants afford “fair and equitable” protections to employees affected by such assistance. Any events resulting from federal assistance that cause a change in operations or organization are subject to this precondition.

The statute generally requires that provisions addressing five specific matters be included in such protective arrangements: preservation of rights, privileges, and benefits under existing collective bargaining agreements; continuation of collective bargaining rights; protection of employees against worsening of their positions in relation to their employment; and assurances of employment to employees of acquired mass transportation systems, priority of reemployment to those workers laid off or terminated, and paid training and retraining programs.

In its grant application, a transit agency must estimate the impact on employees and specify the protections proposed. FTA forwards the grant application to the Department of Labor (DOL), which is authorized to determine and certify what is fair and equitable. In most cases that do not involve routine replacement of equipment or facilities, DOL refers the grant application to unions representing transit employees in the service areas. DOL encourages grant applicants and the affected unions to develop acceptable employee protections through negotiation.

In December 1995, DOL responded to concerns about the timeliness of the review process by issuing guidelines that established time frames for processing certifications in an expeditious and predictable manner. The guidelines, which became effective in January 1996, allow a party 15 days to inform the Department of objections to the proposed terms of a grant. If no objections are raised or if those raised are found to be insufficient, DOL certifies the project. If the Department determines that objections are sufficient, it directs the parties to negotiate and reach an agreement within 30 days. If such an agreement is not reached within the allotted time, the Department issues an interim certification that permits FTA to release the funds (provided no action is taken during this period that would irreparably harm employees). The guidelines call for a final certification decision within 60 days from the date the grant application is received.

Because Section 13c agreements are the product of individual negotiations, terms vary among agreements. Most, however, include protections against worsening conditions such that an employee who is displaced or suffers a loss of compensation as a result of a federally assisted project can be eligible for a monthly displacement allowance.

SOURCES: TRB 1995; GAO 2000; U.S. Department of Labor Fact Sheet on Protections for Transit Workers (www.dol.gov).

systems. Having accounted for about 18 percent of urban travel in the United States as late as 1950, transit's share had declined to less than 3 percent by 1975 (Pushkarev and Zupan 1977; Altshuler et al. 1979, 21–22). As a result, many transit agencies were forced to raise fares and seek additional government funding to help cover operating costs. In 1974 Congress passed the National Mass Transit Assistance Act, which provided transit agencies with federal aid for operating expenses. This funding was used by many agencies to expand service and stabilize or reduce fares in an effort to halt the decline in ridership (Pickrell 1983; Meyer and Gómez-Ibáñez 1981).

During the 1960s and 1970s, the government aid provided to transit agencies was accompanied by changing views of transit's role in urban transportation and the array of services it should encompass. The continued movement of residents and jobs to the suburbs meant that most transit systems were compelled to extend their services farther from the traditional center cities, often into markets with little demand. Public officials from suburban districts that helped fund transit systems sought additional service in return for their subsidies (Meyer and Gómez-Ibáñez 1981; Wachs 1989 and 1985). At the same time, transit remained critical for the lower-income residents of inner cities, who had limited access to automobiles, and for the elderly and those with disabilities. Increasingly, transit was viewed as an important means of reducing metropolitan air pollution and alleviating highway traffic congestion, prompting many systems to offer services from distant suburbs into cities and increasingly from suburb to suburb (Meyer and Gómez-Ibáñez 1981).

In amendments to the Urban Mass Transportation Act and other legislation during the 1970s, the federal government agreed to provide funds for urban and rural demand-responsive transit systems, as well as for alternative forms of public transportation, such as vanpools and express buses. Before the 1970s, only a few transit authorities and many social service agencies had been offering specialized transportation services for the elderly and riders with disabilities (TRB 1998, 3–9). By the end of the 1970s, hundreds of systems were offering such services with the help of federal funds—both from the U.S. Department of Transportation and from human service agencies (Walther 1988). These expanded services and increased expectations created both pressures and opportunities for transit systems to seek new methods of service delivery.

Growth of Interest in Private Contracting: 1980s and 1990s

By 1980, transit revenues covered only 41 percent of operating costs, and annual deficits covered by public subsidy totaled nearly \$3.5 billion (Gómez-Ibáñez and

Meyer 1987, 64). Many reasons have been cited for these deficits, such as the continuing loss of riders, stable fares during an inflationary period, higher transit administrative and labor expenses, the extension of service to low-density suburban markets, and the increasing array of costly services being added in response to new government mandates and views of transit as a social service (Cervero 1983; Pucher et al. 1983; Lave 1991).

Federal Emphasis on Private Involvement in Public Transit

Whatever the cause of operating deficits, by the 1980s they had attracted the attention of public officials interested in finding ways to reduce them through the reintroduction of more privately operated services. The Urban Mass Transit Administration (UMTA) began promoting the idea of contracting with private companies for transit operations, vehicle maintenance, and administrative support. The agency predicted that the first-order benefit of contracting would be the use of lower-cost private operators for new services. Furthermore, UMTA officials anticipated that in spurring competition, contracting would confer second-order benefits by prompting public agencies to make their own in-house services more efficient and responsive to customer needs (Cervero 1988).

UMTA took particular interest in the experiences of small communities in purchasing transit services, of some larger cities that had been contracting for demand-responsive services for the elderly and those with disabilities, and of a few very large urban areas that had been contracting for all transit services (Lave 1985). The agency funded several studies and concluded that large reductions in operating costs—from 10 to 50 percent per unit of output—could be expected from competitive contracting (Teal et al. 1987; Morlok and Harker 1988; Cervero 1988). UMTA also pointed to other observed benefits of contracting, such as the greater operating flexibility allowed, including the use of part-time drivers to meet peak-period demands (Cervero 1988).

The agency demonstrated its commitment to privatization by requiring grant applicants for discretionary funds to seek out and document private-sector participation in transit service planning and provision. Federal legislation was cited to support this emphasis. Whereas Section 8(e) of the 1964 Urban Mass Transportation Act (Section 8e) had *allowed* public transit agencies to contract for services, the Surface Transportation Assistance Act of 1982 expressly *required* federal grant recipients to develop their transit service programs in consultation with the private sector. In implementing this statutory provision, UMTA developed guidelines in 1984 calling on grant applicants to demonstrate that they were actively involving the private sector early in the transit planning

process.⁷ Under these guidelines—which would remain in place for approximately 10 years—grant applicants were required to consider “fairly and adequately” the use of private transportation companies when implementing new services and to routinely compare public- and private-sector costs for existing services, submitting documentation of such efforts to the federal agency (Black 1991, 70).

State and Local Response

The new federal policy was resisted by some state and local governments that objected to the federal government’s dictating local practice (Black 1991, 70; Gómez-Ibáñez and Meyer 1987, 65). Many transit agencies were also uncertain about how such involvement would work in practice, and they questioned whether it would add more administrative and planning burdens (Black 1991; Teal 1987). Transit labor unions likewise were opposed to the new emphasis on privatization (Black 1991, 71).

At the same time, however, the federal promotion of private involvement in public transit generated greater interest in contracting among a number of state and local governments (Black 1991; U.S. Department of Transportation 1986). A few transit agencies in large cities, including Denver and Los Angeles, began contracting for service on portions of their networks; Denver was required by state law to contract for transit service.

Throughout the country, many small and rural communities had long contracted for transit services, in part because they did not have specialized transit organizations and because they had routinely contracted for many other government services (Teal 1987). According to a national survey conducted in 1985, one-third of demand-responsive services were being contracted to private firms, often to small taxi companies (Teal 1987). Private firms were also running express bus services in many metropolitan areas, including greater Boston, New York, Houston, and Chicago (Giuliano and Teal 1985; Smerk 1986).

In some areas of the country, contracting for transit services—especially paratransit services—had become commonplace. In certain cases, competition for funds among individual units of government put pressure on transit providers to control costs and reduce public subsidies by hiring private operators. In California, for example, substantial funding for transit was generated by the 1971 Transportation Development Act (TDA), which extended the state sales tax to motor fuels and dedicated one-quarter cent of the state sales tax to transportation purposes. Under TDA, funds were distributed back to counties in proportion to their share of state sales taxes. In large, urban counties, TDA

funds were dedicated almost exclusively to transit; in less urbanized counties, however, funds could be used for streets and roads once reasonable transit needs had been met. In these counties, therefore, the desire to free up TDA funds for streets and roads motivated some local governments to reduce transit expenditures by contracting for transit services (Teal 1987, 30).⁸

Advent of Americans with Disabilities Act and Contracting for Demand-Responsive Services

Passage of the Americans with Disabilities Act of 1990 (ADA), which required accessible fixed-route transit systems and complementary paratransit services for people with disabilities, further expanded the use of contracting for demand-responsive services. As interest in these services grew, many transit agencies turned to the private sector to provide them, sometimes using brokers to obtain specialized paratransit services from several private companies in the area. Transit agencies also turned to nonprofit social service agencies, such as councils on aging, to provide specialized transportation for the elderly and people with disabilities (Roy P. Drachman Institute 1994).

Federal policies promoting the use of contracting and ADA's effect in boosting demand for paratransit services led to an increase in the amount of transit contracting from the 1980s to the mid-1990s (Teal 1987; FTA 1994). The U.S. experience in this regard was not atypical. As discussed in Appendix B, several Western European countries began contracting with private companies for transit services during the 1980s and early 1990s. Yet as noted in Chapter 1, the total amount of contracting, measured as a percentage of vehicle revenue-miles, has remained relatively stable in the United States since the mid-1990s. In a 1994 rulemaking, FTA rescinded its earlier guidance on the participation of private enterprise in the provision of transit.⁹ Despite objections from private contractors, FTA cited as the main reasons for the rescission the significant administrative burden associated with following and demonstrating compliance with the federal rules, as well as concerns about the infringement on local and state discretion.

Summary

The provision of transit in the United States began as private enterprise, often subject to local and state regulations to ensure sufficient and stable service. Private operators typically were awarded franchises and were subject to restrictions on the fares they could charge, the services they could offer, and the routes on which they could operate. In return, they were offered a degree of protection from competition from other transit operators.

For numerous reasons—including rising incomes and the emergence of the automobile—a decline in the demand for transit services began in the United States during the 1920s, accelerating after World War II. Private operators, already unable to attract investment capital in a regulated environment with falling demand, found it increasingly difficult to cover operating costs. By the 1950s, hundreds of systems were failing or in severe financial distress.

During the 1960s, the federal government stepped in to provide state and local governments with capital and planning funds for the acquisition of private transit systems and new equipment and facilities. By the 1970s, most urban transit systems in the United States were publicly controlled—either owned outright by state and local governments or planned and subsidized by the public sector. Private operators remained, but mainly to provide contract services to public transit agencies.

During the 1980s the federal government, pointing to concerns about rising transit operating costs, promoted the involvement of the private sector in the provision of transit services. Guidelines required federal aid recipients to take proactive steps to involve the private sector in both the provision and planning of transit services, including the use of contracted service. Some state and local governments, especially in rural areas, had already been using private contracting; however, the federal emphasis prompted additional interest in the practice.

The 1990 Americans with Disabilities Act, which required more transit agencies to provide specialized services for people with disabilities, led to further increases in private contracting, especially for demand-responsive services. During the past decade, even as transit contracting was becoming more popular in Western Europe, the U.S. government stopped actively promoting competitive contracting in public transit. The private sector continues to play a meaningful role in the provision of transit services; however, the extent of this role varies from system to system.

The historical developments described in this chapter have influenced the level and amount of transit contracting practiced today. A more complete picture of the current state and extent of transit service contracting in the United States, gleaned from the committee's transit system survey, is provided in Chapter 4.

Notes

1. Whether taxicab licensing rules that limit entry and pricing have conferred net benefits on consumers is a matter of debate that is not considered here.
2. Whether such concerns were warranted is a matter of debate. Many economists have argued that below-cost pricing is difficult to sustain as an exclusionary tactic in industries that do not require large capital investments (applicable to the

early hackneys and omnibuses). They argue that even if a firm succeeds in depressing competition through such exclusionary (or “predatory”) pricing, once it tries to exploit its acquired market power by raising prices to levels above cost, new firms—seeing the potential to undercut the monopolist’s high prices—can and will enter the market since there is little capital risk to doing so. The would-be monopolist will therefore incur repeated losses through below-cost pricing with little assurance of preserving a long-run monopoly position. The many reasons for transportation regulation and the effects on firms and consumers cannot be treated adequately in this overview. A more complete review of the history, rationale, and effects of economic regulation in the transportation industries can be found in Meyer et al. (1959) and more recently in Winston (1998).

3. In 1894, Glasgow was the first large city to take over the electric railway services within its jurisdiction. By World War I, publicly owned transit systems in Western Europe carried four times more passengers than private operators (McKay 1988; Jacobson and Tarr 1996).
4. Another exception to the early reliance on private financing of transit in the United States was the subway and other rapid rail transit construction projects in New York, Boston, and a few other cities. Because these projects required massive capital outlays, they were paid for mainly with state and local funds. In most cases, however, even these large urban railway systems were operated by private companies before World War II.
5. In 1947, the Department of Justice sought an injunction against National City Lines (NCL), which had acquired more than 40 transit systems by 1946. The acquisitions were financed largely by suppliers of bus parts and fuel. Jones (1985) and others (see Saltzman 1992) argue that NCL represented mainly an effort by its backing companies to dominate the bus manufacturing industry, ensuring that abandoned street car services would be replaced with their own buses rather than those of competitors.
6. According to Lave (1991, 117), 82 percent of transit agencies with \$1 million or more in annual passenger revenue were still privately owned in 1964.
7. Guidelines were published in the *Federal Register* in October 1984 (49 CFR 4310) and January 1986 (51 CFR 3306). They were further refined by UMTA in Circulars C7010.1 and C7005.1, issued December 5, 1986. As noted later in this chapter, FTA rescinded these guidelines in 1994.
8. Since its enactment in 1971, TDA has undergone many changes that, along with other state legislation, have affected the amount and methods of funding for public transit in the state. Because of these changes, TDA’s effect on transit service contracting in California has fluctuated during the past three decades. It is not possible to recount all the legislative changes and their nuances here. The main point is that state laws and policies have long had a large effect on the amount and pattern of transit service contracting in California, especially in rural areas.
9. In 59 FR 21890 (*Final Notice of Recision of Private Enterprise Participation Guidance*), FTA explains its rationale for the recision and summarizes comments received from parties favoring and objecting to the change.

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ABBREVIATIONS

APTA	American Public Transportation Association
FTA	Federal Transit Administration
TRB	Transportation Research Board

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3

Conceptual Framework and Previous Studies on Contracting

Drawing on the economic literature, this chapter addresses the factors that influence the decision to contract for transit services. The discussion first provides a conceptual framework for examining how transit agencies make contracting decisions. A review of past studies that have explored the effects of contracting on transit service cost, quality, and safety is then presented.

The Contracting Decision: Conceptual Framework

A public transit agency can deliver transit services through one of two methods: it can provide the service directly using its own vehicles and personnel, or it can contract with another entity. The choice between these two methods is described in the economic literature as the “make or buy” decision. To understand how this decision is made for transit services, it is useful to apply a conceptual framework drawn from two related bodies of literature—organizational behavior and transaction-cost economics. The discussion that follows is condensed from Sclar (2000). The intent is to introduce the relevant concepts rather than explore them in depth; a selected bibliography from the two sets of literature is presented at the end of the chapter for those wishing further detail.

Complete and Incomplete Contracts

A contract contains the terms of a relationship between two parties. The contract can be a formal, written agreement or implicit and unwritten. It can be structured in a highly standardized manner, like off-the-shelf computer software, or it can be tailored to meet specific needs, like a custom-designed computer program. A contract can specify delivery on a particular date or describe it in more general terms. Contracts can be for products, for services, or for both.

Contractual relationships are of two basic types—complete and incomplete. Complete contracts are typically drawn up for the supply of a well-defined product or service to be delivered within a clearly prescribed time frame. Such contracts usually involve limited interaction between the contracting parties in an “arm’s length” relationship that is often legalistically defined. The written contract delineates all the pertinent obligations and rights of the parties involved. Markets for such products and services are often well established and associated with conventional contracting terms. The contractual relationship is therefore shaped and disciplined largely by the marketplace. If the supplier does not perform as set forth in the contract, the buyer can opt for another supplier. Because of the routine nature of the transaction and the high volume of exchanges, the product or service usually has multiple buyers and sellers. If a contractual conflict cannot be resolved through market mechanisms, the parties can seek relief through the courts.

A contract is incomplete when it is impractical to specify all of the supplier’s responsibilities under all contingencies. It may be incomplete because aspects of the deliverable, such as the quality of service to be provided, cannot be defined or measured precisely. Likewise, there may be uncertainty about other pertinent factors during the period of the contract. In such situations, the parties often recognize at the outset that the contract terms will be incomplete, so they do not try to delineate all the issues and conditions that may arise. To avoid an unwieldy and expensive contract, they instead stipulate a means of settling unanticipated disputes arising from contingencies, such as a method of arbitration.

Public transit agencies are parties to both complete and incomplete contracts. They usually contract for equipment, parts, fuel, and other commodity-like products using complete contracts that specify the deliverable and a specific time of delivery. When they contract for transit services, however, the contracts often entail a certain amount of incompleteness and ambiguity. Some aspects of the service, such as safety performance and customer service, can be difficult to define

fully and explicitly in a contract document, and of necessity must remain implied by the transit agency purchasing the service and the contractor supplying it.

Even if the contract terms clearly spell out detailed performance standards and monitoring functions, it is seldom possible for all aspects of service provision to be continually observed and evaluated, especially since transit services may be provided throughout the day, 7 days a week. Because of the practical difficulties associated with specifying, monitoring, and enforcing all aspects of service, public transit managers may place a high value on being able to trust the service provider.

The Decision To Contract in Light of Transaction Costs

A major reason transit agencies contract for transit services is to derive the benefits of market competition. By seeking bids from competing suppliers, an agency hopes to obtain the best combination of price and quality for the prescribed service. U.S. transit agencies employ many methods to procure both goods and services from other organizations through competitive means. Perhaps the most common are the request for proposals, the invitation for bid, and a two-step process that begins with a request for qualifications from bidders. These methods are described in Box 3-1.¹

Savings in operating costs are typically the main reason to contract, as indicated by the literature and the results of the committee's survey (discussed in Chapters 4 and 5). In seeking to reduce these costs, a contractor may hire less-expensive labor than would a public agency. Yet there is no guarantee that labor costs will be lower for contracted than for in-house services. Nevertheless, the transit agency may still choose to contract for other cost-saving reasons, such as the ability to use labor and assets more efficiently—for example, by being able to use part-time drivers and to shift vehicles between public and private service during peak and off-peak times. Because public transit systems face considerable demand fluctuations throughout the day and week, they can reap significant benefits from being able to allocate and reallocate resources to match swings in demand.

Apart from anticipated savings in operating costs, other factors may influence the decision in favor of contracting. The agency may want to shift some of the risk of service provision to an outside entity. For instance, one risk of providing a new service in house is that it may prove difficult to modify or withdraw the service later if such change is essential for budgetary or other reasons. Hence public transit managers may place a high value on knowing that they can modify or end the service when the contract expires, especially if in-house operations

Common Methods of Obtaining Contract Services

Perhaps the most commonly used method of obtaining transit services is the *request for proposal* (RFP). Usually the public agency describes the product or service it is seeking and openly solicits both technical and cost proposals. The RFP is used when the product or service being sought is complex and difficult to describe in detailed specifications. The RFP typically contains a general description of the desired product or service. Responding contractors therefore have the opportunity to be creative and convincing about their capabilities. In the case of an RFP for transit service, the agency may ask the contractor for a technical proposal that describes its startup plans, transition plans, key management personnel, inspection and maintenance programs, and personnel hiring and retention programs. Likewise, the contractor may be asked for a business proposal that gives detailed cost assumptions, including expectations about wage rates and other factors that account for the proposed price. Each of the proposals may be scored separately, and the agency may then negotiate the specific contract terms with the winner. Thus, price may not be the primary determinant of the winning proposal—although price typically remains a critical factor.

Another method of competitive procurement is the *invitation for bid* (IFB); however, this method is used more often for obtaining commonly transacted goods and less frequently for the provision of services. When the IFB is used, the agency usually has a high degree of certainty about the bid price range because of the well-understood nature of the deliverable. The bids are commonly sealed, and the bidders and agency have limited opportunity for communication before and during the bid period. Final selection of the contractor is usually based on low price. Nevertheless, even many IFBs contain language that limits the award to the lowest “responsive” bidder; that is, the agency may refuse to award the contract to a low bidder that does not meet minimum levels of licensing, bonding, and financial wherewithal.

A *two-step procurement process* is sometimes used to limit the pool of respondents to those that meet certain qualifications. Bidders are prequalified through a request for qualifications to ensure technical capabilities; financial capacity; and other qualifications, such as proper licensing and insurability. The RFP or IFB is issued as part of the second step only to those contractors that have been approved. Sole-source procurements often occur, but usually for small purchases or in cases where a product or service is being sought from another government agency.

Because of the greater number of steps involved, the RFP and two-step methods usually take longer to complete than an IFB. While the former processes may entail less specification writing, they typically require more complex evaluation

(continued)

BOX 3 - 1 (continued)**Common Methods of Obtaining Contract Services**

and selection processes, which can slow evaluation and decision making. Still, even the general specifications that accompany RFPs and the selection criteria applied are usually well defined to ensure fairness and meet minimum levels of proposal quality. For instance, the RFP will often describe the basis for payments (i.e., fixed price or based on costs or output); who is responsible for the vehicles, equipment, and facilities; who is responsible for scheduling, marketing, and planning; how payments will be made and fare revenues treated; how much insurance is needed and who will provide it; and even who is responsible for towing vehicles and maintaining radio systems and fare box equipment. Respondents to the RFP are not expected to propose alternatives to these specifications, but they may do so if they wish. Agencies choose the method that best fits their circumstances and that conforms to their own statutory requirements, since procurement methods are often governed by state and local law.

SOURCE: Morgan and Kaiser 1992.

have proven difficult to change. Likewise, the agency may elect to contract in order to avoid certain administrative costs, such as the time and expense associated with personnel management. In many instances, such anticipated benefits may be secondary to savings in operating costs as reasons for contracting, yet for some agencies, especially smaller ones with limited administrative capabilities, they can be a main motivation for contracting (as indicated by the survey results).

At the same time, a public transit agency must take into account various transaction costs associated with contracting. To illustrate the workings of the competitive process at its most basic level, economists often posit an idealized situation in which both the buyer and seller possess equal and adequate information with which to make decisions about exchanges they are making. Yet economists recognize that fully informed buyers and sellers seldom, if ever, exist in practice. For instance, key product qualities may not be apparent to either or both parties, or these qualities may be difficult to evaluate and measure. While the ideal of complete information is by no means a prerequisite for market transactions, shortcomings in information do increase the costs and risks associated with exchanges in the marketplace. Consequently, organizations that use the marketplace to accomplish an end must factor in the time and other costs associated with obtaining necessary information for the transaction.

To be sure, transit agencies incur transaction costs when they contract out services. At the outset, an agency encounters administrative expenses in developing requests for proposals, soliciting bids, qualifying bidders, and assessing and awarding contracts. Service disruptions at the start and end of a contract, especially when a contract changes hands, represent another potential cost of contracting a service. These costs can be episodic, occurring each time a contract is rebid, although to differing degrees each time.

Furthermore, the contracting agency may bear recurrent costs associated with contracting, such as the expense of monitoring contractor performance, handling and resolving contract disputes, and coordinating contractor and in-house services. Many transaction costs can be anticipated and estimated; however, not all transaction costs are quantifiable. For instance, the loss of direct control over operations, and even the political ramifications of using contractors and diverting resources outside the agency, can present management uncertainties that are intangible but real costs.

Apart from providing a service directly, one way to reduce some transaction costs is through a network, or relational, approach to contracting, which is common in the private sector. Private companies often develop ongoing relationships with a select set of suppliers that have proven reliable, possess the necessary equipment and expertise, and are familiar with the buyer's specialized needs. Although the buyer of a service may pay somewhat higher prices by favoring suppliers in this way, it may find that overall costs, including transaction costs, are reduced. At the same time, as public entities most transit agencies are subject to legal and regulatory strictures that govern how they can obtain contracted services and whether they can employ such a relational approach to contracting.

Transaction-cost analysis provides a framework for understanding the factors that influence the make-or-buy decision. In general, when transaction costs exceed the operating savings from contracting, plus any administrative savings, one would expect the transit agency to choose to operate the service in house. Conversely, when the savings in operating and administrative costs from contracting exceed transaction costs, the agency would be expected to contract the service if this option is available.

Previous Studies of Effects of Transit Contracting

Studies of the effects of contracting for transit services vary significantly in both scope and approach, and have sometimes been controversial. Much of this research, though not all, has sought to estimate the changes in operating costs

and subsidies for a single transit operator after the initiation of contracting for some or all service. While many of these studies have been published in scholarly and peer-reviewed journals, at times they have taken the form of “dueling” studies of a single agency’s contracting experience, commissioned by competitors in a debate over contracting.

An area in which past studies have often disagreed is what effects of contracting should be measured and how they are best measured. As discussed in the previous chapter, much of the early research on transit service contracting was sponsored by the Urban Mass Transit Administration (UMTA) during the 1980s (see, for example, Teal 1985; Teal et al. 1987; Morlok and Harker 1988). This research focused largely on the savings in operating costs obtained from contracting as compared with direct service provision.

For the most part, other effects of contracting on transit performance—both positive and negative—have been viewed as secondary reasons for contracting and have thus received little attention in the literature. Some previous studies that have examined other reasons for and outcomes of contracting, such as effects on administrative expenses, service quality, and safety performance, have been largely audit-like examinations of contractor records on vehicle accidents and breakdowns, on-time performance, vehicle inspections, and the like.²

Given the sometimes conflicting findings of competing studies on the effects of transit service contracting on operating costs, the committee chose not to conduct a comprehensive, adjudicative review of the results of this research. Although such a careful review is needed, the focus here is on the approaches taken to examine contracting’s effects on transit costs (both operating and administrative), service quality, and safety.

Studies on Cost Savings

The early UMTA-sponsored studies revealed that contracting, when accompanied by vigorous competition, led to reduced operating costs due to (1) less compensation for operating personnel; (2) more flexibility in the use of labor as a result of fewer work rules and greater ability to use part-time operators; (3) more efficient vehicle maintenance procedures, such as management of parts inventory; and (4) streamlined management and administration cost in general (see, e.g., Black 1991). Most of this early research yielded estimated cost savings on the order of 10 to 40 percent per unit (e.g., vehicle-mile, vehicle-hour) of contracted service, usually in comparison with the costs associated with providing the service in house. In some of the studies it was postulated that contracting also

had the secondary effects of reducing the cost and improving the quality of in-house service provision by compelling transit managers and unions to become more flexible, efficient, and responsive to customer needs—although the difficulty of obtaining empirical evidence of such effects was noted (see, e.g., Karlaftis et al. 1997).

The authors of one critical study of this early research (Sclar et al. 1989) questioned whether observed cost savings from contracting resulted from contractors submitting bid prices below cost to gain an early foothold in a market or from misjudgment of the true cost of providing the service. Other critics questioned the use of comparisons of small single-mode systems and large multi-mode systems to draw conclusions about the cost savings from contracting, as well as the extrapolation of such findings from one set of systems to another (see, e.g., McCullough et al. 1998).

Although much of the initial research on contracting focused on operating costs, some studies have examined other effects of contracting on agency costs. How best to treat transit agency overhead costs when projecting savings from contracting has been the subject of much controversy and disagreement. Some of the early UMTA studies estimated that longer-run, “fully allocated” cost savings from contracting could be twice as high as initial savings in variable costs because of gradual reductions in transit agency administrative expenses and other overhead items passed along to the contractor.

Critics of such assumptions about savings in overhead costs argue that they are simplistic, and that the cost-allocation models exaggerate prospective savings because some expenditures on overhead (such as those for system planning, advertising, and marketing) are unavoidable or correlated only weakly with the actual amount of transit service provided by a transit agency (see Sclar and Watkins 1994). The examples in Box 3-2 illustrate how differing treatments of overhead costs have generated markedly different estimates of cost savings.

The early cost-saving studies have been criticized not only for assuming that contracting would have large effects in reducing overhead costs, but also for not anticipating administrative and other costs incurred by contracting. Examples are costs involved in administering contracts; monitoring contractor performance; and coordinating contractor services with those provided by the agency, as well as other contractors (see Sclar and Watkins 1994).

One study of contracting in Orange County, California, indicated that administrative and monitoring costs represented about 14 percent of the contract amount (Teal 1990). Likewise, in another study of bus contracting in San Diego, California, it was estimated that average administrative and monitoring

Conflicting Results of Cost Savings from Contracting: Experiences in Los Angeles and Denver

Foothill Transit District, Los Angeles County

In 1986, the Los Angeles County Transportation Commission established guidelines for local jurisdictions for controlling transit services within their boundaries. If the jurisdiction could meet one of four cost-saving criteria by contracting for transit services, it could act as an operator (Richmond 1992). Within 2 years, 20 San Gabriel Valley cities and some unincorporated parts of Los Angeles County had formed Foothill Transit and taken over 19 lines operated by the Southern California Rapid Transit District (SCRTD). The service was privately managed and operated.

Foothill Transit reported considerable success in reducing operating subsidies for the former SCRTD routes and increasing ridership by about 30 percent (Richmond 1992). To further assess these reported effects, the Los Angeles County Transportation Commission commissioned a series of evaluations by the accounting firm Ernst and Young (1991, 1992, and 1993). The studies found cost savings approaching 50 percent, and confirmed the patronage gains reported earlier. However, the SCRTD criticized the study findings, particularly the methods used to estimate resultant savings in its overhead costs. The agency argued that the projected savings were overstated, pointing to a number of instances in which its fixed costs could not readily be shed, such as those costs associated with idled maintenance facilities and job-protected personnel that had to be shifted to other, less productive tasks. The transit agency subsequently hired the accounting firm Coopers and Lybrand to produce an equally controversial report that found virtually no cost savings on the Foothill Transit routes (Coopers and Lybrand 1991).

Richmond (1992) assessed both sets of studies for the Los Angeles County Transportation Commission and concluded that the results of each were more or less acceptable depending on the time horizon used for projecting cost savings.

Denver Regional Transportation District

In 1988, the State of Colorado mandated that the Denver Regional Transportation District (RTD) contract at least 20 percent of its service to private operators. Soon after initiation of the program, the state legislature sponsored a series of studies by the accounting firm KPMG Peat Marwick to assess effects on service operating costs, safety, and reliability (KPMG 1990 and 1991; Peskin et al.

B O X 3 - 2 (continued)**Conflicting Results of Cost Savings from Contracting:
Experiences in Los Angeles and Denver**

1992). The auditors found that in the second full year of the program, the contractor prices were 12.5 percent lower than the costs incurred by RTD in providing similar service directly, not including projected savings in overhead. When such fully allocated cost projections were included, the savings more than doubled—although the analysts preparing the study noted that some of the fixed-cost savings would take many years to appear.

The KPMG studies revealed no consistent difference between RTD's direct and contracted operations with respect to accident rates and severity, on-time performance, maintenance reliability, and complaints and commendations. The contractors, however, were found to have higher rates of employee turnover than RTD, explainable in part by lower worker compensation. The KPMG auditors also concluded that the private operators had earned little, if any, profits in the first 2 years, and questioned whether the original bids had been set low to "get a foot in the door" in the Denver market (Peskin et al. 1992). A critic disputed the claims of lasting savings in Denver; for instance, Sclar (1997, 2000) argued that Denver's contracting costs per revenue vehicle-hour had exceeded the costs incurred on directly operated routes. He maintained that the market for competitive bidders had never materialized in Denver, and that three large firms had captured the market (Sclar 1997).

The Denver RTD (2001) recently released its own analysis of its experience with contracting in Denver during the past 10 years. The agency estimates that it saved a total of \$40 million through the use of private contractors from 1991 to 1999, including \$7.8 million in 1999.

costs were \$0.10 to \$0.25 per vehicle-mile (Hurwitz 1995). For the most part, however, the research in this area has been scant, in part because many of the associated costs can be difficult to isolate and quantify.

More sophisticated cross-sectional and time-series studies of effects on agency overhead costs—controlling for the influence of many factors apart from contracting—would be helpful. However, such studies would require the application of considerable judgment in the allocation of costs, as well as sufficient time and data from many transit agencies. As noted above, most previous studies of savings from contracting have been conducted over very short time periods—1 or 2 years—and for a single or only a few systems.

Studies on Service Quality and Safety Effects of Contracting

Research on the service quality effects of contracting has not shown conclusively whether contracting provides a better or worse quality of service than publicly operated services. Part of the difficulty with measuring service quality is in finding criteria that are both measurable and relevant to the multiple dimensions of transit service as experienced by the rider.

Past studies evaluating quality of service have examined a variety of measures, such as records of on-time performance; customer complaints and commendations; driver wages and turnover; and vehicle accidents, vehicle mechanical breakdowns, and facility and vehicle inspection results. The individual criteria that have been chosen, such as driver wages and retention rates, may be relevant only indirectly, if at all, to the quality of the service. It is often difficult to understand how these proxies for service quality have been derived and whether they control adequately for exogenous factors, such as differences in the operating environment of contract and in-house services (e.g., varying levels of traffic congestion on routes).

Finally, many of the studies on service quality have been agency-specific, and the literature contains a great deal of anecdotal information, such as narratives on the failings of one contractor or another (see, for example, Hurwitz 1995; Sclar 2000; Teal 1990). While the anecdotes and individual studies of service quality provide insight into possible problem areas, their results are difficult to place in an overall context.

Summary

Fully specifying all aspects of transit service in a contract agreement is a complex endeavor. Theories on the decision to contract suggest that contracting for transit service can be a complicated undertaking that requires a strong relationship and understanding of responsibilities between the contractor and contracting agency. The methods of procurement used most often by public agencies to contract for services are not always amenable to the development of close working relationships between transit agencies and contractors. Therefore, most contract agreements contain detailed specifications regarding service expectations and quality, as well as provisions for monitoring and measuring performance. In deciding whether to contract, the transit agency must compare costs associated with developing and administering the contract against the expected savings in operating costs and other benefits of contracting.

Past studies on contracting effects have focused primarily on savings in operating costs, and most have found such savings. Effects on administrative costs have received less attention. Because most studies have focused on the experiences of individual agencies over relatively short time horizons, it is difficult to reach general conclusions about overall effects. Extrapolation is especially problematic for examining the impacts of contracting on service quality and safety, areas in which studies of individual experiences have had mixed results, and the criteria for measuring quality have often varied widely.

Given the focus of most previous transit contracting research on changes in operating costs, the relative dearth of cross-sectional studies on the nature and extent of contracting, and the fact that most of the research on transit contracting was completed a decade or more ago, the committee chose to conduct a comprehensive survey of the state of transit service contracting in the United States today. It is to the results of this survey that the discussion turns in the next two chapters.

Notes

1. Although competitive procurement methods are often required by law, other, noncompetitive methods are sometimes used to obtain transit services, including periodic renegotiation with an incumbent contractor, which is essentially a sole-source procurement.
2. Notable exceptions include Goldstein and Luger (1990), who surveyed transit agencies to determine the factors affecting contracting decisions other than operating cost savings, and Richmond (2001), who examined the role of politics in motivating contracting decisions in five U.S. cities.

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ABBREVIATIONS

TRB	Transportation Research Board
UMTA	Urban Mass Transportation Administration

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4

Transit Service Contracting in the United States: Extent and Practice

As discussed in Chapter 1, the conduct and analysis of a nationwide survey of transit systems formed a major part of this study. This chapter describes the survey and its coverage, and reviews those results that indicate the extent and practice of transit service contracting in the United States.

Survey Design and Method

FTA collects information on purchased transportation as part of the National Transit Database (NTD). Recipients of federal transit grants must report how much transportation they purchase from outside entities for each mode by dollar amount and quantity of services supplied (such as peak vehicles, vehicle-hours, and vehicle-miles). The NTD shows general trends and overall patterns in purchased transportation, as noted in Chapter 1. Yet it does not reveal program- or contract-level details, nor does it offer insight on the reasons for contracting and its results. The committee designed its survey to obtain both quantitative and qualitative information.

FTA furnished a list of 502 public transportation systems from 50 states and the District of Columbia that report to the NTD. These systems provide a mix of transit services. Most offer fixed-route bus or demand-responsive services or both. Many of the larger systems provide other services as well, such as rail

transit. A small number do not offer bus or demand-responsive services, but specialize in commuter rail, vanpool, or ferryboat operations.

The survey was mailed in November 2000 to the top executives of each of the 502 systems, accompanied by a letter from the committee chair explaining the purpose of the survey and urging participation; stamped return envelopes were also provided.¹ The chair mailed a follow-on letter to recipients in January 2001. Appendix B contains facsimiles of the original cover letter and survey, along with a listing of the recipients and respondents (as of March 15, 2001).

As noted in Chapter 1, the survey consisted of two parts. General managers were asked to forward Part 1 to the members of their staffs most familiar with service contracts. This part asked general questions about the kinds of services provided by the agency and its overall use of contracting. It also included detailed questions about the terms and structure of individual contracts and the history of contractor changes and bid activity. Because the four-digit FTA designator for each grant recipient surveyed was available, it was possible to cross-reference the most recent NTD reports (1998) as needed. Since some of the smallest systems (those operating fewer than 10 vehicles) do not report annually to the NTD, however, these systems were asked to provide NTD data in their response, including current fleet size (maximum vehicles in service) and most recent annual ridership and operating expenditures.

Each agency was asked to report whether it now contracts for any public transit services. All systems surveyed, whether they answered “yes” or “no” to this question, were requested to return the survey. Those answering “yes” were asked more detailed questions on up to four specific contracts: their two largest for fixed-route bus service and their two largest for demand-responsive paratransit services. For each contracted service, information was requested about the length of the contract; basis of payment; treatment of fare revenues; use of performance incentives and penalties; and parties responsible for the provision of vehicles, facilities, and equipment. Respondents were also asked to describe each contractor—whether publicly owned, private, or not-for-profit—and to indicate whether the services provided in the contract had replaced a directly operated service, created a new service, or succeeded a previously contracted service.

Additional information was sought on experience in obtaining the contracted services, particularly for bidding contracts. For each reported contract, respondents were asked to identify the year the current contract was awarded, the number of bidders for the current award, the number of bidders the last time the contract was awarded, the number of times the contract had been rebid, and the number of times the service contractor had changed.

The general managers were asked to complete the perceptual questions in Part 2 of the survey, which addressed the rationale for contracting and the outcomes of contracting programs. This part also solicited from the general managers advice on how to make contracting work better. The results from this part of the survey are discussed in more detail in Chapter 5.

Survey Coverage and Representation

Of the 502 transit systems surveyed, more than half—259—returned Part 1 (the contract staff survey), while 237 returned Part 2 (the general manager survey). Most of the systems that returned one part of the survey also returned the other: 233 returned both parts; 26 returned Part 1 only; and 4 returned Part 2 only. Figure 4-1 shows the response rates (respondents as a percentage of recipients) for Parts 1 and 2 by system size.

The survey respondents are comparable in composition to federal grant recipients as a whole. The 259 Part 1 respondents—the focus of this chapter—form a large and diverse group. Systems of all sizes responded in close proportion to their overall numbers (see Figure 4-2). About 60 percent are relatively small systems, operating fleets of 50 or fewer vehicles (in maximum service); this percentage is similar to the share of small systems that reported to the 1998 NTD. The large systems (those operating fleets of more than 250 vehicles) had the highest response rate; hence these systems represent a slightly higher share of the survey respondents than of reporters to the NTD. Eight of the country's 10 largest bus systems (by fleet size) and 17 of the top 25 returned the survey.

The respondents consist of regional and local authorities that specialize in transit, municipal and county departments of public works, and state agencies that receive federal transit aid. The pattern of respondents by agency type is quite close to that of all federal grant recipients (see Figure 4-3). The respondents are well distributed geographically, with their geographic distribution being comparable to that of all federal grant recipients (see Figure 4-4), although a slightly disproportionate number are from the Pacific Southwest—the FTA region consisting of Arizona, California, Hawaii, and Nevada. Information on the number of respondents by region and the states that make up each region is provided in Appendix B.

As a group, the 259 Part 1 respondents represent about half of all of federal grant recipients reporting in the 1998 NTD. Moreover, they account for about 55 percent of all bus and demand-responsive vehicles in service and for similar shares of total vehicle-miles and vehicle-hours in revenue service (see Table 4-1).

(text continues on page 68)

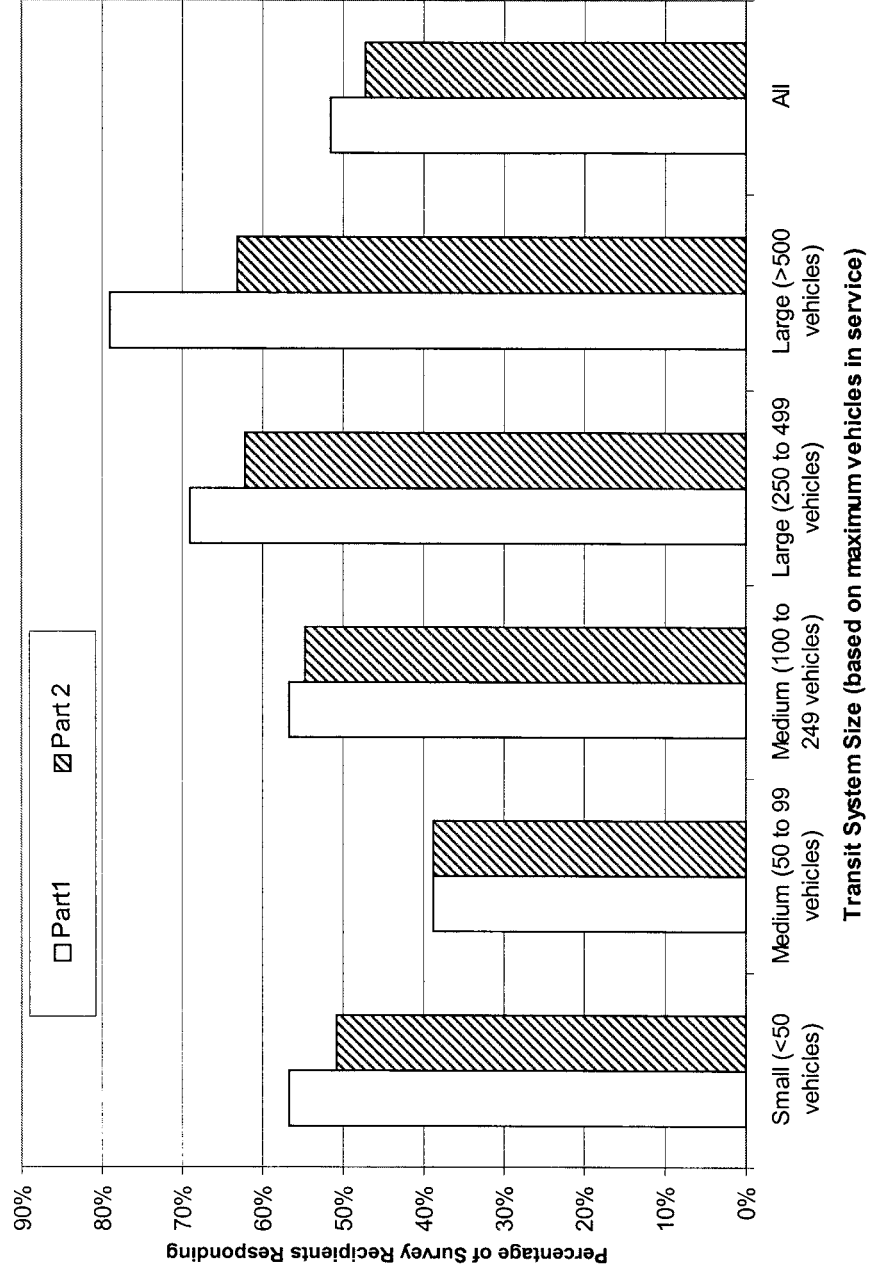


FIGURE 4 - 1 Response rates by transit system size for Parts 1 and 2 of the survey.

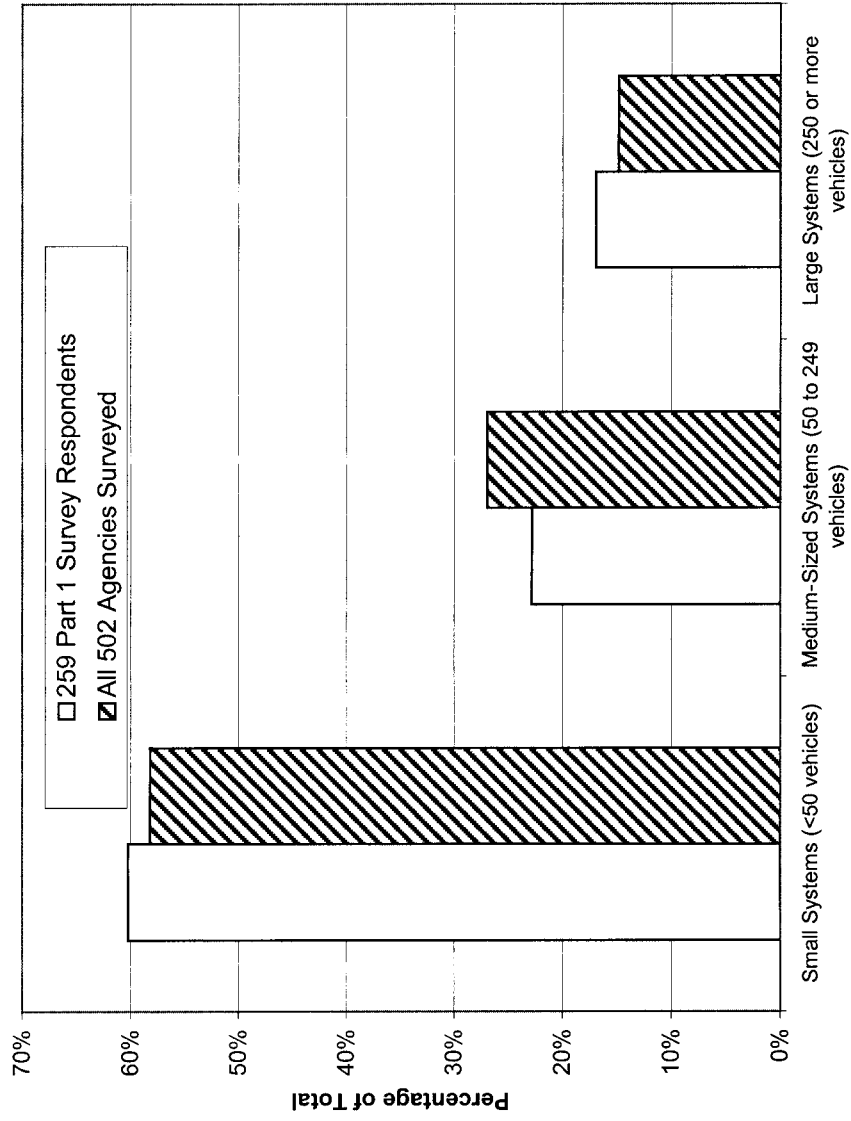


FIGURE 4 - 2 Distribution of Part 1 survey respondents by transit system size, compared with distribution of all federal grant recipients surveyed.

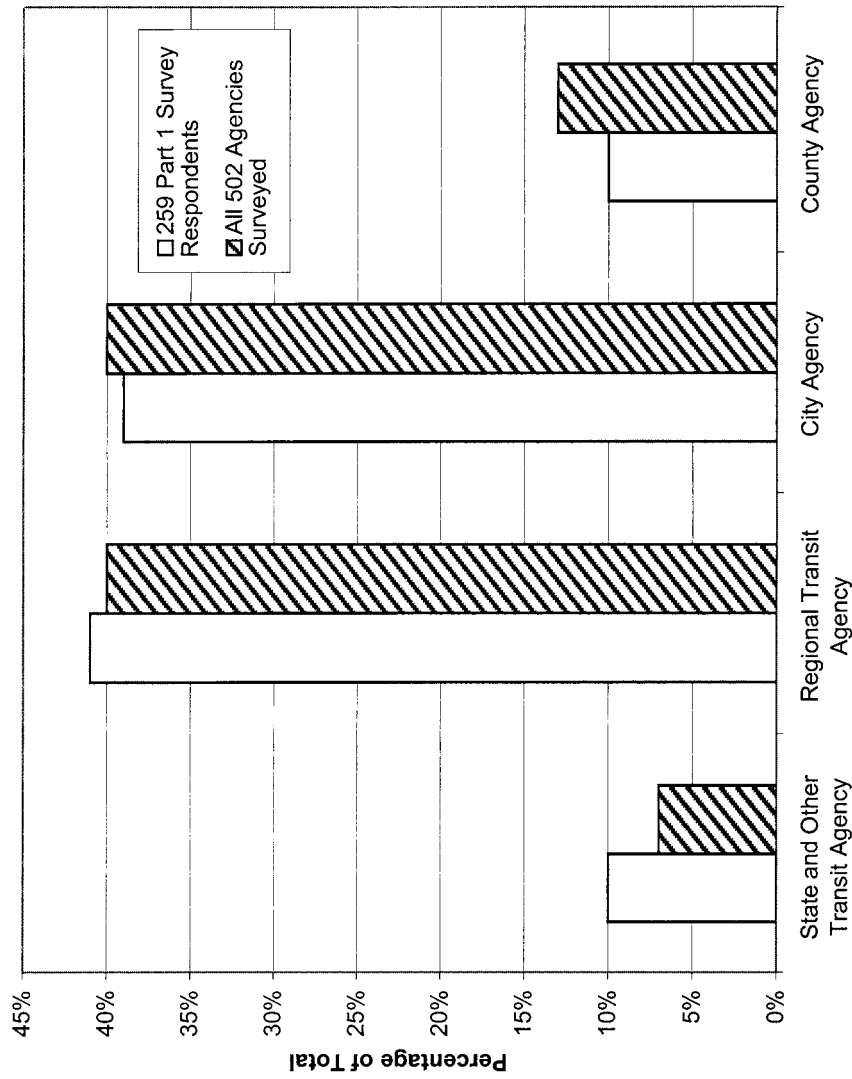


FIGURE 4 - 3 Distribution of Part 1 survey respondents by agency type, compared with distribution of all federal grant recipients surveyed.

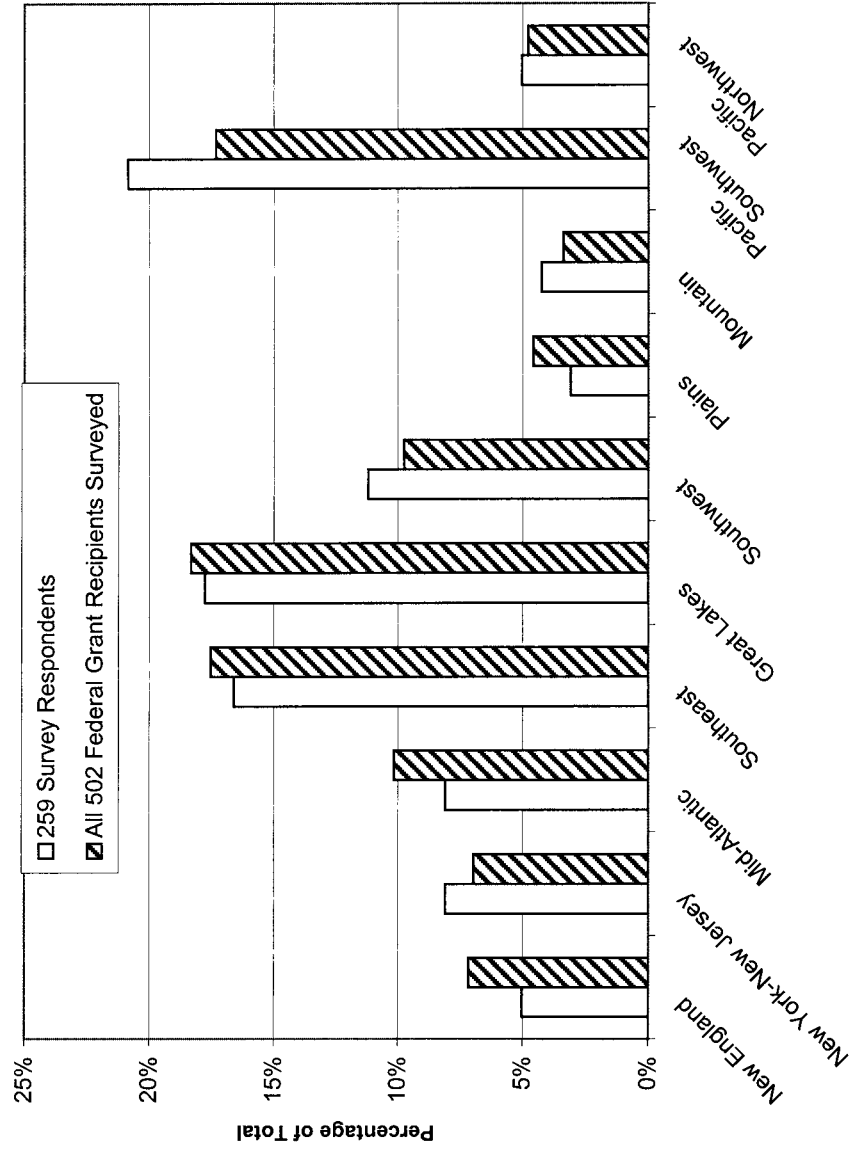


FIGURE 4 - 4 Distribution of Part 1 survey respondents by region of the country, compared with distribution of all federal grant recipients surveyed. (Note: The ten regions correspond to FTA definitions—see Appendix B.)

TABLE 4 - 1

Part 1 Survey Respondents' Share of Total Fixed-Route Bus and Demand-Responsive Vehicles, Revenue-Miles, Revenue-Hours, and Operating Expenses Reported in 1998 National Transit Database

<i>Service</i>	<i>Respondents' Percentage of Total</i>
Fixed-Route Bus	
Total Vehicles (Maximum in Service)	59.4
Vehicle Revenue-Miles	59.3
Vehicle Revenue-Hours	59.5
Total Operating Expenses	62.4
Demand-Responsive	
Total Vehicles (Maximum in Service)	45.2
Vehicle Revenue-Miles	45.7
Vehicle Revenue-Hours	44.4
Total Operating Expenses	49.0
Total	
Total Vehicles (Maximum in Service)	55.8
Vehicle Revenue-Miles	56.7
Vehicle Revenue-Hours	56.9
Total Operating Expenses	61.1

NOTE: The 1998 National Transit Database was the most recent available at the time of the analysis.

SOURCE: 1998 National Transit Database, Federal Transit Administration.

According to the 1998 NTD, the 259 survey respondents as a group contract for a smaller proportion of their transit services than those systems not responding to the survey (see Table 4-2). This may be attributable to the fact that the survey respondents include most of the country's largest transit systems. While many of these systems do contract for transit services, the total amount of service for which they contract is typically small relative to their overall operations. Altogether, the 259 respondents are responsible for half the purchased transportation reported in the 1998 NTD.

Overall, the survey respondents are broadly representative of systems receiving federal aid. Their responses are therefore highly informative about the extent of contracting by federal aid recipients today, how that contracting is practiced, and what the competitive landscape for contracts looks like.

The results of Part 1 of the survey are examined next, often with reference to cross-tabulations of the responses to more than one question. Tabulations of responses to individual Part 1 survey questions are provided Appendix C.

TABLE 4 - 2

Part 1 Survey Respondents' Use of Purchased (Contracted) Services for Fixed-Route Bus and Demand-Responsive Services, 1998 National Transit Database

<i>Survey Respondents</i>	<i>Total Vehicles in Maximum Service</i>	<i>Vehicle Revenue- Miles</i>	<i>Vehicle Revenue- Hours</i>	<i>Total Operating Expenses</i>
Percentage of Bus Service Purchased	6.7	6.7	5.3	4.4
Percentage of Demand-Responsive Service Purchased	74.7	70.5	70.6	69.2
Percentage of All Transit Service Purchased	20.4	16.5	14.0	9.4
<i>Systems Not Participating in Survey</i>				
Percentage of Bus Service Purchased	8.3	7.9	6.5	7.4
Percentage of Demand-Responsive Service Purchased	67.2	63.8	63.8	62.2
Percentage of All Transit Service Purchased	26.5	21.3	21.3	14.4

SOURCE: 1998 National Transit Database, Federal Transit Administration.

Extent of Transit Contracting

Of the 259 Part 1 respondents, 156, or about 60 percent, reported having contracts for transit service, and the remaining 103 reported not contracting at all. About one-third of those that contract—57 of 156—do so for all their services (see Figure 4-5); the other 99 have contracts for only some of their services.

Because information was requested on each agency's largest contracts only, the survey results do not reveal how much contracting takes place in individual systems relative to their total operations. Hence the amount of service contracted by each of the 99 systems that reported "some" (but not all) contracted services may vary widely—from as little as 1 percent of total service to as much 99 percent. To gain a better understanding of the amount of contracting that occurs, the survey results were cross-referenced with data on purchased transportation from the 1998 NTD, which included information for 89 of the 99 systems reporting "some" contracting in the survey. According to these data, about 30 percent of these 89 systems contract for more than 25 percent (but less than 100 percent) of their revenue vehicle-miles, 45 percent contract for 11 to 25 percent, and the remaining 25 percent contract for 10 percent or less.

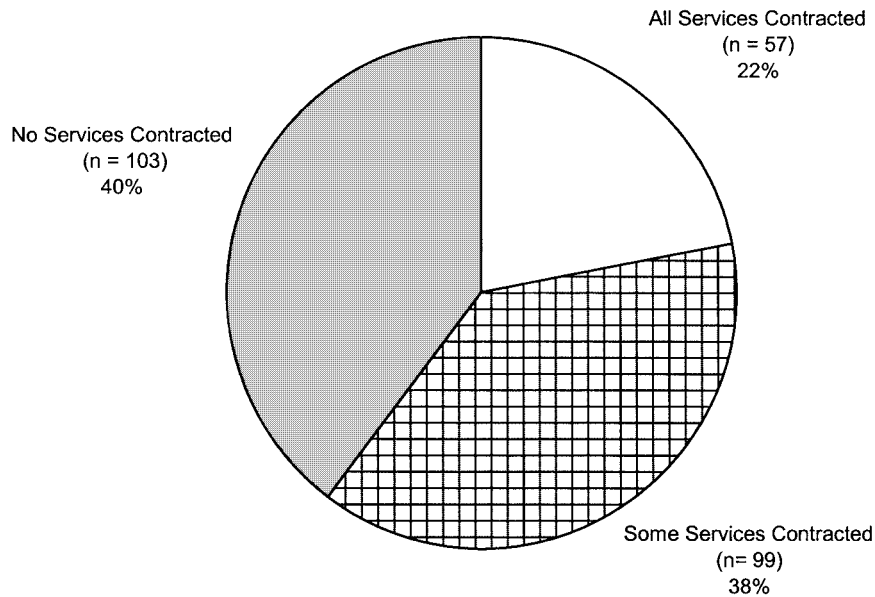


FIGURE 4 - 5 Percentage of Part 1 survey respondents that contract for all, some, and no transit services (total respondents = 259).

Taken together, the survey results and NTD data suggest that of the systems that contract for some service, most do so for more than 10 percent of total service, but relatively few do so for more than 25 percent (see Figure 4-6).

The survey results and NTD data suggest further differences in the incidence of contracting by system size, type of service, agency type, and region. These differences are discussed next.

System Size

About half (75) of the 156 respondents that reported use of contracting are from small systems with fewer than 50 fixed-route bus and demand-responsive vehicles in maximum service. About 30 percent (45) are from medium-sized systems with 50 to 249 vehicles. Large systems with 250 or more vehicles account for about 20 percent (34) of respondents (see Figure 4-7). (System size could not be determined for 2 respondents.)

Small systems make up a large share of those that contract, primarily because they account for about 60 percent of all transit systems. Yet small systems reported contracting less often than large systems in relation to their overall numbers.

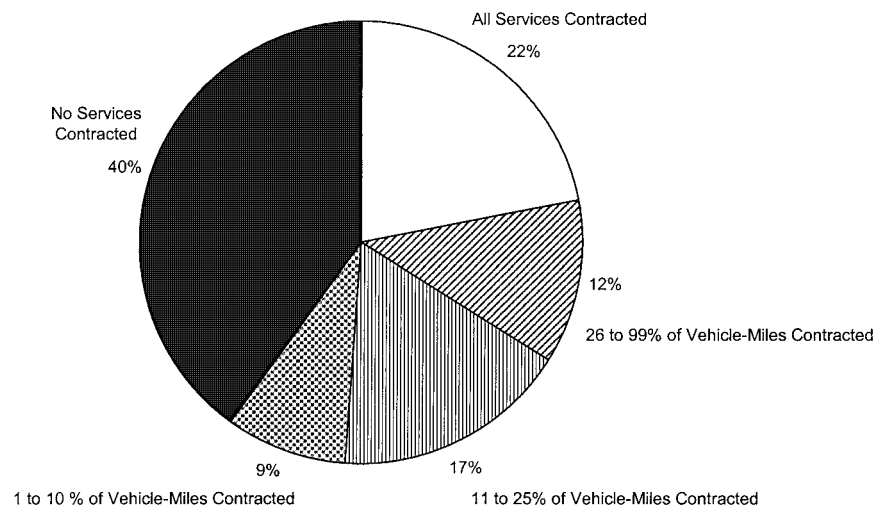


FIGURE 4 - 6 Share of transit systems that contract all, some, and no services (as estimated using Part 1 survey results augmented by NTD data).

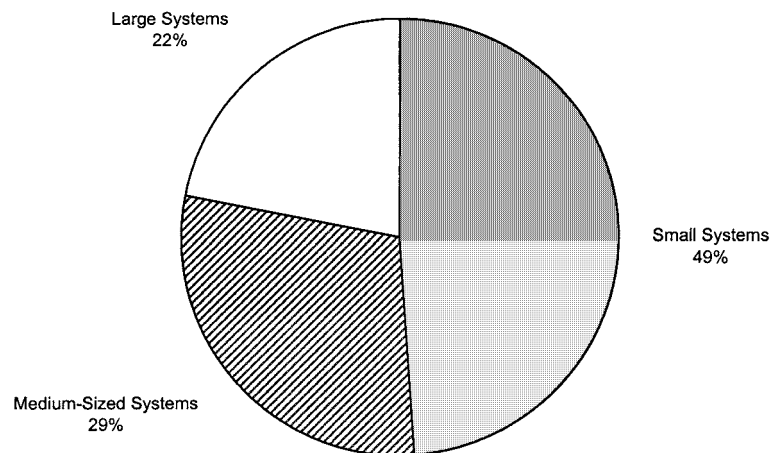


FIGURE 4 - 7 Distribution of Part 1 survey respondents that reported contracting by system size.

More than three-quarters of the responding medium-sized and large systems contract for at least some service, compared with half of small systems, even though the latter represent 60 percent of all transit systems. It appears that larger systems are likely to do at least some contracting because they offer a large amount of service and have more opportunity to engage in the practice. Estimates based on the survey results and NTD data indicate that nearly two-thirds of medium-sized and more than half of large systems contract for more than 10 percent of their services (see Figure 4-8). By comparison, about 45 percent of small systems contract for more than 10 percent of their services.

On the other hand, small systems are much more likely than larger ones to contract for all their services. Among small systems, nearly 30 percent (43 of 153) reported contracting for all services, as compared with not quite 20 percent (11 of 58) of medium-sized systems and about 5 percent (2 of 43) of large systems (see Figure 4-9).

The survey findings, supplemented with information from the NTD, indicate that small systems are less likely to engage in contracting than larger ones, but when they do contract they are more likely to do so for all their services.

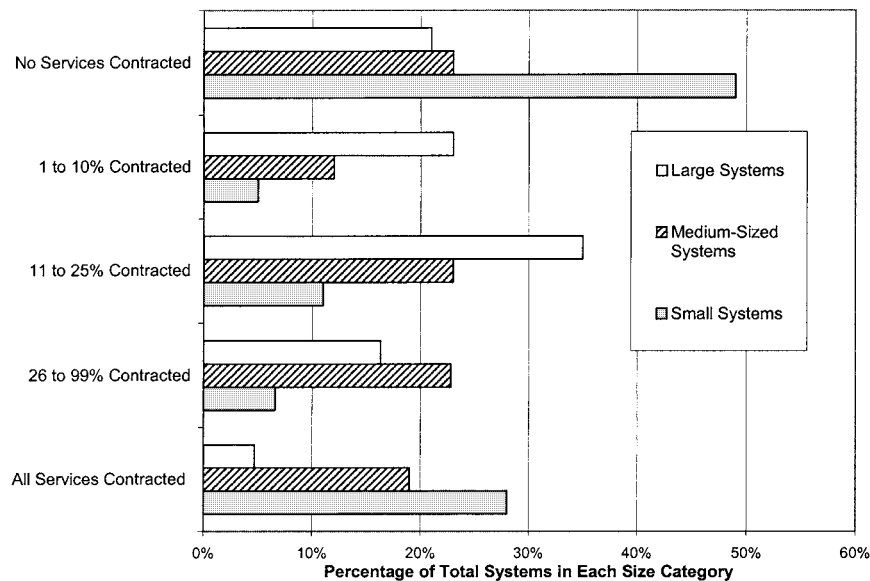


FIGURE 4 - 8 Percentage of large, medium-sized, and small transit systems that contract for all, some, and none of their transit services (as estimated from Part 1 survey results augmented by 1998 NTD data).

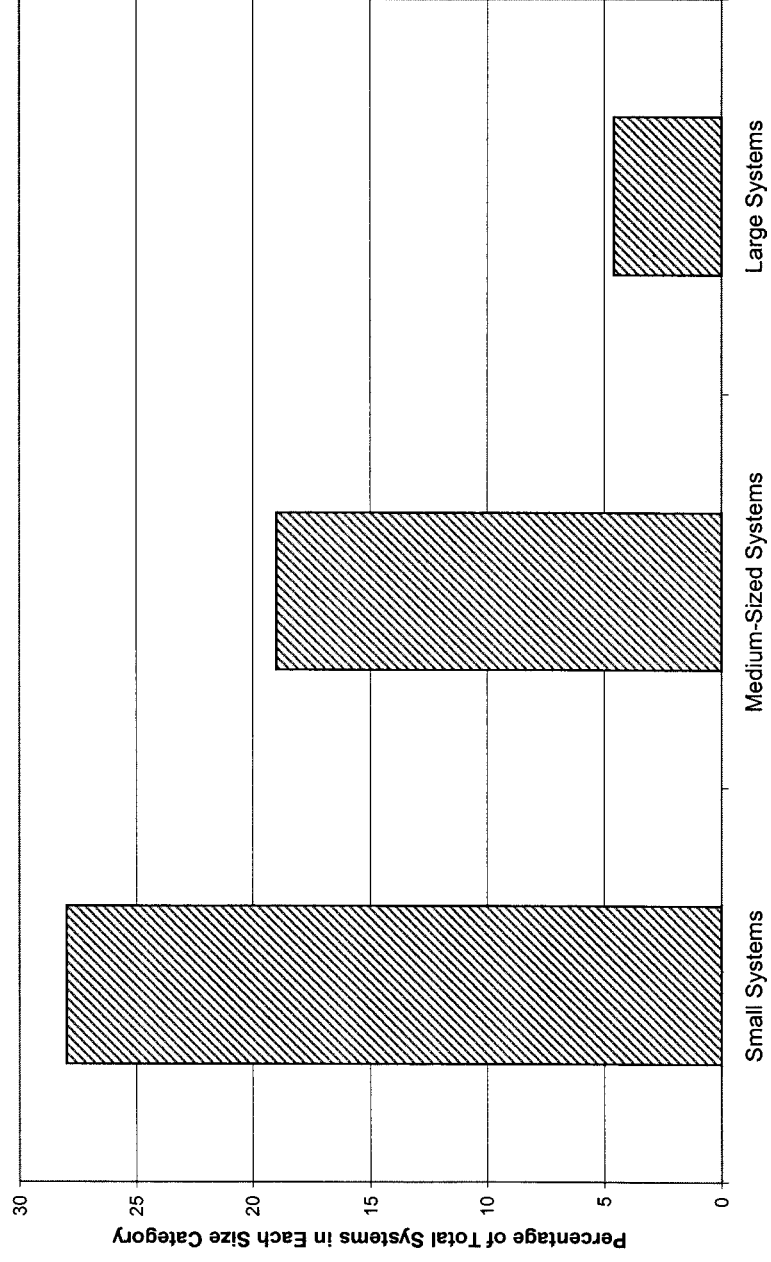


FIGURE 4 - 9 Share of Part 1 survey respondents that contract for all services, by system size.

Moreover, a majority of medium-sized and large systems contract for more than 10 percent of their services.

Service Type

Demand-responsive services are much more likely than bus services to be contracted out. Of the 271 survey respondents reporting demand-responsive services (188 ADA and 83 dial-a-ride), about two-thirds (192) contract for some of these services, and more than half (157) contract for all of them. Likewise, more than 85 percent (71 of 83) of the dial-a-ride systems reported some contracted services, with more than two-thirds contracting for all services. By comparison, only about 40 percent (82 of 203) of the bus systems contract for some services. Estimates using NTD data suggest that more than 60 percent of systems with demand-responsive services contract out more than 25 percent of these services (see Figure 4-10), whereas only 30 percent of systems with bus services contract out more than 25 percent of these services.

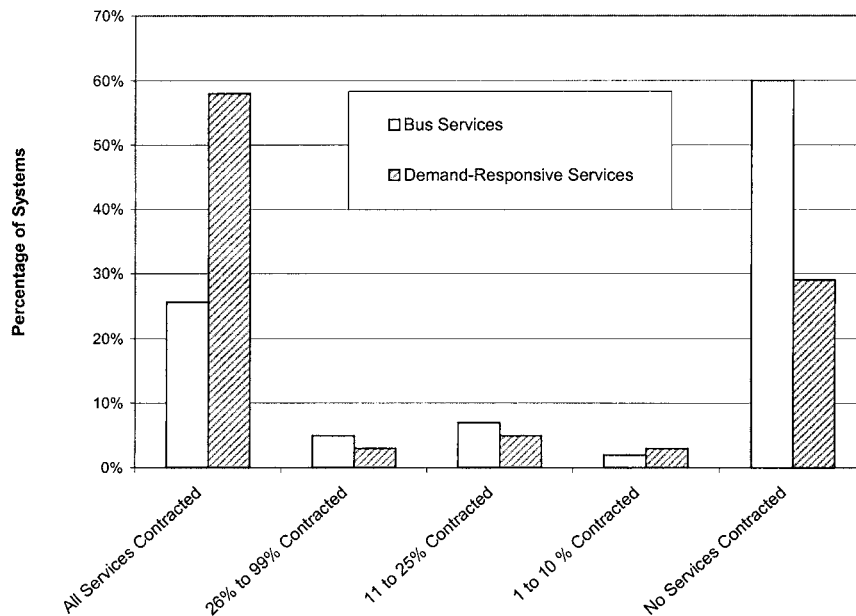


FIGURE 4 - 10 Share of transit services contracted, by service type (as estimated from Part 1 survey results augmented by 1998 NTD data).

A majority of both small systems (53 percent) and larger (both medium-sized and large) systems (63 percent) contract for all of their demand-responsive services. Yet small systems are more likely than larger ones (33 percent compared with 14 percent) to contract for all their bus services.

Agency Type

Agency type—whether a state or regional transit authority or a county or city agency—is correlated with both the likelihood and the level of contracting, but in different directions. About two-thirds of the state and regional transit agencies that responded to the survey have contracts for service. They are more likely to contract than city and county agencies, only half of which reported having contracts (see Figure 4-11). However, when city and county agencies do contract, they are much more likely than state and regional transit agencies to do so for all

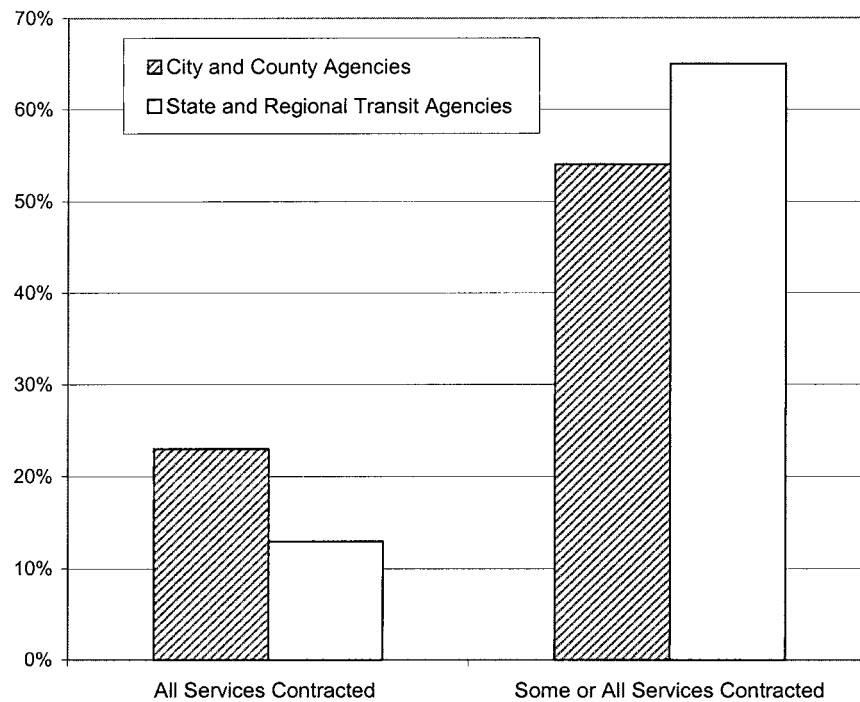


FIGURE 4 - 11 Proportion of Part 1 survey respondents that contract for all and for some or all services, by agency type.

their services. About one-quarter of these types of agencies responding to the survey contract for all their services (accounting for about half of those city and county agencies that have contracts). By comparison, fewer than 15 percent of regional and state transit agencies contract for all their services, despite the fact that two-thirds have at least some contracts.

Region

Figure 4-12 shows the percentage of systems that contract for all their services, by region. The responses suggest that systems in the Pacific Southwest region are much more likely to contract for all their services. Indeed, such is the case for more than half the systems that do contract in this region. A possible explanation for this finding is that the rules governing California's financing of public transit (as discussed in Chapter 2) encourage contracting.

Contract Terms and Provisions

The 156 contracting systems reported information for 277 contracts: 98 for bus service, 170 for demand-responsive (ADA and dial-a-ride) service, and 9 for other service. Although these 277 contracts do not make up the universe of contracts for all systems or even for these 156 systems (since respondents were asked to report only up to 4 contracts), they reveal much about how transit service contracts are structured and administered, such as their duration, methods of payment, and use of performance penalties and incentives. The contract data, combined with results from Part 2 of the survey, offer insights into the nature of transit service contracting relationships, particularly the importance of a clear and detailed contract that spells out the duties and responsibilities of the contracting parties.

Contractor Types

More than 85 percent of the contracts reported are with private entities. About three-quarters are with for-profit companies. The percentage is slightly lower for demand-responsive services because 18 percent of contracts for these services are with private nonprofit organizations (typically social service agencies), as opposed to 6 percent of bus contracts.

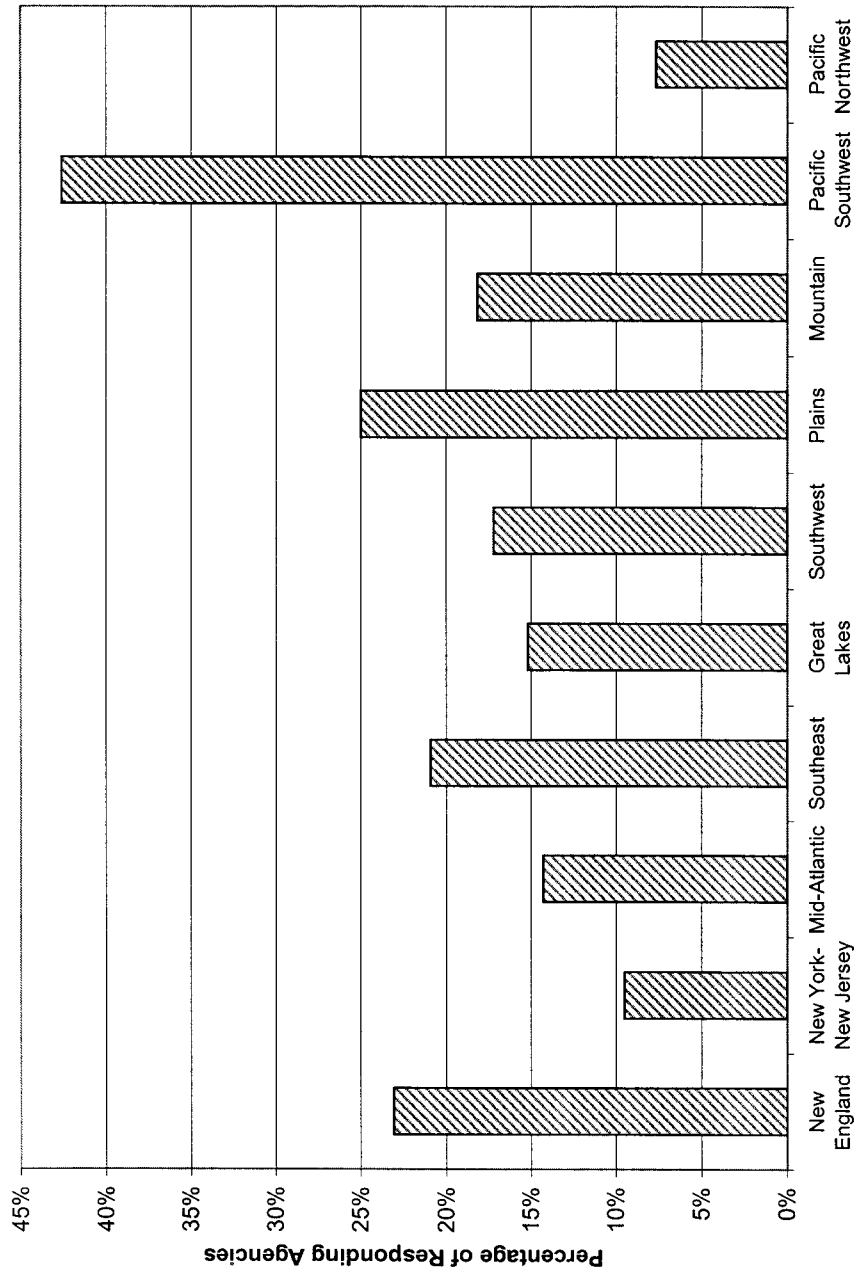


FIGURE 4 - 12 Share of Part 1 survey respondents that contract for all services, by region. (NOTE: The ten regions correspond to FTA definitions—see Appendix B.)

Contract Monetary Amounts

Because surveyed systems were asked to report their largest contracts, it is not possible to determine from the survey results how the distribution of the reported contracts by monetary amount compares with that of all other transit service contracts. Nonetheless, the average annual amounts of the reported contracts vary widely—from very small to large. Respondents reported about the same number of contracts valued at less than \$100,000 and at more than \$5 million (12 to 14 percent) (see Table 4-3).

The large systems responding (those with more than 250 vehicles in maximum service) account for nearly half the reported contracts exceeding \$1 million in value and more than 80 percent of those exceeding \$5 million (see Table 4-4). Thus one can have confidence in the finding that large systems generate most of the large transit contracts; however, the same systems may also have many smaller contracts not reported in the survey.

Contract Duration

The most prevalent contract length reported is 3 years, with options for 2 additional years (expressed as two 1-year options). More than 45 percent of reported contracts have 3-year terms (see Table 4-5), and 37 percent contain two 1-year options.

Bus contracts tend to be longer than contracts for demand-responsive service. Only about one in five reported bus contracts are for periods of less than 3 years, compared with one in three demand-responsive contracts. As discussed later, the larger capital investment required for fixed-route bus service may explain this difference in contract duration.

Provision of Vehicles, Facilities, and Other Support

In the majority of reported contracts, the agency furnishes the buses and paratransit vehicles to be used for the service (see Table 4-6). However, this practice does differ by type of service. Contracting agencies are more likely to provide the large buses used for fixed-route service than the smaller vehicles used for demand-responsive service. In about three-quarters of reported bus contracts, the agency supplies the vehicles, compared with about half of demand-responsive contracts. Only 10 percent of all reported contracts mix this respon-

(text continues on page 83)

T A B L E 4 - 3

Number of Reported Contracts, by Monetary Amount and Service Type

<i>Contract Amount (Annualized)</i>	<i>Percentage of All Bus Contracts</i>		<i>Percentage of All Demand- Responsive Contracts</i>		<i>Percentage of All Demand- Responsive Contracts</i>		<i>Percentage of Total Contracts</i>
	<i>Bus Contracts</i>	<i>Percentage of All Bus Contracts</i>	<i>Demand- Responsive Contracts</i>	<i>Percentage of All Demand- Responsive Contracts</i>	<i>Other Contracts</i>	<i>Total Contracts</i>	
Less than \$100,000	8	8.4	23	15.1	0	31	12.2
\$100,000 to \$499,000	24	25.3	38	25.0	0	62	24.4
\$500,000 to \$1 million	16	16.8	20	13.2	4	40	15.7
More than \$1 million to \$3 million	22	23.2	40	26.3	1	63	24.8
More than \$3 million to \$5 million	7	7.4	15	9.9	0	22	8.7
More than \$5 million	18	18.9	16	10.5	2	36	14.2
Total responding	95	100.0	152	100.0	7	254	100.0

T A B L E 4 - 4

Number of Reported Contracts, by Monetary Amount and System Size

<i>Contract Amount (Annualized)</i>	<i>Small Systems (50 vehicles or less)</i>	<i>Percentage of Small Systems</i>	<i>Medium- Sized Systems (51 to 250 vehicles)</i>	<i>Percentage of Medium- Sized Systems</i>	<i>Large Systems (more than 250 vehicles)</i>	<i>Percentage of Large Systems</i>
Less than \$100,000	22	20.8	6	7.5	2	3.0
\$100,000 to \$499,000	41	38.7	18	22.5	3	4.5
\$500,000 to \$1 million	24	22.6	10	12.5	6	9.0
More than \$1 million to \$3 million	18	17.0	34	42.5	11	16.4
More than \$3 million to \$5 million	1	0.9	6	7.5	15	22.4
More than \$5 million	0	0.0	6	7.5	30	44.8
Total responding	106	100.0	80	100.0	67	100.0

Number of Reported Contracts, by Duration and Service Type

Term (Years)	Percentage of				Total Contracts	Percentage of Total
	Bus Contracts	Percentage of Bus Contracts	Demand-Responsive Contracts	Other Contracts		
1	13	14.6	36	22.5	51	19.9
2	6	6.7	21	13.1	28	10.9
3	52	58.4	63	39.4	116	45.3
4	3	3.4	8	5.0	11	4.3
5	13	14.6	30	18.8	46	18.0
More than 5	2	2.2	2	1.3	4	1.6
Total responding	89	100.0	160	100.0	256	100.0

T A B L E 4 - 6

Number of Reported Contracts, by Parties Responsible for Providing Vehicles

<i>Party Responsible for Vehicle Provision</i>	<i>Bus Contracts</i>	<i>Percentage of Bus Contracts</i>	<i>Demand- Responsive Contracts</i>	<i>Percentage of Demand- Responsive Contracts</i>	<i>Other Contracts</i>	<i>Total Contracts</i>	<i>Percentage of Total</i>
Transit agency	69	72.6	72	48.3	5	146	58.2
Contractor	20	21.1	57	38.3	1	78	31.1
Shared	6	6.3	20	13.4	1	27	10.8
Total responding	95	100.0	149	100.0	7	251	100.0

sibility, although such arrangements are somewhat more common in demand-responsive than in bus contracts.

Likewise, transit agencies usually provide the scheduling hardware and software. In about 60 percent of reported contracts, however, the contractor provides vehicle storage sites, maintenance facilities, and related equipment. Contractors are more likely to provide these assets under demand-responsive than bus contracts. Demand-responsive contractors usually (about two-thirds of the time) handle dispatching, reservations, and routing. However, most transit agencies retain responsibility for determining passenger service eligibility under ADA.

Public agencies may have a number of possible reasons for choosing to furnish transportation vehicles and related facilities, especially for large-bus service. These assets can usually be obtained with federal and state capital grants and loans, and such public acquisitions are seldom subject to state and local sales and property taxes. Moreover, an agency can increase the number of potential contractors by effectively eliminating the private investment risk of such a large and specialized capital acquisition. The contract duration, or interval between rebid cycles, can be shorter since there is no need for the contractor to amortize the buses and related facilities over many years. Moreover, if the contractor does not perform as required, the agency can rebid the contract more quickly and easily if it owns the buses and facilities used for the service.

Methods of Contractor Payment

The contracts reported have many criteria for payment, and in about 20 percent payment is based on multiple criteria. The survey did not give respondents instructions on how to define payment bases; nevertheless, some common patterns emerge. Table 4-7 shows that contractor payments are usually based in whole or in part on revenue-hours, revenue-miles, riders, or some other measure of service supplied. This pattern holds true for both bus and demand-responsive services.

Payment based on output tends to shift the responsibility for controlling costs from the agency to the contractor. The contractor usually agrees to measure the amount of service it provides by a particular unit of output, such as monthly vehicle-hours of revenue service; thus payments are most commonly made on the basis of an agreed-upon fee per unit. The contractor therefore has an incentive to control costs. In only 25 percent of the reported contracts (those contracts that have a cost-plus-fixed-fee basis for payment) does the contractor receive compensation solely on the basis of service costs as opposed to the amount of measurable service provided.

TABLE 4 - 7**Number of Reported Contracts, by Basis of Contractor Payment**

<i>Payment Basis</i>	<i>Sole Factor in Payment</i>	<i>Partial Factor in Payment</i>
Cost plus fixed fee	55	11
Fixed fee	9	23
Hours supplied	85	45
Miles supplied	20	25
Passenger boardings	25	4
Other	8	9

Incentives and Penalties

Only about one-quarter of the reported contracts offer monetary rewards as incentives for good or superior performance. Yet to discourage poor performance, 43 percent include monetary penalties, and 39 percent include related provisions for liquidated damages² (see Table 4-8). Moreover, 63 percent of reported contracts have either a penalty clause or a provision for liquidated damages, and an additional 18 percent have both. These findings suggest that deterrents to poor performance are much more prevalent than enticements for good performance in transit service contracts.

Retention of fares by the contractor is rarely offered as an incentive for increasing service amounts and quality; very few reported contracts allow the contractor to keep fare revenues as an independent source of income. Nevertheless, more than two-thirds of reported contracts permit the contractor to retain fares as an offset to future payments. This practice can benefit the contractor by improving its cash flow. Likewise, the practice can confer benefits on the agency by reducing expenses incurred in fare revenue collection and counting, although periodic auditing may be required to confirm reported fare revenues.

Contracting Methods and Competition

As discussed in Chapters 2 and 3, an oft-cited advantage of contracting is that it can create a more competitive environment to spur cost savings. Several questions in the survey sought information on the level of competition in transit service contracting. The 156 contracting systems were asked to report how their contracted services are usually obtained, the most recent number of bidders for each of their reported contracts, how the number of bidders changed over time for each, and the number of contractor changes since initiation of the contracted

T A B L E 4 - 8

Number of Reported Contracts with Performance Incentives and Penalties, by Service Type

<i>Performance Provisions</i>	<i>Bus Contracts</i>	<i>Percentage of Bus Contracts</i>	<i>Demand- Responsive Contracts</i>	<i>Percentage of Demand- Responsive Contracts</i>	<i>Other Contracts</i>	<i>Total Contracts</i>	<i>Percentage of Total Contracts</i>
Liquidated damages	45	45.9	61	35.9	1	107	38.6
Penalties	43	43.9	72	42.4	4	119	43.0
Incentives	25	25.5	45	26.5	3	73	26.4
Total	98		170		9	277	

service. The responses to these and other questions provide a rich picture of contracting processes across the country and the degree of competition involved.

Methods of Obtaining Contracts

In Part 2 of the survey, general managers were asked to characterize how fixed-route bus and demand-responsive contracts are typically obtained—whether through competitive bidding, negotiation, or a combination of the two. In retrospect, these terms should have been defined more clearly in the questionnaire, but the results are informative nonetheless.

About three-quarters of respondents characterized the process as competitive in nature—using bidding or a combination of bidding and negotiation. Fewer than 20 percent described their process as negotiated procurement, such as a sole-source negotiation or periodic renegotiation with a long-time incumbent (see Table 4-9).

Bid Activity

From the agency's standpoint, having a large number of qualified bidders is desirable because it allows the greatest choice in both quality and price. Thus for each reported contract, the survey asked for the number of bidders during the most recent bid period. Table 4-10 shows that a majority of the contracts had at least three bidders during the most recent bid period, yet one-quarter had a single bidder. The demand-responsive contracts tended to have fewer bids: 44 percent had fewer than 3 bids, as compared with 33 percent of bus contracts.

There appears to be a relationship between the size of the transit system and the number of bidders attracted to a contract. Nearly 40 percent of the contracts reported by small systems attracted only one bidder, and nearly 70 percent attracted fewer than three (see Table 4-11). Contracts reported by medium-sized and large systems, by comparison, attracted three or more bidders most of the time. Yet because these systems reported larger contracts, this apparent relationship may be a function of contract size.

Changes in Bid Activity

Changes in the number of bidders from one bid cycle to the next are also indicative of the state of competition. A decline in the number of bidders over time suggests a decline in competition.

(text continues on page 90)

T A B L E 4 - 9

Number of Contracting Agencies Using Competitive and Negotiated Methods of Contract Procurement, by Service Type

<i>Method</i>	<i>Bus Services</i>	<i>Percentage of Agencies Contracting Bus Services</i>	<i>Demand- Responsive Services</i>	<i>Percentage of Agencies Contracting Demand- Responsive Services</i>	<i>All Services</i>	<i>Percentage of All Contracting Agencies</i>
Competitive bidding	36	46.8	57	47.5	93	47.5
Negotiated Procurement	10	13.0	22	18.3	32	16.2
Combination	27	35.1	32	26.7	59	29.8
Other	4	5.2	9	7.5	13	6.6
Total responding	77	100.0	120	100.0	198	100.0

T A B L E 4 - 1 0

Number of Reported Contracts, by Number of Bidders and Service Type

<i>Number of Bidders</i>	<i>Bus Contracts</i>	<i>Percentage of Bus Contracts</i>	<i>Demand- Responsive Services</i>	<i>Percentage of Demand- Responsive Contracts</i>	<i>Other Contracts</i>	<i>Total Contracts</i>	<i>Percentage of Total Contracts</i>
1	16	18.4	41	28.5	2	59	24.7
2	13	14.9	36	25.0	3	52	21.8
3	25	28.7	23	16.0	2	50	20.9
4	14	16.1	16	11.1	1	31	13.0
5 or more	19	21.8	28	19.4	0	47	19.7
Total responding	87	100.0	144	100.0	8	239	100.0

TABLE 4 - 1 1

Number of Reported Contracts, by Number of Bidders and System Size

Number of Bidders	Percentage of		Percentage of		Percentage of	
	Contracts by Small Systems	All Contracts by Small Systems	Contracts by Medium-Sized Systems	All Contracts by Medium-Sized Systems	Contracts by Large Systems	Percentage of All Contracts by Large Systems
1	39	38.6	11	14.5	9	14.5
2	30	29.7	19	25.0	3	4.8
3	14	13.9	22	28.9	14	22.6
4	7	6.9	11	14.5	13	21.0
5 or more	11	10.9	13	17.1	23	37.1
Total responding	101	100.0	76	100.0	62	100.0

Change in Bidders from Previous Bid Cycle

Those systems that currently contract were asked to report the number of bidders from the previous bid cycle to the most recent rebid. Of the 189 reported contracts that have been rebid (that is, those that have been through more than one full bid cycle), 150 had more than 1 bidder during the previous bid cycle. The remaining 39 had only 1 bidder during the previous bid cycle and were not included in this analysis.

Of the 150 contracts that had at least two bidders in their previous bid cycle, 36 percent experienced a decline in bidders during the most recent rebid, 23 percent experienced an increase, and about 41 percent had no change (see Figure 4-13). The results differ for bus and demand-responsive services: about as many bus contracts experienced an increase as a decline in bidders; by comparison, 40 percent of demand-responsive contracts experienced a decline in bidders, while fewer than 20 percent experienced a gain.

Change in Bid Activity by Contract Age

One would expect the number of bidders on a contract to vary somewhat with each successive bid cycle. Whether a pattern emerges and contracts tend to generate more or fewer bids as they go through additional bid cycles might provide some indication of the dynamics of competition over time. Figure 4-14 shows the percentage of contracts that have experienced various levels of bid activity according to the number of times each was rebid. Among those contracts that have been rebid once or twice, about 60 percent attracted more than two bidders during their most recent bid period. There appears to have been only a slight decline in bidder interest over time. About half of those contracts that had been rebid three or more times attracted three or more bidders during their most recent rebid period.

Change in Contractors

For contracts that have been through many rebids, periodic changes in contractor may be indicative of a competitive environment. Presumably, if incumbent contractors are subjected to competitive discipline, some turnover should be expected, although the minimum amount of contractor turnover that is indicative of a competitive situation is not presupposed.

Change in Contractors by Contract Age

In general, one would expect to see more contractor changes for those contracts that have been rebid several times, simply because there have been sev-

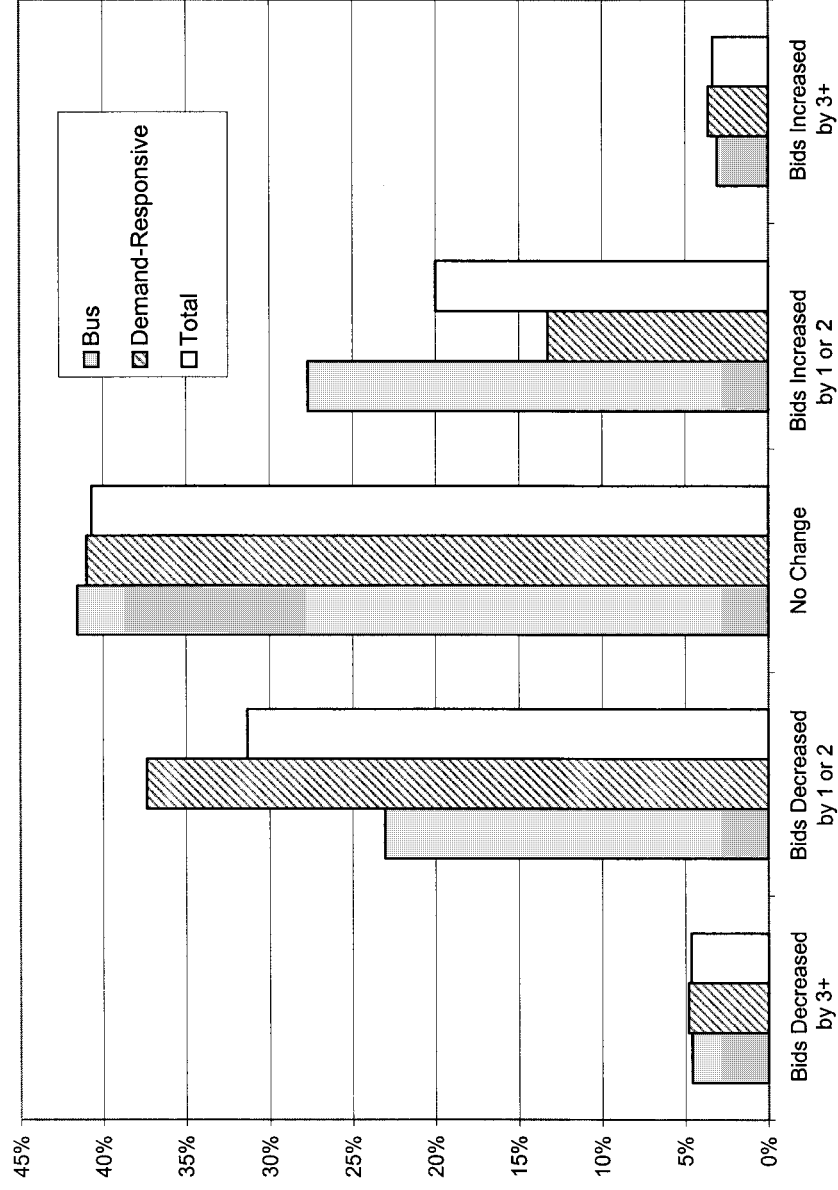


FIGURE 4 - 13 Percentage of contracts reported by Part 1 survey respondents with increasing or decreasing number of bids from previous to most recent bid cycle (excluding contracts that had only one bid in previous cycle).

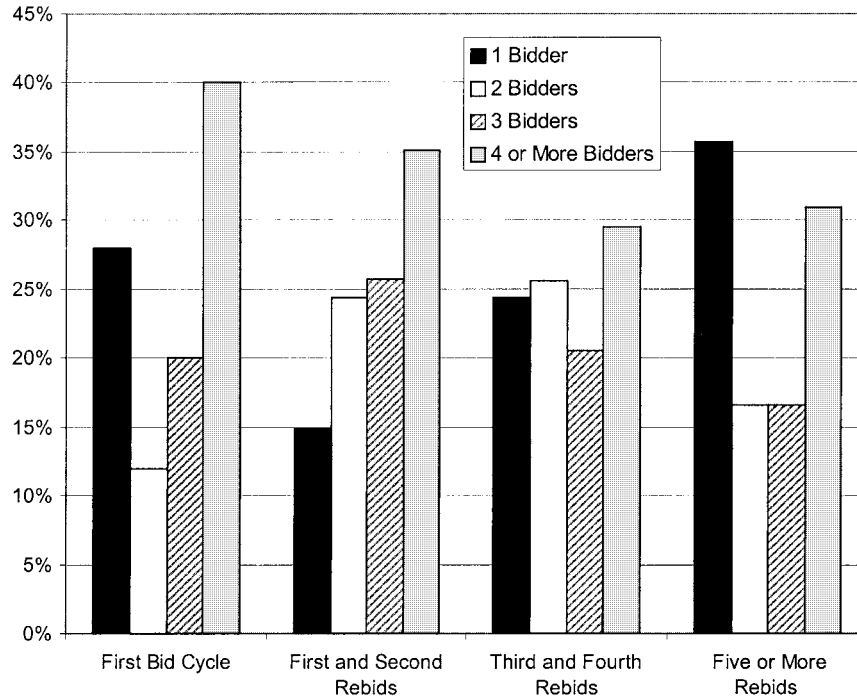
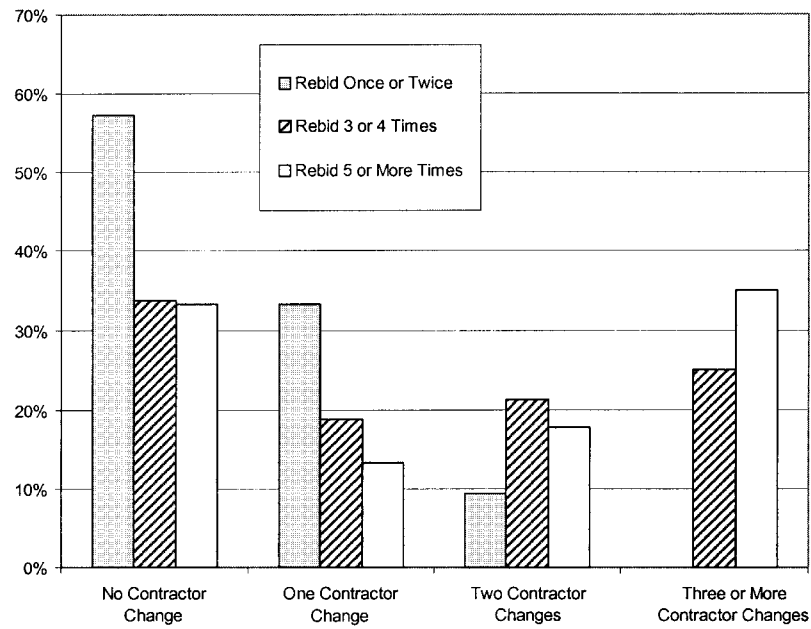


FIGURE 4 - 14 Percentage of contracts with one, two, three, and four or more bidders by number of bid cycles (contracts reported in survey Part 1).

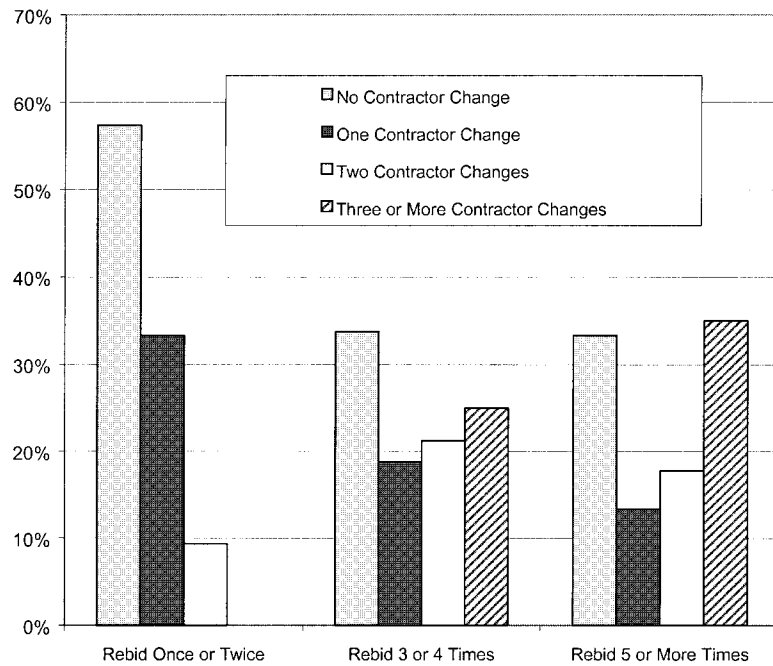
eral opportunities for change. Figure 4-15 presents the number of contractor changes for 200 reported contracts, grouped according to the number of times the contracts have been rebid. As expected, those contracts that have been rebid only once or twice are most likely to have had a single contractor: 57 percent of these contracts have had only one contractor, and therefore have not experienced a change. By the third and fourth rebid cycles, however, most contracts have been through more than one contractor; 40 percent have had one or two contractor changes, and 26 percent have had at least three contractor changes. Two-thirds of the contracts that have had five or more rebids have experienced a contractor change.

Change in Contractors by System Size

Small and medium-sized systems appear somewhat less likely than the largest systems to change contractors. Among those contracts that have been rebid at least once, more than 55 percent reported by small and medium-sized systems



(a)



(b)

FIGURE 4 - 15 Percentage of reported contracts rebid at least once that have had contractor changes. (a) by number of changes; (b) by number of times rebid.

have not changed hands, compared with about 40 percent for the largest systems (see Figure 4-16).

History of Contractor Changes and Bid Activity

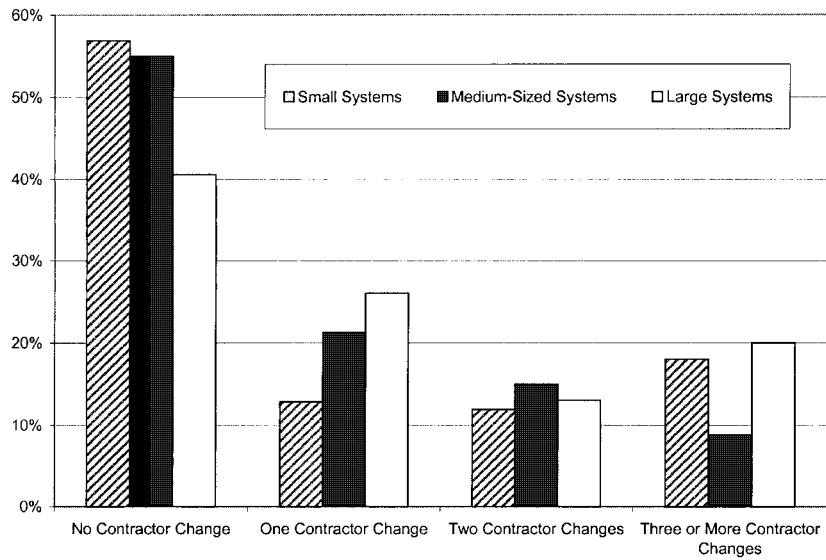
One might suspect that those contracts with a history of contractor changes would elicit more bidder interest and activity because of the higher potential to challenge the incumbent successfully. Figure 4-17 shows the most recent number of bidders for those contracts that have been rebid at least twice (and therefore have a record of change or no change) by the number of times the contract has changed hands during its life.³ The results suggest that contracts without a record of changing hands are most likely to have only one bidder—the incumbent. It is important to note, however, that even among those contracts that do not have a history of contractor changes, most still attract multiple—though so far unsuccessful—bidders when they are rebid.

Summary of Results

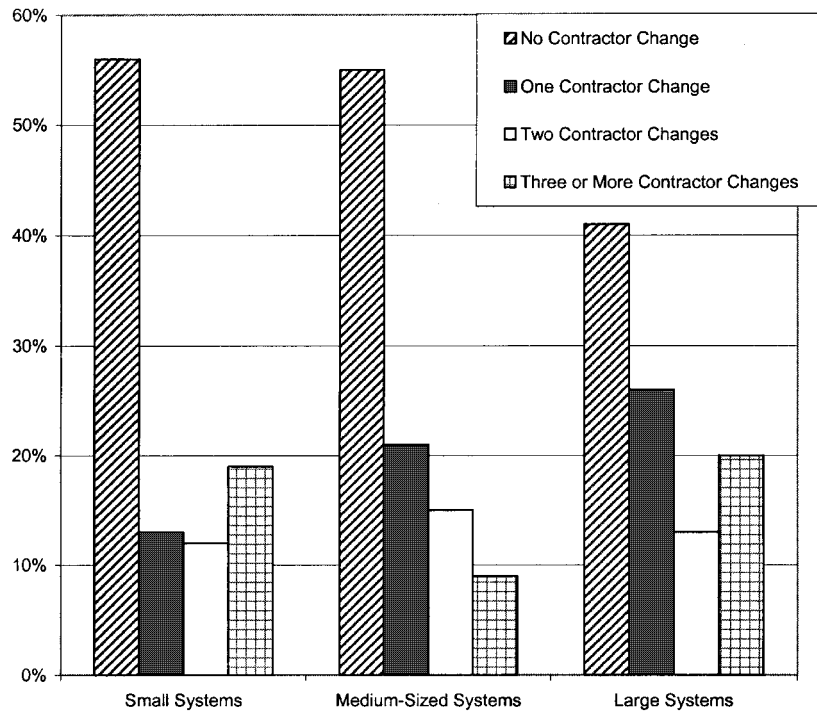
The results from the survey, augmented by NTD data, yield several findings about the extent of contracting, contract terms and provisions, and competition in contracting:

Extent of Contracting

- About half of all transit systems contract for 10 percent or more of their services. About 60 percent have at least some contracted service. Yet in the aggregate, only about 15 percent of combined bus and demand-responsive services (measured in vehicle revenue-hours) are contracted in the United States, and this percentage has changed very little in recent years (see Chapter 1).
- Transit systems are much more likely to contract out demand-responsive than fixed-route bus services: more than two-thirds of surveyed systems have contracts for their demand-responsive services, whereas fewer than 40 percent have contracts for bus services. More than half the systems with demand-responsive services contract out all of these services.
- Larger systems are more likely than small ones (operating fewer than 50 vehicles) to contract for at least some transit services, although usually for less than 25 percent of their total services. Small systems contract less often than larger ones, but when they do contract are much more likely to do so for all their services. City and county agencies are more likely than state and regional transit agencies to contract for all their transit services.



(a)



(b)

FIGURE 4 - 16 Percentage of rebid contracts that have experienced contractor changes: (a) by number of changes; (b) by system size (contracts reported in survey Part 1).

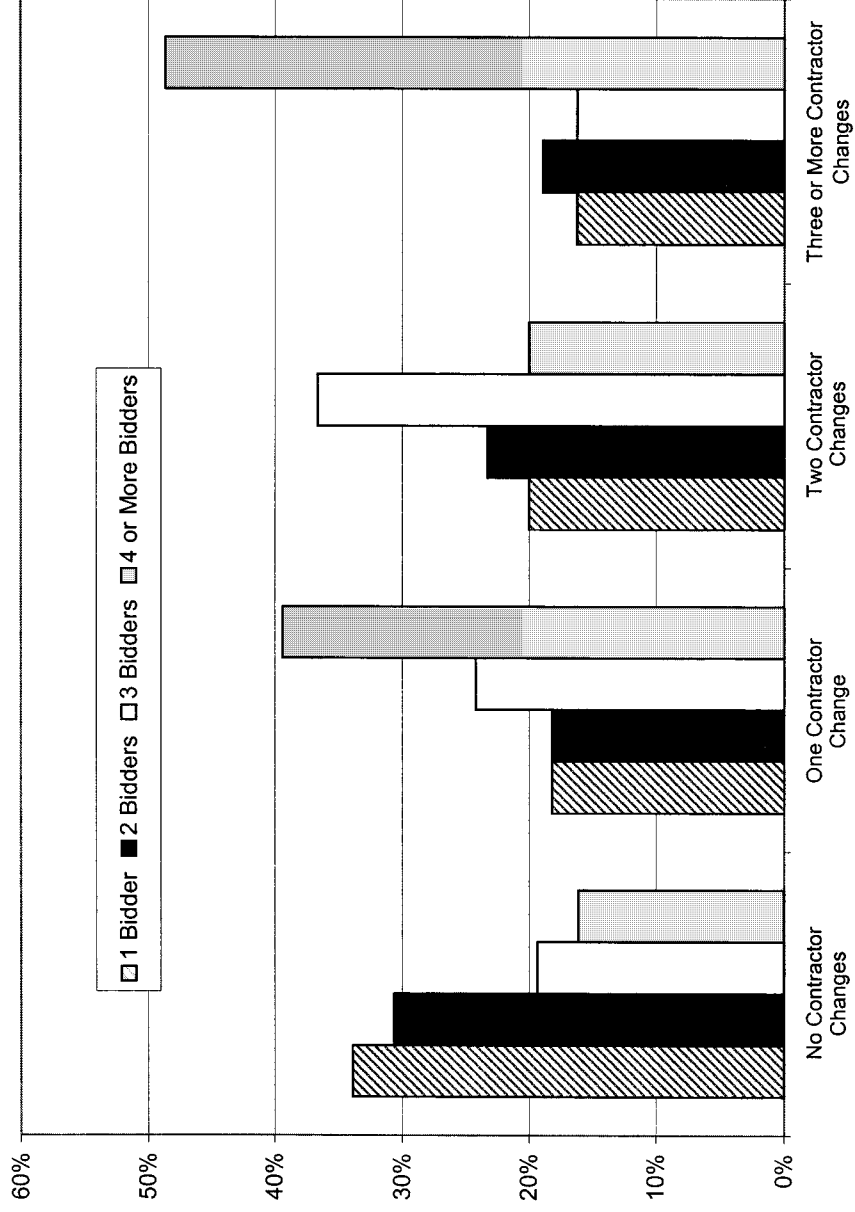


FIGURE 4 - 17 Percentage of all reported contracts (among those that have been rebid at least twice) by number of bidders during the most recent rebid and by number of contractor changes over the contract life.

Contract Terms and Provisions

- Most contracts are for multiyear periods, usually 3 years. Bus contracts tend to be longer than contracts for demand-responsive services.
- Transit agencies usually provide the vehicles and other major assets for bus service contracts. For demand-responsive contracts, there is a much greater likelihood that the contractor will either provide the vehicles or share this responsibility with the contracting agency.
- Most contracts are structured to pay contractors on a predetermined fee per unit of output produced—usually revenue- or vehicle-hours of service. The contractor is therefore responsible for controlling costs; only one-quarter of reported contracts pay contractors on the basis of cost plus a fixed fee.
- Monetary penalties to discourage poor performance are common in contracts. Fewer contracts contain monetary incentives for good performance.

Contracting Methods and Competition

- Most transit service contracts are awarded through a competitive process.
- Most contracts attract more than two bidders, although smaller contracts are more likely to attract only a single bidder. Demand-responsive contracts tend to attract fewer bidders than bus contracts. Small systems are least successful in attracting multiple bidders; most receive fewer than three bids.
- Transit systems report that the number of bidders on contracts has been relatively stable, but demand-responsive contracts are more likely than bus contracts to have experienced a decline in bidders from the previous bid cycle.
- The contracts of larger systems are more likely than those of small systems to have changed contractors at least once.
- As contracts go through successive bid cycles, they continue to attract interest among bidders, suggesting continued competition. Moreover, most contracts that have been rebid at least three times have experienced a change in contractors. Even those contracts that have had only one contractor have continued to attract bidder interest.

Notes

1. Electronic versions of the survey were also made available to recipients on request.
2. Penalty disputes are typically resolved in court, while disputes over liquidated damages are more likely to be subject to arbitration.
3. The fact that these contracts tend to attract only one bidder may be the reason for the lack of contractor changes; however, it may also be the consequence. The direction of causality cannot be established.

5

Transit Contracting Experiences and Advice from General Managers

The discussion in this chapter focuses largely on the qualitative and perceptual responses to the transit system survey. Part 2 of the survey asked the general managers or top executives of transit systems to explain why their agencies contract for transit services, to relate the outcomes of their contracting programs, and to offer advice on how to make contracting work better. General managers of agencies that currently do not contract were asked to explain why they do not and to indicate whether their agencies have contracted in the past. Of the 502 transit agencies surveyed, the general managers of 237, or 47 percent, completed and returned this part of the survey (see Chapter 4 for a discussion of the overall pattern of response to the survey).

The committee chose to survey transit system managers for two reasons. First, general managers can offer specific information on the practice and effects of contracting, since many have experience with contracting on a day-to-day basis. At the same time, the choice of contracting is often a policy-level decision influenced by political, legal, and institutional environments, and more than any other group, general managers are distinguishable participants in this decision-making process. Thus these individuals are often responsible for both making and implementing these decisions.

Ideally, the survey respondents would have included more individuals involved in and knowledgeable about transit service

contracting decisions and their effects, such as transit board members, union officials, and private contractors. As a practical matter, however, the development and administration of such an extensive and multifaceted survey was not possible. Therefore, to supplement the responses of the general managers, several follow-on telephone interviews were conducted with transit general managers, contractors, union leaders, transit board members, and public officials from five transit systems (see Box 5-1). The information and insights gleaned from these interviews proved to be helpful in analyzing the general managers' responses.

The collective results of the survey of general managers should thus be regarded as reflecting one important perspective on contracting decisions and outcomes—that is, the current perceptions of transit general managers. At the same time, however, given the variation in circumstances from one transit system to another, the large number of survey responses provides a mix of viewpoints and appraisals. The responses offer much insight into why some systems contract and others do not, how contracting has engendered both positive and negative reactions, and what steps have been taken to make contracting work better.

Finally, it is important to note that some of the questions in the general manager survey did not distinguish between fixed-route and demand-responsive services. When the survey results can be disaggregated by these service types, however, they are presented this way. Furthermore, some of the questions asked the general managers to make judgments about closely related aspects of service, such as effects of contracting on operating costs and cost-efficiency, or on employee turnover and workforce retention. As a practical matter there can be little, if any, difference between such response categories; however, as many variants as possible were offered because of the potential for multiple interpretations. By and large, the responses did not vary among related response categories.

Reasons for Using and Not Using Contracting

The survey respondents included general managers of 144 transit systems that currently contract for demand-responsive or bus services, or both, as well as general managers of 93 systems that do not contract for services at all. Those in the former group were asked to assess the importance of several possible reasons for their agency's decision to contract, while those in the latter group were asked to rate possible reasons for their agency's choosing not to contract.

B O X 5 - 1**Follow-On Interviews**

Nineteen telephone interviews were conducted with transit managers, labor representatives, private contractors, and public officials from Aiken County, South Carolina; Pittsburgh, Pennsylvania (Port Authority of Allegheny County); San Diego, California (Metropolitan Transit Development Board); Arlington (Pace), Illinois; and Clearwater–St. Petersburg (Pinellas County), Florida. These five communities were selected because they vary in size and geography and because the transit agencies that serve them differ in size and structure.

Each person was asked questions similar to those in the survey, but designed to elicit more detail. Specifically, each was asked to discuss the following (when relevant):

- The history of contracting at the agency;
- Positive and negative impacts of contracting—cost savings, flexibility, labor issues, political ramifications, service quality, and quality of the contractor;
- Ways to make contracting work better, including use of performance standards, incentives and penalties, and relations with the contractor; and
- Willingness to contract again, and reasons why or why not.

Given that the respondents varied widely in their knowledge of contracting and in their perspectives, the board members, public officials, and general managers interviewed were asked questions about the political aspects of contracting. Likewise, agency contract managers, union officials, and private contractors were asked about the details of the contracting program and its history.

Reasons for Contracting

General managers of systems that currently contract were asked to judge each of ten possible reasons for contracting according to its influence on the decision to contract. They were asked to rate each as either a primary, important, minor, or irrelevant factor in their agency's decision to contract for fixed-route bus and demand-responsive services. Three of the reasons relate to service cost (improve cost-efficiency, reduce costs, create a more competitive environment) and four to aspects of service quantity and quality (start new services, expand existing services, provide a higher quality of service, and allow for more flexible service changes). The remaining three reasons relate to policy direction—transit board guidance, state mandates or laws, and federal emphasis on contracting.

By and large, the respondents gave similar answers for bus and demand-responsive services. Starting new services, reducing costs, and increasing cost-

efficiency were the reasons for contracting rated most highly by both the 75 general managers responding for their bus services and the 117 responding for their demand-responsive services (see Figure 5-1 and Table 5-1).¹ Indeed, these three factors were the only ones rated as primary or important reasons for contracting by more than half the respondents, for both bus and demand-responsive services.

Many of the general managers also cited the desire to create a more competitive environment, expand services, and increase flexibility to change service as either primary or important reasons for contracting; each was cited by nearly 40 percent of the respondents for both contracted bus and demand-responsive services (see Figure 5-1 and Table 5-1). About a fourth of the general managers identified the desire for higher-quality service as a primary or important reason for contracting, although most often as the latter. By comparison, relatively few general managers (about 7 to 18 percent) rated the influence of federal policies and state laws as important reasons to contract for either bus or demand-responsive service.

Reasons for Not Contracting

General managers of systems that do not contract at all were asked to rate 10 possible reasons for not contracting, including not regarding the practice as cost-effective, perceiving no reason to change current practice, and wishing to maintain control over operations. They were also asked to rate the lack of qualified firms, board direction, the influence of union contracts, insufficient number of bidders, bids that were too high, state labor laws, and the long-standing labor protection provisions in Section 13c of the Federal Transit Act (for a brief description of Section 13c, see Box 2-1 in Chapter 2).

Several of the responses are notable. In particular, 51 of the 87 responding general managers, or nearly 60 percent, characterized the desire to maintain control over operations as either a primary or important reason for not contracting (see Figure 5-2 and Table 5-2). Interestingly in light of the reasons given by general managers for contracting, more than half of the 87 general managers cited not regarding the practice as cost-effective as a primary or important reason. Almost half of the general managers also identified as a primary or important factor not having a reason to change their current practice. In the follow-on interviews, some of the general managers cited satisfaction with existing in-house services as a reason for not contracting. In one case, described in Box 5-2,

(text continues on page 108)

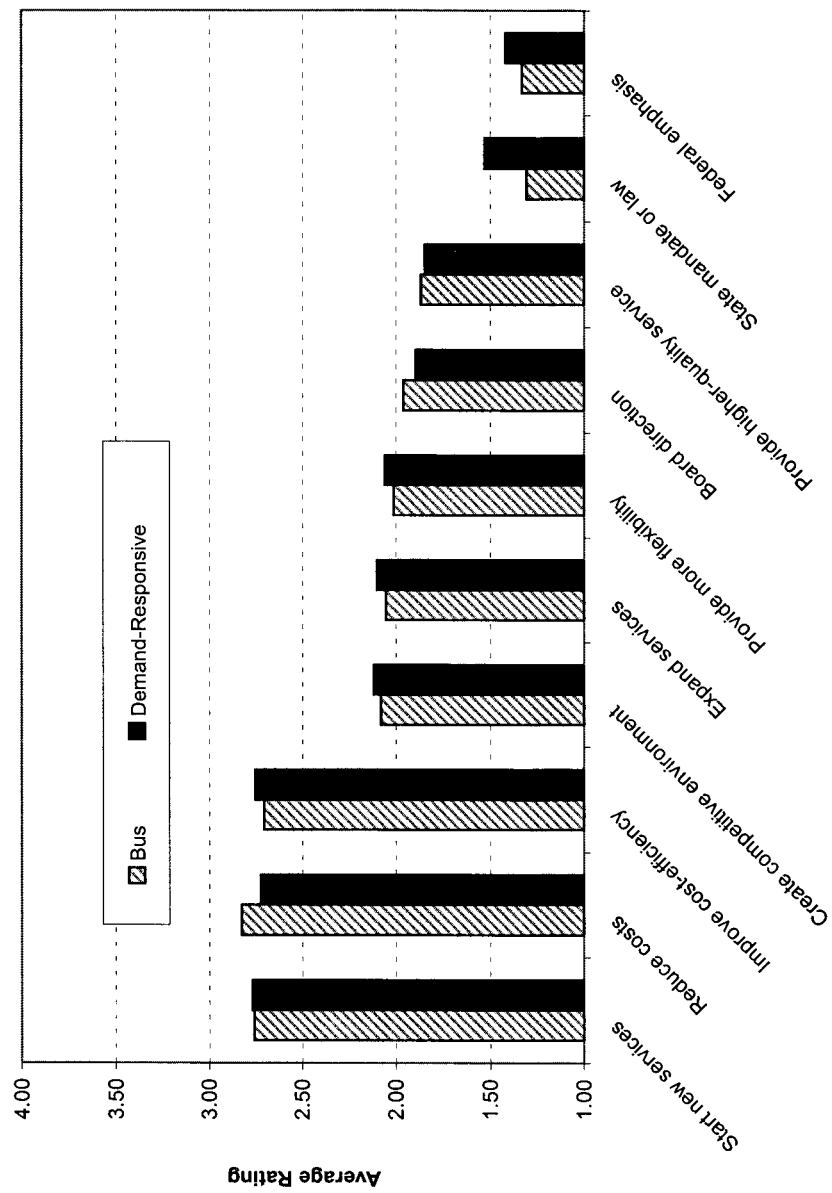


FIGURE 5 - 1 Average rating of reasons for contracting by general managers of transit systems that currently contract, from Part 2 survey results. (NOTE: 4 = Major/primary reason; 3 = Important factor; 2 = Minor factor; 1 = Not a factor.)

T A B L E 5 - 1

General Managers' Rating of Reasons To Contract for Fixed-Route Bus and Demand-Responsive Services

Reason	Percentage of Responding General Managers			"Primary Reason"	Percentage of Responding General Managers			"Important Reason"	Percentage of Responding General Managers			"Minor Reason"	Percentage of Responding General Managers			"Not a Reason"	Percentage of Responding General Managers		
FIXED-ROUTE BUS SERVICES (75 Responding)																			
Start new services	33		44.0	14	18.7		5	6.7		23	30.7								
Reduce costs	30		40.0	20	26.7		7	9.3		18	24.0								
Improve cost-efficiency	26		34.7	21	28.0		8	10.7		20	26.7								
Create competitive environment	13		17.3	16	21.3		10	13.3		36	48.0								
Expand services	12		16.0	19	25.3		5	6.7		39	52.0								
Allow more flexibility	10		13.3	16	21.3		14	18.7		35	46.7								
Board direction	11		14.7	16	21.3		7	9.3		41	54.7								
Provide higher-quality service	10		13.3	10	13.3		15	20.0		40	53.3								
State mandate or law	3		4.0	5	6.7		4	5.3		63	84.0								
Federal emphasis	2		2.7	3	4.0		13	17.3		57	76.0								

(continued)

T A B L E 5 - 1 (continued)

General Managers' Rating of Reasons To Contract for Fixed-Route Bus and Demand-Responsive Services

Reason	Percentage of Responding General Managers			"Primary Reason"	Percentage of Responding General Managers			"Important Reason"	Percentage of Responding General Managers			"Minor Reason"	Percentage of Responding General Managers			"Not a Reason"	Percentage of Responding General Managers		
	Count	Percentage	Percentage		Count	Percentage	Percentage		Count	Percentage	Percentage		Count	Percentage	Percentage		Count	Percentage	Percentage
DEMAND-RESPONSIVE SERVICES (117 Responding)																			
Start new services	50	42.7			25	21.4			7	6.0			35	29.9					
Reduce costs	47	40.2			25	21.4			11	9.4			34	29.1					
Improve cost-efficiency	49	41.9			22	18.8			14	12.0			32	27.4					
Create competitive environment	21	17.9			26	22.2			16	13.7			54	46.2					
Expand services	22	18.8			26	22.2			11	9.4			58	49.6					
Allow more flexibility	13	11.1			34	29.1			17	14.5			53	45.3					
Board direction	14	12.0			21	17.9			21	17.9			61	52.1					
Provide higher-quality service	8	6.8			26	22.2			23	19.7			60	51.3					
State mandate or law	14	12.0			7	6.0			6	5.1			90	76.9					
Federal emphasis	6	5.1			7	6.0			17	14.5			87	74.4					

NOTE: Respondents included general managers of transit systems that currently contract.

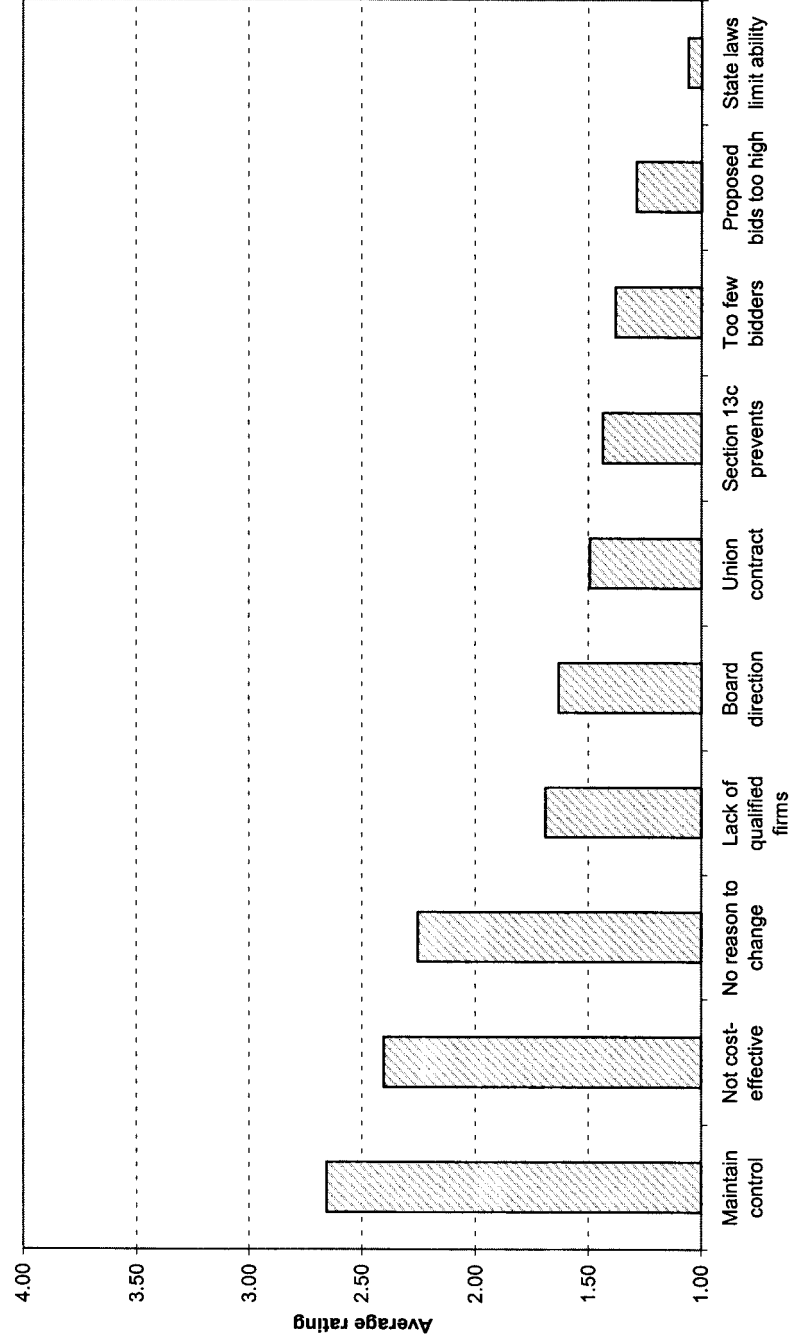


FIGURE 5 - 2 Average rating of reasons for not contracting by general managers of transit systems that currently do not contract for any services, from Part 2 survey results. (NOTE: 4 = Major/primary reason; 3 = Important factor; 2 = Minor factor; 1 = Not a factor.)

T A B L E 5 - 2

General Managers' Rating of Reasons Not To Contract for Transit Service

<i>Reason</i>	<i>"Primary Reason"</i>	<i>Percentage of Responding General Managers</i>	<i>"Important Reason"</i>	<i>Percentage of Responding General Managers</i>	<i>"Minor Reason"</i>	<i>Percentage of Responding General Managers</i>	<i>"Not a Reason"</i>	<i>Percentage of Responding General Managers</i>
Maintain control	33	37.9	18	20.7	9	10.3	27	31.0
Not cost-effective	22	25.3	25	28.7	6	6.9	34	39.1
No reason to change	18	20.7	23	26.4	9	10.3	37	42.5
Lack of qualified firms	11	12.6	9	10.3	9	10.3	58	66.7
Board direction	10	11.5	10	11.5	5	5.7	62	71.3
Union contract	7	8.0	9	10.3	4	4.6	67	77.0
Section 13c prevents	8	9.2	5	5.7	4	4.6	70	80.5
Too few bidders	7	8.0	6	6.9	0	0.0	74	85.1
Proposed bids too high	6	6.9	3	3.4	1	1.1	77	88.5
State labor laws	0	0.0	2	2.3	1	1.1	84	96.6

NOTE: Respondents included 87 general managers of transit systems that currently do not contract for any service.

BOX 5 - 2**A Collaborative Approach to Transit Service Provision**

A collaborative approach between agency and union was mentioned by two agencies as a reason not to contract. One of the agencies, the Pittsburgh area's Port Authority of Allegheny (PAT), deserves attention because of its unique history of contracting. In the early 1990s, an attempt by the agency to contract for new suburban services was legally challenged. The union prevailed on some matters in court, causing both parties to submit the issue to arbitration. The arbitration ruling stated that the agency could operate low-density-area services, but only on new routes. It also stated the union had to operate the service, but at a lower wage rate, and that vehicle maintenance could be contracted out.

In 1996, PAT leased five vehicles for a new airport service. The lower-paid drivers could work on this route. Although these workers were members of the local transit union, other union members objected to their hiring. A two-tier wage structure was developing in the workforce—small transit vehicle (STV) drivers locked in at 65 percent of the top operators' wages and those operating large vehicles following the wage progression specified in the labor contract. This two-tier system was causing labor difficulties; hence in the next round of labor contract negotiations, the union and PAT decided to take another approach. They agreed that instead of contracting out, all new drivers would start at 65 percent of the top operators' wage rate, and the hiring wage progression was restructured. PAT would be able to retain a number of drivers at the 65 percent level according to the number of vehicle-hours operated by STVs. At the same time, some existing routes would be converted to STV, and all PAT routes would be available to any interested operator.

The union agreed to this arrangement because it would eliminate the two-tier system; instead, the lowest pay scale functions as a new step in the wage progression to the top rate. The STV runs were also known to be popular with some veteran drivers. Meanwhile, the agency obtained cost savings and the ability to add more services. It also lessened pressure on its maintenance facilities, which were operating at or near capacity.

According to union officials, 300 union employees have been added in the last 2 years. As of early 2001, about 8 percent of 1,600 driver positions are at the 65 percent wage rate, and nearly all move up to the next step within 1 year. The agency estimates that even in an economic slowdown, projected attrition rates would result in a maximum stay of 18 months at the 65 percent level. Nevertheless, the union would like to establish a time limit on this first step and revisit the issue of contracting maintenance on STVs.

a collaborative approach to service delivery between transit agency management and the local labor union led to reduced interest in private contracting.

Influence of Laws and Policy

Neither the general managers that currently contract nor those that do not identified federal and state laws and policies, including Section 13c, as having an important effect on the decision to contract.

Contracting Experiences

The survey focused mainly on contracting experiences, both positive and negative, as reported by general managers of transit systems that are now contracting. In addition, however, general managers of transit agencies that no longer contract were asked to report their experiences with contracting and their reasons for stopping. The responses of both of these groups are examined next.

Experiences of General Managers Who Currently Contract

Benefits and Problems

General managers of agencies that currently contract were asked to rate 15 possible benefits and problems resulting from contracting for transit service—from cost-efficiency and on-time performance to accidents and employee turnover. They were asked to rate each as a large or minor benefit, a large or minor problem, or neither/depends.

Many of the 136 respondents did not react strongly; they rated most benefits and problems as minor or indicated uncertainty or indifference. Nevertheless, some areas emerge clearly as perceived benefits or problems. Figure 5-3 shows the average rating for each of the 15 benefits or problems (using a scale from 5, representing large benefits, to 1, representing large problems, with 3 representing neither/depends). Savings in operating costs, increased cost-efficiency, and the ability to expand service were rated by most respondents as benefits of contracting. By comparison, workforce retention, employee turnover, and customer service were cited most often as problems. Safety (vehicle accidents), employee morale, contract disputes, and ridership received the highest number of neutral responses.

Table 5-3 shows the general managers' ratings of each of the 15 benefits or problems. Several items generated a wide distribution of responses: some

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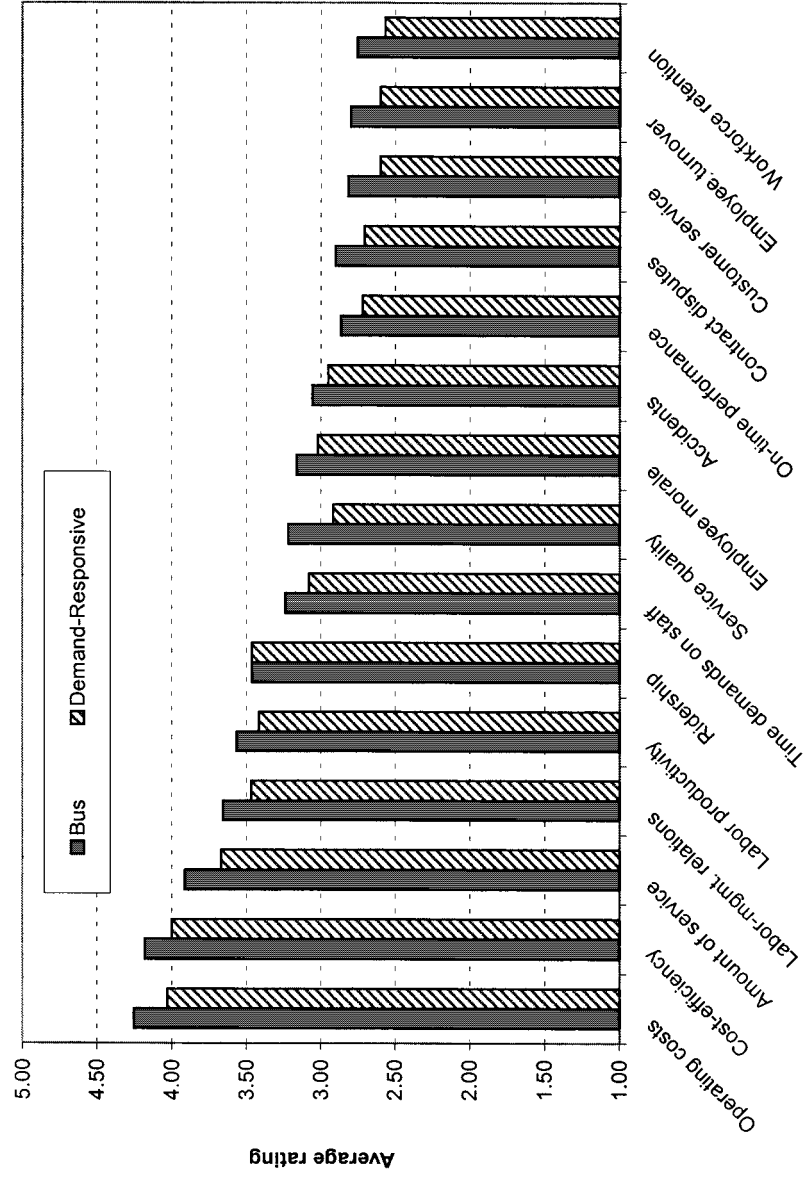


FIGURE 5 - 3 Average ratings of benefits and problems by general managers of transit systems that currently contract, from Part 2 survey results. (NOTE: 5 = Large benefits; 4 = Some benefits; 3 = Neither/depends; 2 = Some problems; 1 = Large problems.)

T A B L E 5 - 3

General Managers' Rating of Problems and Benefits from Transit Service Contracting

<i>Area</i>	<i>Large Problem</i>	<i>Percentage of Respondents</i>	<i>Minor Problem</i>	<i>Percentage of Respondents</i>	<i>Neither/Depends</i>	<i>Percentage of Respondents</i>	<i>Minor Benefit</i>	<i>Percentage of Respondents</i>	<i>Large Benefit</i>	<i>Percentage of Respondents</i>
Operating costs	4	3.0	9	6.8	14	10.5	58	43.6	48	36.1
Cost-efficiency	3	2.2	12	8.8	8	5.9	68	50.0	45	33.1
Amount of service	5	4.0	10	7.9	40	31.7	33	26.2	38	30.2
Labor—management relations	4	3.4	14	12.0	50	42.7	24	20.5	25	21.4
Labor productivity	3	2.5	19	15.6	40	32.8	42	34.4	18	14.8
Ridership	2	1.6	7	5.6	60	48.4	46	37.1	9	7.3
Staff time demands	12	9.5	32	25.4	38	30.2	22	17.5	22	17.5
Service quality	10	7.5	41	30.6	29	21.6	42	31.3	12	9.0
Employee morale	1	0.8	27	22.5	68	56.7	15	12.5	9	7.5
Accidents	7	5.7	13	10.6	81	65.9	18	14.6	4	3.3
On-time performance	13	9.9	38	29.0	47	35.9	28	21.4	5	3.8
Contract disputes	8	6.9	34	29.3	60	51.7	8	6.9	6	5.2
Customer service	17	13.1	51	39.2	23	17.7	29	22.3	10	7.7
Employee turnover	15	13.4	31	27.7	50	44.6	13	11.6	3	2.7
Workforce retention	20	18.3	32	29.4	37	33.9	11	10.1	9	8.3

NOTE: Respondents included general managers of transit systems that currently contract.

general managers rated these items as benefits and others as problems. An example is the time demands placed on staff, although more of the respondents rated this item as beneficial than as problematic. Service quality also generated about as many positive as negative responses, with nearly 40 percent of the general managers reporting either a large or minor benefit and 40 percent either a large or minor problem.

Altogether, there were twice as many reports of large benefits as of large problems, and nearly 25 percent more reports of minor benefits than of minor problems. Further examination of these results reveals consistency in the benefits and problems experienced with contracting across types of service, although general managers tended to report slightly more problems for demand-responsive than for bus contracts.

Positive and Negative Aspects of Contracting

In addition to asking the contracting general managers to rate the specific effects shown in Table 5-3, the survey included several open-ended questions on their perceptions of other effects, both positive and negative, that might have been overlooked. Given this opportunity, many of the general managers reported multiple effects, sometimes as many five.

As might be expected from the ratings shown in Table 5-3, more than half of the respondents cited reduced operating costs as a positive outcome of contracting. About one-quarter reported that they benefited from reductions in the administrative responsibilities assumed by the contractor (including hiring, supervising, and insurance), and about 20 percent cited benefits from increased flexibility in service provision (see Figure 5-4). Both smaller and larger agencies reported cost savings associated with contracting.

Further analysis of these responses by system size suggests that large and small systems do not benefit from contracting in the same way. In particular, the increased flexibility associated with contracting was reported as a positive effect more often by larger systems (see Table 5-4), while the smallest systems were more apt to cite the positive effect of administrative responsibilities being taken over by the contractor (as might be expected for agencies with limited resources).

The negative effects of contracting reported most frequently were limited control, poor service quality, and problems with customer service (see Table 5-5 and Figure 5-5). Again, these responses are consistent with the reasons given by a number of agencies for not contracting. Contractor issues, communication

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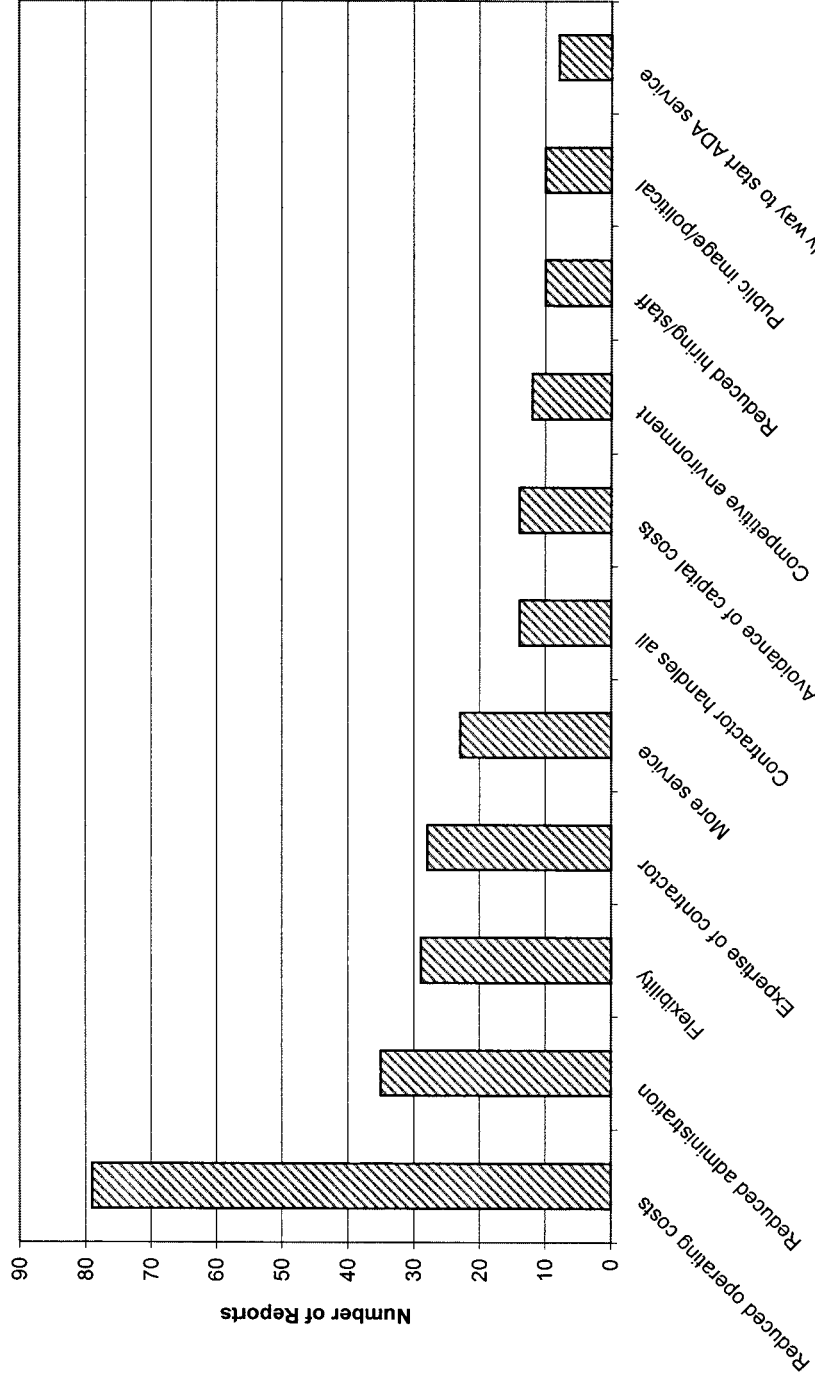


FIGURE 5 - 4 Positive effects of contracting reported by general managers of transit systems that currently contract, from Part 2 survey results.

T A B L E 5 - 4

Perceived Positive Effects of Contracting, by System Size

<i>Effect</i>	<i>Small Systems</i>	<i>Percentage of All Small Systems Reporting</i>	<i>Medium- Sized Systems</i>	<i>Percentage of All Medium- Sized Systems Reporting</i>	<i>Large Systems</i>	<i>Percentage of All Large Systems Reporting</i>
Reduced operating cost	34	54.0	25	62.5	20	64.5
Reduced administration	20	31.7	11	27.5	4	12.9
Flexibility	5	7.9	13	32.5	11	35.5
Expertise of contractor	15	23.8	4	10.0	8	25.8
More service	8	12.7	6	15.0	9	29.0
Avoidance of capital costs	7	11.1	3	7.5	4	12.9
Contractor handles all	7	11.1	5	12.5	2	6.5
Competitive environment	5	7.9	4	10.0	3	9.7
Reduced hiring/staff	3	4.8	3	7.5	4	12.9
Public image/political	2	3.2	5	12.5	3	9.7
Only way to start ADA service	4	6.3	1	2.5	3	9.7

NOTE: Respondents included general managers of transit systems that currently contract.

TABLE 5 - 5

Perceived Negative Effects of Contracting, by System Size

<i>Effect</i>	<i>Small Systems</i>	<i>Percentage of All Small Systems Reporting</i>	<i>Medium- Sized Systems</i>	<i>Percentage of All Medium- Sized Systems Reporting</i>	<i>Large Systems</i>	<i>Percentage of All Large Systems Reporting</i>
Limited control	25	48.1	18	48.6	16	57.1
Service quality/customer service	23	44.2	14	37.8	11	39.3
Contractor issues	8	15.4	7	18.9	7	25.0
Communication	10	19.2	7	18.9	4	14.3
Turnover/low wages	8	15.4	5	13.5	7	25.0
Need to monitor	10	19.2	6	16.2	3	10.7
Personnel issues	3	5.8	4	10.8	7	25.0
Public/political issues	2	3.8	4	10.8	7	25.0
Diminishing returns	4	7.7	6	16.2	2	7.1
Union issues	0	0.0	3	8.1	4	14.3

NOTE: Respondents included 52 general managers of transit systems that currently contract.

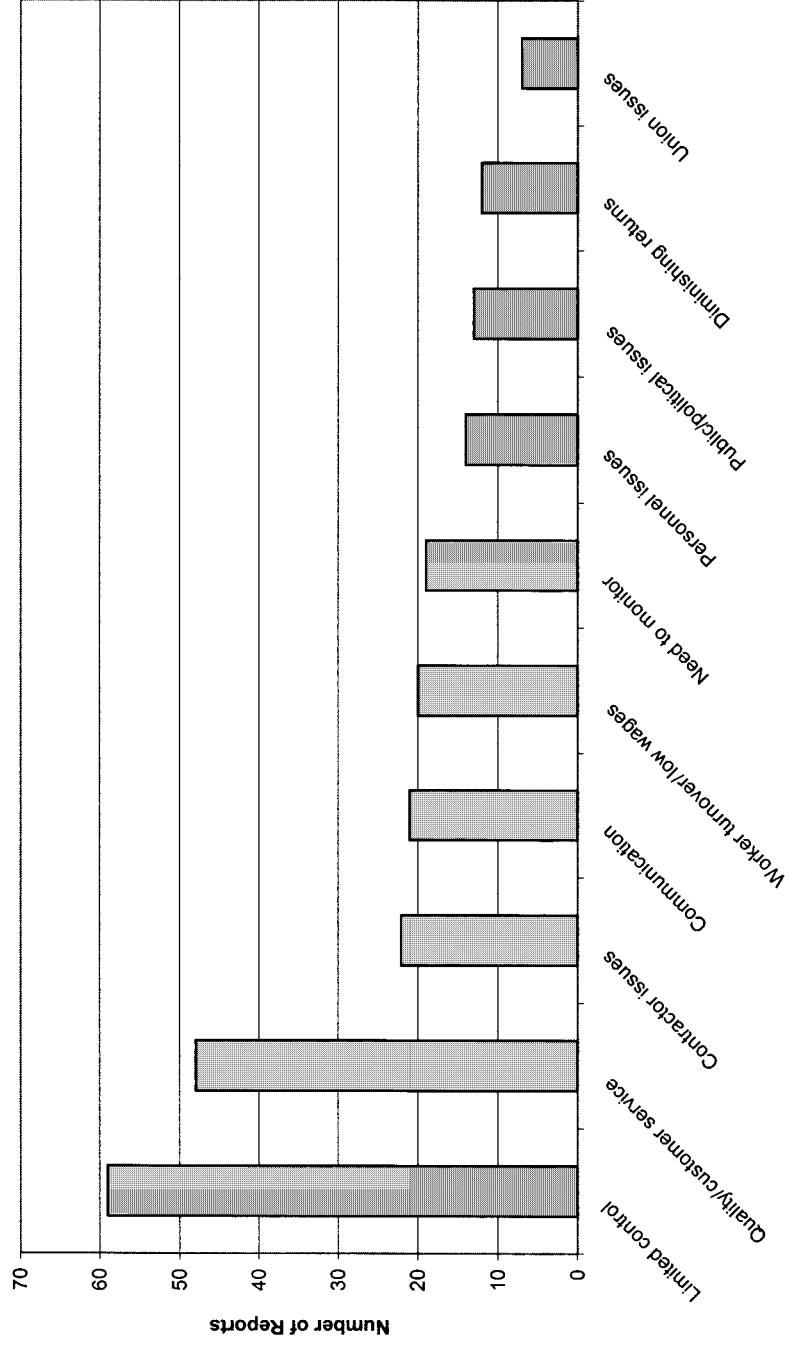


FIGURE 5 - 5 Negative effects of contracting reported by general managers of transit systems that currently contract, from Part 2 survey results.

problems, employee turnover, and the need to monitor contractor performance were each mentioned as negatives by at least 15 percent of the general managers.

Further examination of reported negative effects by system size indicates that general managers of larger systems are somewhat more likely than their counterparts in small agencies to identify worker turnover, low wages, and personnel issues as negative aspects of contracting. By comparison, general managers of small agencies are more likely to view the need to monitor contractor performance as a negative aspect of contracting (as might be expected for agencies with limited administrative resources).

Monitoring and Mitigation of Adverse Effects

General managers of agencies that contract were asked, “Does your agency have a specific unit to monitor the performance of contracted services?” and “Do you monitor overhead costs for contracted services?” Of the 144 respondents, 63 percent indicated that they do have a monitoring unit, employing an average of four workers. The most commonly monitored aspects are contract administration, national data reporting, and vehicle inspection and maintenance; each was reported by 35 percent of respondents.

The general managers who currently contract and who reported negative effects of contracting were asked to describe the actions they have taken to mitigate those effects. Only about one-third reported taking such actions. The 40 general managers who did respond to this question reported that the typical action taken is to change the contract, usually by increasing its specificity and sometimes by adding penalty provisions (see Table 5-6). About one-quarter of the respondents reported taking action to improve communication with contractors.

T A B L E 5 - 6

Actions Taken To Mitigate Negative Effects of Contracting

<i>Mitigating Action</i>	<i>No. of Respondents</i>	<i>Percentage of Total Respondents</i>
Improved Contract	22	55.0
Communication	10	25.0
Personnel/Training	7	17.5
Additional Monitoring	7	17.5
Enforcement	2	5.0
Agency Actions	2	5.0

NOTE: Respondents included 40 general managers of transit systems that currently contract.

Reports from General Managers Who No Longer Contract

About one-third, or 30, of the 93 general managers from agencies that do not currently contract reported that they have done so in the past. Knowing more about the positive and negative aspects of contracting perceived by the general managers of these agencies would have been helpful in complementing the reports by general managers of contracting agencies. Although the survey did not ask these 30 general managers such detailed questions about the effects of contracting, they were asked to explain why they stopped using the practice. The 30 respondents cited the desire for local control, improved service quality, contractor issues, and in-house cost savings as important reasons for no longer contracting (see Table 5-7). Although these respondents constitute a small group, the negative effects they cited are similar to some of the problems identified by agencies that currently contract.

Overall Assessments of Contracting

After reporting specific positive and negative aspects of contracting, the general managers who are now contracting were asked to offer their assessment of whether the results of contracting have met their expectations. In addition, general managers, including those that do not currently contract, were asked to answer the question, “If you had to do it all over again, and the choice were solely yours, would you contract for services now?”

TABLE 5 - 7

Reasons for Stopping Contracting, as Reported by General Managers of Systems That No Longer Contract for Transit Service

<i>Reason</i>	<i>Respondents</i>	<i>Percentage of Total Respondents</i>
Desire for local control	7	23.3
Desire to improve service quality	7	23.3
In-house cost savings	6	20.0
Contractor issues	6	20.0
Contractor opted out	6	20.0
Escalating costs	4	13.3
Few qualified contractors	3	10.0
Internal changes	2	6.7
Other	3	10.0

NOTE: Respondents included 30 general managers of transit systems that no longer contract.

Extent to Which Expectations Have Been Met

The general managers of agencies that currently contract were asked, “How have the results of contracting met your expectations?” Respondents could choose from three options: “did not meet expectations,” “partially met expectations,” and “fully met expectations.” As a follow-on, those who reported anything less than “fully met expectations” were asked to explain why this was the case.

More than 55 percent of the general managers of contracting agencies reported that contracting has fully met their expectations, while nearly 40 percent reported that contracting has only partially met their expectations (see Figure 5-6). Only six general managers reported that contracting has not met their expectations. However, since this question was posed only to general managers of contracting agencies, this result is not necessarily surprising, as agencies that continue to contract are presumably doing so because they are at least partially satisfied with the results.

The general managers gave a number of reasons why contracting results have met their initial expectations only partially. The most commonly cited reasons were contractor issues and poor service quality, each reported by nearly half of the respondents with partially met expectations (see Table 5-8).

Not surprisingly, most of the general managers that reported having their expectations fully met were also the most likely to report large benefits from contracting. Likewise, those with partially met or unmet expectations were the most likely to report problems. As shown in Figure 5-7, the biggest gaps in ratings between general managers with fully met expectations and those with partially met expectations occurred in service quality, customer service, and time demands on staff. More than half of the general managers with partially met expectations identified service quality as problematic (see Table 5-9). Many also cited lack of control over contracted services as a problem area. Likewise, the problem cited most often by those general managers reporting fully met expectations was limited control over services.

The general managers with fully met expectations were most likely to mention the ability to provide more service as a positive effect of contracting (see Table 5-10). Both general managers with fully met and with partially met or unmet expectations ranked cost savings as a benefit of contracting. Thus it would appear that concerns about service quality are a more significant source of disappointment with contracting than dissatisfaction with cost savings, at least among those agencies that currently contract.

(text continues on page 121)

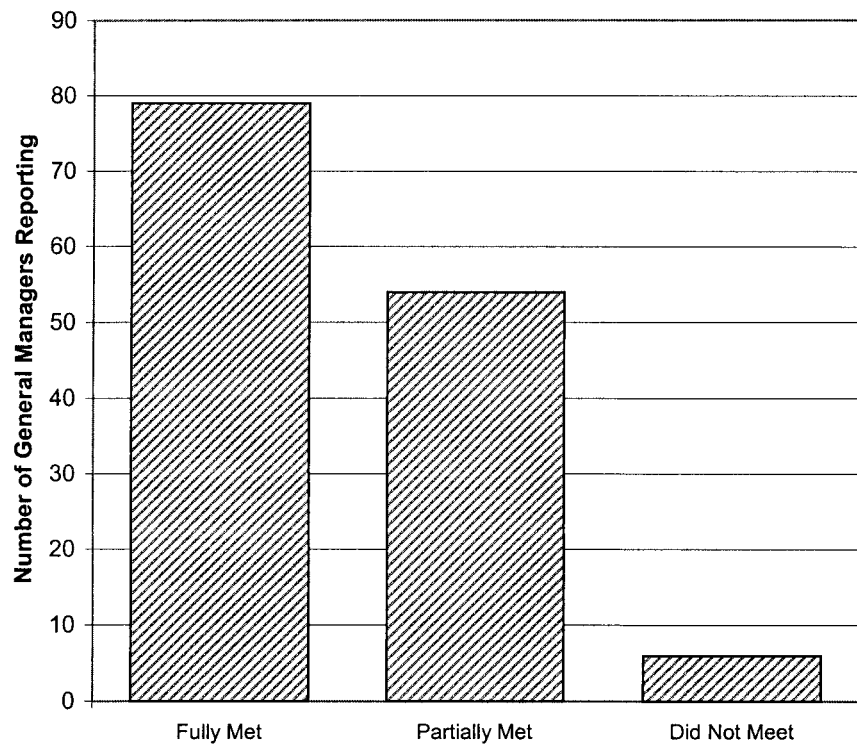


FIGURE 5 - 6 Extent to which contracting has met expectations, as reported by general managers from systems that now contract, in response to survey Part 2.

TABLE 5 - 8

Reasons Contracting Outcomes Fell Below Expectations

<i>Reason</i>	<i>Respondents</i>	<i>Percentage of Total Respondents</i>
Contractor Issues	23	46.9
Service quality/customer service	23	46.9
Benefits not fully realized	13	26.5
Not enough control	6	12.2
Personnel issues	4	8.2
Too few bidders	3	6.1

NOTE: Respondents included 49 general managers of transit systems that currently contract.

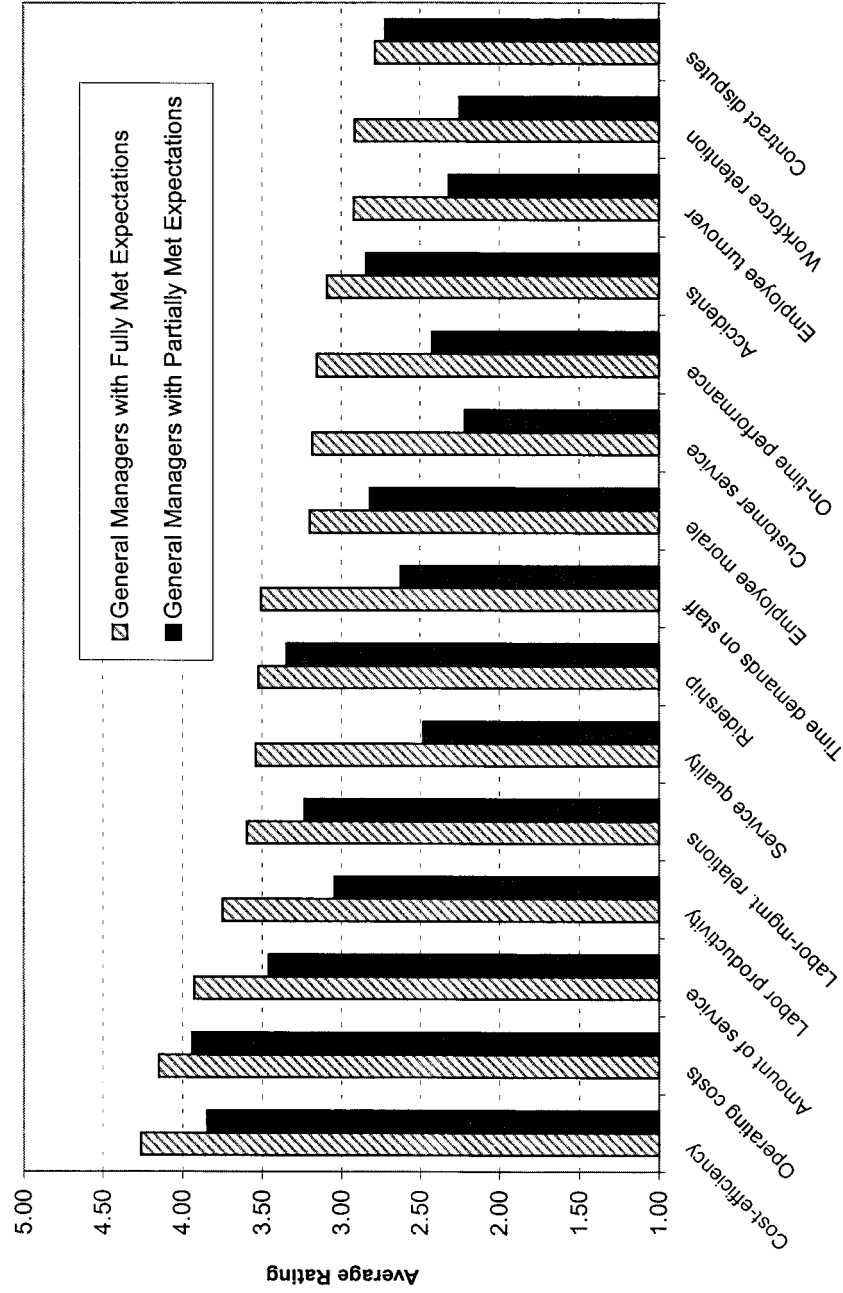


FIGURE 5 - 7 Rating of benefits and problems by general managers that currently contract and have fully and partially met expectations from contracting, from Part 2 survey results. (NOTE: 5 = Large benefits; 4 = Some benefits; 3 = Neither/depends; 2 = Some problems; 1 = Large problems.)

TABLE 5 - 9

Negative Effects of Contracting as Reported by General Managers with Fully Met or with Partially Met or Unmet Expectations from Contracting

<i>Effect</i>	<i>Respondents with Fully Met Expectations</i>	<i>Percentage of Total Respondents with Fully Met Expectations</i>	<i>Respondents with Partially Met or Unmet Expectations</i>	<i>Percentage of Total Respondents with Partially Met or Unmet Expectations</i>
Limited control	30	50.8	27	50.9
Service quality/ customer service quality	16	27.1	30	56.6
Contractor issues	7	11.9	14	26.4
Communication	13	22.0	7	13.2
Turnover/low wages	7	11.9	13	24.5
Need to monitor	7	11.9	10	18.9
Personnel issues	7	11.9	7	13.2
Public/political issues	5	8.5	8	15.1
Diminishing returns	4	6.8	6	11.3
Union issues	6	10.2	1	1.9
Total responding	59		53	

NOTE: Respondents included 112 general managers of systems that currently contract.

In retrospect, it would have been helpful to have queried those general managers of systems that have stopped contracting about the extent to which their expectations were met. Comparison of their responses with those of the currently contracting general managers might have been illuminating.

Responses on Whether General Managers Would Contract Now, Given the Choice

Responses to the final question of the survey—"If you had to do it all over again, and the choice were solely yours, would you contract for transit services now?"—suggest that by and large, general managers are satisfied with their current methods of service delivery. More than 70 percent of the general managers of agencies that do not currently contract reported that they would not contract now (see Figure 5-8). Meanwhile, nearly 80 percent of the general managers of

TABLE 5 - 10

Positive Effects of Contracting as Reported by General Managers with Fully Met or with Partially Met or Unmet Expectations from Contracting

<i>Effect</i>	<i>Respondents with Fully Met Expectations</i>	<i>Percentage of Total Respondents with Fully Met Expectations</i>	<i>Respondents with Partially Met or Unmet Expectations</i>	<i>Percentage of Total Respondents with Partially Met or Unmet Expectations</i>
Reduced operating costs	42	54.5	34	65.4
Reduced administration	20	26.0	15	28.8
Flexibility	18	23.4	11	21.2
Expertise of contractor	14	18.2	12	23.1
More service	19	24.7	4	7.7
Avoidance of capital costs	8	10.4	6	11.5
Contractor handles all	11	14.3	3	5.8
Competitive environment	6	7.8	4	7.7
Reduced hiring/staff	3	3.9	6	11.5
Public image/political	6	7.8	4	7.7
Only way to start ADA service	5	6.5	3	5.8
Total responding	77	100.0	52	100.0

NOTE: Respondents included 129 general managers of systems that currently contract.

agencies that currently contract reported that they would do so now in light of their experiences.

These responses may reflect a degree of inertia on the part of general managers or a state of equilibrium in which those systems with circumstances most suited to contracting are currently engaged in the practice, while those with less favorable circumstances are providing their services directly. At the same time, however, the results reveal a certain dynamic in the decision to contract. They suggest that general managers of about one in seven agencies are not pleased with the results of contracting and would stop if able to do so, and that con-

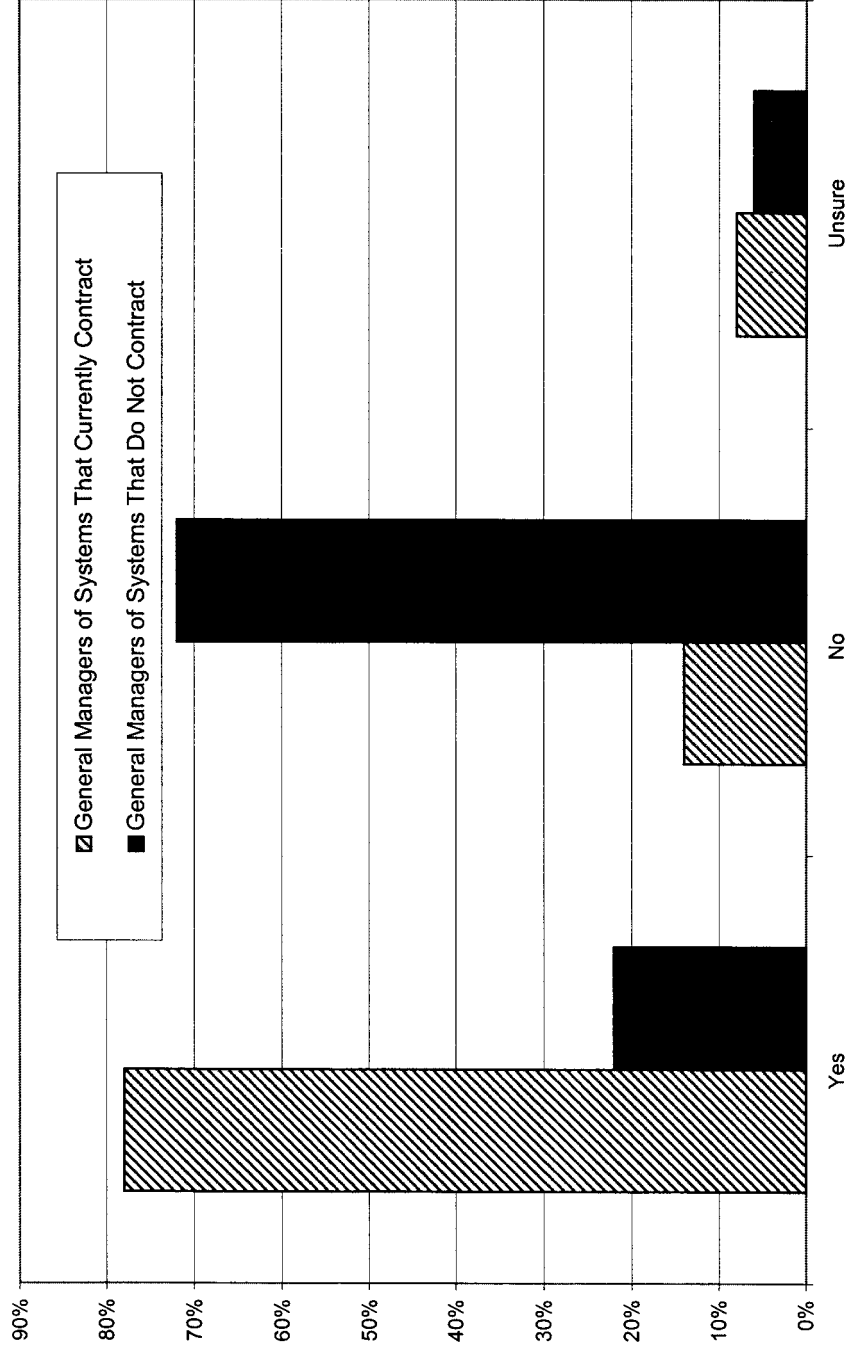


FIGURE 5 - 8 Percentage of general managers responding to the Part 2 survey question, "If you had to do it all over again, and the choice were solely yours, would you contract for services now?"

versely, about one in five general managers of agencies that do not currently contract would choose to do so if given the opportunity.

Advice from General Managers Who Contract

The general managers of transit agencies that are currently contracting were asked to offer advice to agencies that are considering contracting for the first time. Although the answers to this open-ended question were wide-ranging, it was possible to code them into nearly 20 relevant categories, as shown in Table 5-11. In general, the advice relates to (1) the importance of taking care in deciding whether to contract, (2) the best ways to obtain contractor services, (3) means of properly structuring the contract, and (4) the need for attentive monitoring and

TABLE 5 - 11

Advice Offered by Contracting General Managers to General Managers Considering Contracting for the First Time

<i>Advice</i>	<i>No. of General Managers Offering Advice</i>	<i>Percentage of Total General Managers Offering Advice</i>
Outline specific duties/responsibilities	54	46.2
Specify performance requirements	47	40.2
Monitor contractor performance	38	32.5
Scrutinize contractors beforehand	24	20.5
Talk to other agencies	23	19.7
Teamwork/communication with contractor	20	17.1
Competitive procedure based on more than cost	19	16.2
Combine rewards and penalties	18	15.4
Have a clear mechanism for making changes	14	12.0
Identify elements to contract re agency goals	14	12.0
Specify wage rates/cost escalation	13	11.1
Penalty clauses/liquidated damages	12	10.3
Begin with internal cost analysis	12	10.3
Provide vehicles/facility/maintenance/eligibility	10	8.5
Be flexible	10	8.5
Broad involvement in proposal process	10	8.5
Contractor provides vehicle/fuel/routing	5	4.3
Other	18	15.4
Total responding	117	100.0

oversight of the contract work. In the follow-on interviews, the general managers offered similar insights.

Decision To Contract

The general managers urged agencies that are considering contracting for the first time to undertake an objective and dispassionate examination of contracting's advantages and disadvantages. They advised that management first identify the transit services that are best suited to contracting in light of the agency's long-term goals and the probable outcomes of contracting those services. They urged a rational planning process that involves considering not only the budgetary impacts of contracting, but also the effects on service quality, workforce motivation and morale, and flexibility to respond to new and changing service demands. Several general managers noted the importance of consulting with other transit agencies that have significant contracting experience to obtain a better sense of likely effects in these areas.

Contracting Approach

Once the decision to contract has been made, the general managers urged agencies to consult other, experienced agencies about ways to identify, avoid, and mitigate problems with contractors. By talking with others beforehand, an agency can obtain information about the reputation of firms bidding on contracts. Implicit in this recommendation is the recognition that the contracting industry is diverse, and that individual contractors can differ widely in their qualifications and capabilities. The advice offered in the follow-on interviews was comparable. Several of the managers indicated that stability in the contractor's management team should be an especially important consideration, since changes in assigned personnel can affect whether the overall contracting experience is positive or negative.

Most general managers reported that they treated bid price as just one of many factors weighed during the selection process. They advised basing contractor selection on a competitive procedure using a broader set of factors than price alone (where allowed by law). Several of the general managers responding to the survey and participating in the follow-on interviews reported using a two-phase approach for selecting a contractor. The first phase entails evaluation of bidder qualifications and capabilities, such as by asking contractors for technical and business information on startup plans; assumptions about wage rates;

plans for hiring, training, and retaining workers; and the qualifications of their management team. Only during the second phase are bid prices evaluated, preferably with the help of an internal cost analysis to identify realistic bids.

Contract Structure

Nearly half the general managers urged specificity in defining contractor duties and responsibilities in the contract documents. They reported that defining as many expectations as possible at the outset and stipulating them in the agreement is essential for avoiding disputes. They also noted that the contract should establish a clear mechanism for making changes to the contract.

More than 40 percent of the general managers advised the inclusion of well-defined performance standards in the contract. Many urged rewards when standards of performance are exceeded, but combined with penalties for poor performance. Some recommended the inclusion of specific contract provisions to reduce the potential for performance problems, such as the stipulation of minimum wage rates to attract and retain quality drivers. One of the general managers reported that his agency does not specify wage rates, but stipulates the use of current areawide rates in bid proposals and justification for lower assumed wage levels.

Overseeing and Working with the Contractor

Monitoring of contract performance ranked third among all the areas of advice offered by the general managers. They noted the importance of clearly communicating the agency's intention to monitor the work and to hold the contractor responsible for meeting agreed-upon standards. Attentive monitoring of performance was also identified as important in nearly all the follow-on interviews with general managers.

In addition, recognizing that circumstances and needs can change, the general managers reported that beyond establishing a formal mechanism for making changes in contract agreements, it is important to maintain clear channels of communication with the contractor. Here again, the follow-on interviews suggested the importance of cultivating the relationship with the contractor by both communicating expectations and holding the contractor to those expectations in a fair and consistent manner. One general manager interviewed found that informal weekly meetings with contractor staff helped identify and address incipient problems and build a stronger team relationship. Examples of efforts

BOX 5 - 3**Balancing Oversight and Collaboration**

Balancing vigilant monitoring and oversight with teamwork can appear to be a daunting task for agencies contracting for the first time. Yet examples drawn from the follow-on interviews reveal the importance of striking this balance.

In one case, increasing ridership on a contracted route began to affect the contractor's on-time performance. In response, the agency adjusted the schedule to allow for additional running time; however, another vehicle and more drivers would be required. Because the contractor was paid on a mileage basis, the change would lead to additional unreimbursed costs. However, in working with the contractor to find a solution to this problem, the agency determined that by adding more trips to the schedule, the contractor would be able to cover most of the additional equipment and labor costs. Both the contractor and agency were satisfied with the result.

In another case, the lack of collaboration was detrimental to both agency and contractor. When a contractor was purchased by a larger company that asked to renegotiate the contract, the agency denied the request. A decline in service quality soon became apparent. In retrospect, both agency and contractor reported that a better solution would have been for the agency to accept early contract termination. Although the contractor would have sacrificed the performance bond, the relationship became increasingly adversarial and untenable.

to balance contractor oversight and teamwork, drawn from the follow-on interviews, are provided in Box 5-3.

Note

1. For those questions in which the general managers were asked to make judgments by checking a box, each box was assigned a number on an ordinal scale. To depict the responses graphically, the average ratings are presented in charts (such as Figure 5-1) that show the scale used. The averages are calculated by summing the ordinals assigned for each response and dividing the sum by the number of respondents. Because such averages mask variation, the charts are accompanied by tables (such as Table 5-1) that present the actual numbers.

6

Summary and Assessment

Transit systems in the United States serve large and varied markets. They provide critical transportation services to the elderly and people with disabilities; carry millions of commuters each day; and are the main, and often only, means of mobility for the urban poor and others with limited access to private automobiles. In many urban areas, transit is seen as having an important role in curbing traffic congestion and air pollution. Transit systems are expected to meet these diverse user needs while controlling fare levels and expenditures. In addition, they are subject to a mix of economic, institutional, and political influences that affect the kinds of services they can offer and the means by which they can provide these services.

Given their varied circumstances, public transit systems employ many different approaches to deliver their services. Many contract with other organizations—often private companies—to provide at least some services. Indeed, the public and private sectors have long collaborated in the provision of transit services in the United States. For much of the 20th century, private companies provided most transit services under the regulatory oversight of state and local governments. During the past four decades, the model for transit service has changed as state and local governments have assumed almost exclusive responsibility for transit planning and funding. Many state and local governments now use their own facilities, equipment, and workers to deliver needed transit services. Although the private sector's role has diminished

in comparison with its role during the first half of the 20th century, private entities still provide many transit services, usually under contract with public transit systems.

The aim of this study was to gain a better understanding of the contracting approach to public transit provision in its many forms. During the past 20 years, numerous studies have examined the effects of contracting on service cost and quality, usually by scrutinizing the experience of individual systems. While the results from these studies indicate that cost savings are a main reason for contracting, they also point to a multitude of other reasons for the practice—from the desire for more flexibility in adding and withdrawing services to the special expertise needed for the provision of particular kinds of service, such as transportation for people with disabilities. Because so much contracting occurs under so many differing circumstances, it is impractical—if not impossible—to draw general conclusions about the practice on the basis of a relatively small number of system-specific studies.

To be sure, given time and resource constraints, a study-by-study evaluation was not a practical option for this project. In any event, the committee recognized from the outset that a comprehensive review of past studies on contracting would in all probability have generated more questions than answers. During the past decade, much of the debate over contracting has centered on the somewhat subjective matter of what proportion of transit agency overhead expenses should be allocated to contracted services. There is honest disagreement on which cost allocation model or accounting conventions are most suitable for particular circumstances; thus, the models and conventions used have often varied substantially from study to study. Likewise, previous studies of contracting's effects on transit safety, on-time performance, customer satisfaction, and other aspects of service quality have varied widely in terms of study methods, assumptions, and data quality.

In the committee's view, sorting out these differences among past studies and trying to use those studies to draw conclusions on the effects of contracting today would have proven futile given the time and resources available. Hence, the committee elected to conduct its own nationwide survey of transit service contracting practices and results. More than 500 public systems that receive federal transit aid were asked to report on their own experiences with contracting. Each public transit system has its own reasons for deciding whether to contract, and the systems' general managers are in a good position to offer judgments on the results of those decisions. Therefore, the surveyed general managers were not given detailed instructions on how to define cost savings or measure service

quality. It was assumed that they have a sufficient understanding of their own circumstances to identify and offer reasonable assessments of results.

At the same time, the committee recognized that these respondents are likely to reach judgments based on their own vantage points as transit managers rather than as policy makers, and that they may be inclined to defend current practice and judge alternatives differently before and after a decision has been made. Thus, it is impossible to be certain whether the general managers participating in the survey accurately appraised the reasons their agencies contract (or do not) and the outcomes of contracting. Instead of simply acknowledging these uncertainties, it would have been desirable to control for them; however, time and resource limitations precluded a more elaborate survey and statistical analysis. Therefore, the survey results are presented here for what they are—the experiences and perceptions of contracting reported by general managers of hundreds of public transit systems across the United States.

Key Survey Results

The survey results are helpful in understanding the extent and methods of transit service contracting in the United States, as well as the reasons some transit systems contract and others do not. Although the survey findings do not paint a complete picture of contracting practice and experience, they reveal much about the amount of contracting that occurs, motivations for and deterrents to contracting, and levels of competition for contracted services. Collectively, the survey results show that contracting is monolithic in neither practice nor outcomes, and that contracting experiences and methods are both varied and complex.

What Has Been Learned About Contracting Practices?

The survey results, augmented by National Transit Database (NTD) data collected by the Federal Transit Administration (FTA), provide important information on the extent of contracting among federal aid recipients, how contracts are structured, and the state of competition for contracted services.

Many transit systems contract for some services, but mainly for small amounts and typically for demand-responsive rather than fixed-route bus services.

- About 20 percent of all transit systems receiving federal aid contract for all their transit services, 40 percent contract for some, and the remaining 40 percent

do not contract at all. Yet even with most systems (60 percent) contracting for at least some service, the total amount of contracting is relatively small, accounting for about 15 percent of all bus and demand-responsive services provided.

- More than two-thirds of transit systems have contracts for demand-responsive services, while fewer than 40 percent contract for bus services. More than half of all demand-responsive services are contracted, compared with only 6 to 7 percent of bus services.
- Large systems are more likely than small ones to contract for some transit services, although few contract for more than 25 percent of their services. In relation to their absolute numbers, small systems contract less than large systems; however, small systems are much more likely than larger ones to contract for all their services. Because of their small size, the former systems—often operated by municipal and county governments—contract for either all or none of their services. Large state and regional transit systems, with many more service offerings, have greater opportunity to contract for a portion of their services.

Transit systems that have experience with contracting have found ways to exercise control over their contracted services and have sought ways to promote competition.

- Most contracts are for multiyear periods, usually for 3 years with two 1-year options. The duration is sufficiently long to avoid repeated costs associated with rebidding, but sufficiently short to discourage contractor complacency.
- Systems usually provide the vehicles and other major assets for bus service contracts, and they often provide them for demand-responsive services as well. By owning these key assets, transit systems can readily take back and rebid a service if the contractor fails to meet responsibilities and expectations.
- Most contracts are structured to pay contractors on the basis of a predetermined fee per unit of output produced—usually hours of revenue service. The contractor is therefore responsible for controlling costs; only one-quarter of systems pay contractors on a cost-plus-fixed-fee basis.
- Monetary penalties to discourage poor performance are common in contracts; fewer contracts contain monetary rewards for good performance.

Most contracted services are competitively bid and attract multiple bidders.

- Most transit service contracts are awarded through competitive processes.
- Most contracts attract multiple bidders; the survey results indicate 2.8 on average. Small systems have the most difficult time attracting multiple bidders;

such systems reported 2.5 bidders per contract on average, compared with 2.9 for medium-sized systems and 3.6 for large systems.

- The number of bidders on contracts has been stable in recent years; however, demand-responsive contracts are more likely than bus contracts to experience a decline in bidders during rebidding.
- The contracts of larger systems change hands more often than those of smaller systems. Many contracts continue to change hands even after they have been rebid multiple times. Even those contracts that have had only one contractor typically continue to attract bidder interest when they are rebid.

What Has Been Learned About Contracting Experiences?

The results of the survey of general managers are highly informative about why some transit systems contract some or all of their services, while others do not contract at all. The results reveal many common experiences with contracting, including both positive and negative effects. They also suggest ways to make contracting work better.

General managers of most transit systems are generally satisfied with their current approach to service delivery, although most have used more than one method of delivery.

- Nearly 80 percent of general managers of transit systems that currently contract reported that they would contract again given the choice. In contrast, nearly three-quarters of general managers of transit systems that do not contract reported that they are satisfied with their current method of service delivery.
- About one in seven general managers from transit systems that now contract and about one in four from systems that do not contract would change their current method of service delivery if given the opportunity. About one-third of transit systems that do not currently contract have contracted in the past. These results suggest that the level and nature of contracting are dynamic and that the mix of advantages and disadvantages favoring contracting or in-house methods of service provision can change for a transit system over time.

The main reasons transit systems contract for service, according to transit managers, are to reduce costs and increase flexibility to introduce new services. A main reason some do not contract is the desire to maintain control over services and operations.

- Half the general managers of transit systems that currently contract reported that reducing costs, increasing cost-efficiency, and introducing new services are the most important reasons for contracting. About one-third rated as important the desire to create a more competitive and flexible environment.
- Nearly 60 percent of the general managers of transit systems that do not contract for services reported that maintaining control over their operations is a main reason for not contracting. About half also reported that they do not believe cost savings, if any, are sufficient to prompt them to contract.
- Neither group of general managers—those that contract now and those that do not—cited the influence of policies or laws as especially important in the decision about contracting.

General managers of most transit systems that currently contract are satisfied with the cost savings achieved. However, many cite problems with the quality of the contractor workforce, employee turnover, and customer service as negative side effects of contracting.

- More than half the general managers from systems that are currently contracting identified reduced operating costs as a positive effect of the practice. General managers from both small and larger systems reported this benefit. Those from small systems also reported benefits from reductions in staffing and administrative burdens assumed by the contractor.
- General managers from agencies that currently contract, as well as those that have contracted in the past, cited the loss of operational control, poor service quality, and problems with customer service as negative aspects of contracting. Small systems are more likely than large ones to view contract monitoring responsibilities as problematic.

Most general managers of transit systems that currently contract believe their contracting programs are fully or partially meeting expectations.

- More than 55 percent of the general managers from contracting systems reported that their expectations from contracting have been fully met, and 38 percent reported that their expectations have been partially met.
- Nearly all general managers of systems that are now contracting reported cost savings. However, shortcomings in contractor service quality and associated time demands on agency staff to ensure quality are the main reasons some believe contracting has not fully met their expectations. More than half of the general managers with partially met expectations identified service quality as an important problem. Service quality was also identified as a problem by many general managers of systems that no longer contract.

Whether To Contract and How To Make It Work

By and large, the general managers of transit systems are satisfied with the cost savings from contracting, but less satisfied with service quality. Whether through trial and error or through preparation and foresight, the general managers of those systems that contract today have learned how to make their contracting programs work better to achieve cost savings and acceptable service quality. In particular, they offered the following advice to other general managers who may be considering contracting.

Anticipate the benefits and costs of contracting, and set realistic expectations.

- Take an open-minded and realistic view of contracting's advantages and disadvantages. Conduct a full analysis of the likely consequences—not only by examining budgetary effects, but also by weighing potential effects on service quality, workforce motivation and morale, and flexibility to respond to new and changing service demands.
- Consider various approaches to structuring contracts, including the option of providing vehicles, facilities, and other costly assets. The contract should be structured to prompt sufficient competition and allow the agency to take the service back should the contractor fail to meet expectations.
- Conduct a review of the costs and effects of providing services directly, and use this information to evaluate all contracting options.

Establish a competitive procurement process that invites high-quality proposals and screens out unrealistic proposals and unqualified contractors.

- Scrutinize contractors beforehand, through both formal and informal means. In particular, seek out other transit systems to discuss their contracting experiences in general with individual contractors.
- Review proposals carefully. Begin with a process that reveals the capabilities of prospective contractors—for instance, by asking contractors for technical and business information on startup plans; assumptions about wage rates; plans for hiring, training, and retaining workers; and the qualifications of their management team.
- Make internal estimates of service costs, and use this information as a baseline in assessing the credibility of contractor proposals, including those that are priced too high and those that are priced too low.

Clearly spell out all contractor responsibilities, closely monitor performance, and communicate with the contractor.

- Outline all of the duties and roles of all parties to the contract. Establish a clear mechanism for making changes in contract agreements, and define all expectations with respect to service quality.
- Include penalty clauses and rewards in contracts to motivate good performance.
- Routinely monitor contractor performance, and provide the contractor with candid and frequent feedback.
- Maintain an open and collaborative relationship with the contractor.

Insights and Ideas for Further Evaluation

In preparing this report, the committee has been careful to present only findings that are directly substantiated by the information gathered during the course of the study, particularly from the survey findings. These findings have been presented in Chapters 4 and 5 and summarized above.

However, the richness of the committee's insights extends beyond these findings. Each of its 12 members is knowledgeable about contracting experiences across the country; thus each joined the committee with well-founded views on transit contracting. During a period of 10 months, the committee met five times and communicated frequently through telephone conference calls and e-mail. Emerging from this extensive interaction was a consensus that reached beyond the empirical results obtained during the study. These insights are offered in the remainder of this chapter. First is a discussion of some of the additional information the committee would like to have had during the course of the study—information that was not recognized as being important until after deliberation of the survey results. This is followed by the committee's own ideas—or hypotheses for further evaluation—on how transit contracting is occurring and evolving in the United States.

Additional Information Needed

As is the case with all research efforts, the committee's work raised questions that could not be addressed adequately during the course of its deliberations. Several issues arose repeatedly and warrant further attention.

First, the transit general managers who responded to the survey were not asked to offer assessments of the cost and performance of their internal, directly provided services. In designing the survey, it was necessary to balance the desire for more information with the need for a survey that would not be overly

burdensome. Nevertheless, information on each agency's satisfaction with internal operations would undoubtedly have been helpful in providing an appropriate context for examining the general managers' reports about benefits and problems associated with contracting.

Second, it would have been desirable to have more information on the extent to which the political and policy environments affected the decision to contract. Again, survey recipients were intentionally asked for a limited amount of information. Although the survey did address the effect of policies and laws on contracting, the level of detail in the responses was insufficient to support a general conclusion about the influence of the political and policy environments on contracting decisions. The survey was distributed to general managers, who have a particular vantage point and are but one group of individuals involved in the contracting decision. The experiences of individual committee members suggest that the political and policy environments, especially at the local level, can be important influences on the decision whether to contract. More information derived from a wider range of participants in transit policy making is needed to appraise political influences on the decision to contract.

Third, the committee was unable to determine with any specificity the magnitude of the cost savings from contracting and whether they change over time, nor were respondents asked to verify their perceptions of cost savings. As discussed above, the committee relied on the general managers to use their best judgment, and did not advise them on what constitutes cost savings or how to calculate those savings. The committee believes that follow-on studies aimed at quantifying the effects of contracting on transit operating and administrative costs, service reliability, safety performance, and other factors affecting the level and quality of service (such as labor productivity and relations) are warranted and will benefit from the information obtained from the survey conducted for the present study.

Finally, the committee did not examine the structure of the contracting industry to assess how trends toward industry consolidation may affect competition in the years ahead. The survey results provide a snapshot of conditions today and in the recent past. The committee does not know, nor can it predict, how the overall state of competition in the industry will change over time.

Ideas for Follow-On Study

Contracting is a dynamic undertaking: some transit systems are contracting, others are not, and some are about to undertake or discontinue the practice.

Individual circumstances can change over time, affecting the comparative advantages of contracting and direct service provision, or creating an opportunity for some other method of service delivery. The data gathered by the committee suggest that contracting, at least as perceived by the general managers surveyed, often entails a trade-off between cost containment and service quality. That some services are taken back in house may be the result of cost differentials diminishing over time. In other cases, the original desire to achieve cost savings or increase the amount of service through contracting may be replaced by a greater emphasis on improving service quality. As transit systems exert more control over service quality by imposing stringent quality requirements in contracts, it is reasonable to assume that contractor costs will increase over time. At the same time, labor unions may agree to changes in collective bargaining agreements that make direct service provision more cost-competitive, blunting differences between in-house and contractor costs.

A final and related insight concerns the nature of transit contracting. As discussed in Chapter 3, there is evidence that certain aspects of transit service contracting are difficult to articulate in a written agreement. As an example, transit systems can come to value particular qualities of individual contractors that cannot readily be specified in a request for proposals or a contract document; a transit manager may, for instance, be reluctant to switch from a contractor that provides demand-responsive services with few complaints from customers. The continuation of such relationships may be advantageous to riders as well as to the agency and contractor involved. The extent to which such service contracting relationships exist today in the transit industry and can be fostered and maintained to the benefit of riders deserves further consideration in follow-on studies.

Transit Contracting and Privatization Initiatives in Western Europe

While transit contracting has long existed but increased only slightly in the United States during the past decade, it has grown much more rapidly in Western Europe, where it was rare as recently as 15 years ago. Several European countries, including France and Great Britain, introduced privatization measures during the 1980s; during the past decade, many other European countries have followed suit, though in different ways. European Union (EU) requirements to open quasigovernmental activities to competition by public and private suppliers from all member countries have prompted some of these changes, as have concerns about rising transit expenditures during the 1980s and 1990s.

Many of Europe's transit modes, as well as intercity passenger rail, have been affected. This appendix provides a brief overview of circumstances in several Western European countries, focusing on bus services.¹ Table A-1 summarizes public- and private-sector roles in transit provision in the United States, Canada, and five EU countries.

It should be noted that many studies have examined the effects of bus privatization, deregulation, and competitive contracting on transit fares, ridership, and service quality in Great Britain and elsewhere in Western Europe. A review of the international experience with transit privatization and contracting is beyond the scope and resources of the present study. This appendix is

(text continues on page 143)

T A B L E A - 1

Public- and Private-Sector Roles in Providing Public Transit Service in the United States, Canada, and Selected Countries of Western Europe

<i>Country</i>	<i>National Role</i>	<i>State and Regional Role</i>	<i>Local Role</i>	<i>Private-Sector Role</i>
United States	The federal government provides state and local governments with aid for the provision of transit infrastructure and equipment, contributing about half of transit capital funds. A small share of operating revenues is provided by the federal government (the share is largest for small transit systems).	Many states provide revenue for transit capital and operations. A few have state transit agencies with operating authority. Most have established regional transit districts for each metropolitan area. State-approved regional taxes (such as sales taxes) are sometimes used to generate the revenue for major capital improvements or operating subsidies.	County and city governments often provide operating subsidies for regional transit agencies. The revenue is derived from local property taxes, sales taxes, and other local sources. Transit is sometimes organized at the county or city level, rather than the regional level.	Private transit contracting is common in some states and most prevalent in California. Private businesses compete to provide specific transit services (or management functions) that are paid for and prescribed by state and local governments or by public transit authorities. The practice is most common for specialized transit services such as paratransit and support services such as maintenance. A small number of larger systems contract on a more widespread basis for fixed-rate service.

(continued)

T A B L E A - 1 (continued)

Public- and Private-Sector Roles in Providing Public Transit Service in the United States, Canada, and Selected Countries of Western Europe

<i>Country</i>	<i>National Role</i>	<i>State and Regional Role</i>	<i>Local Role</i>	<i>Private-Sector Role</i>
Canada	The national government has no role in transit funding, organization, or planning, except for some research and development programs.	The Canadian provinces have traditionally provided significant (about half) capital and operating subsidies for urban transit, although this responsibility has increasingly been shifted to metropolitan and municipal governments.	Regional metropolitan governments and their constituent municipalities provide most transit services with funding support from the province. Revenues are also derived from property taxes levied in special "transit assessment" districts. Some individual cities and municipalities also provide transit services, for instance through public utility commissions.	The private sector has a limited role in the provision of transit. Private contractors supply some services prescribed by the public-sector transit agencies.
Germany	The national government provides states (Länder) with block funds that can be used to subsidize commuter rail services or otherwise employed by local governments to fund mass transit. The federal government also contributes aid to specific	States subsidize commuter rail and provide local government with funds for transit. States cover about half the cost of providing and maintaining railway infrastructure. States set minimum transit service level requirements to be met by local governments.	Many local governments allocate state and federal transit funds to regional cooperatives of transit operators known as "verkehrsverbunds" (VVBs). The VVBs coordinate the provision of transit services over the entire region and reallocate	The private sector is increasingly being called upon to compete for contract work. The Swedish model of private contracting or "tendering" on a route-by-route basis is becoming more common.

capital projects, with state and local government sharing in the cost using revenues derived from motor fuel taxes.	Transit is organized at the regional level by the province or by groups of municipalities.	Local governments have the main responsibility for subsidizing bus and rail service (capital and operations) using revenues from employer payroll taxes approved by the national government. Taxes may be as high as 40 percent of an employer's payroll.	funds among individual operators.
France	The national government finances transit directly in the capital of Paris and surrounding suburbs. National subsidies are minimal in the provinces, however, with the exception of funding for large rail transit additions or improvements.	A small number of large private bus companies operate service franchises in municipalities. The companies compete to provide service over entire networks (as opposed to routes) and they are subsidized by local governments. These companies usually own their own equipment and have long-term contracts.	
Sweden	The national government's contribution is limited mainly to the funding of major rail infrastructure projects.	County governments have primary responsibility for transit operating and capital subsidies and for the planning of services. Subsidies are allocated to local government for the procurement of transit services.	Private companies bid for service on specific routes, according to fare, service, and schedule parameters prescribed by the local authority. Rail and bus operations are contracted out. The public sector prescribes the route and fare schedules to be adhered to and often owns the equipment and other necessary infrastructure.

(continued)

Public- and Private-Sector Roles in Providing Public Transit Service in the United States, Canada, and Selected Countries of Western Europe

<i>Country</i>	<i>National Role</i>	<i>State and Regional Role</i>	<i>Local Role</i>	<i>Private-Sector Role</i>
Great Britain	The national government has primary responsibility for funding rail and bus transit in greater London. It also subsidizes commuter rail outside London by providing funds to local passenger transport authorities. In other areas, local authorities support some transit services with grant aid from the national government.		Local governments (e.g., counties) subsidize a small number of bus routes designated by passenger transport authorities as "socially necessary." Local authorities also fund concessionary fares for students, the disabled, and the elderly.	Bus services outside London are largely private, unregulated, and unsubsidized except for public funds provided to private operators for "socially necessary" services. Private bus companies provide lightly subsidized contract services in greater London.
Netherlands	The national government provides most transit subsidies, contributing to both operations and capital. It also sets fare and service policies.		Local governments have minimal funding responsibility but are responsible for tendering private-sector services and ensuring performance.	Private companies are increasingly being called upon to compete for contract services.

SOURCE: TRB 2001.

offered as background, and no attempt is made to review the results of other studies.

Great Britain

By far the most dramatic movement toward transit privatization has taken place in Great Britain. In 1985, legislation passed by the British Parliament deregulated motor bus services throughout the country, with the exception of the greater London metropolitan area. Local transportation authorities were disbanded, and public transit operations were privatized and many of their assets sold. Although the government retained safety rules and licensing authorities, it divested and deregulated the industry commercially. The newly for-profit operators were allowed to enter and exit markets as they wished, establish their own timetables and networks, set their own fares, and choose their own equipment. Local authorities were tasked with maintaining sufficient bus stands and shelters; obtaining and subsidizing contracted services on a small number of “socially necessary” but unprofitable routes; and reimbursing bus companies for the discounted fares offered students, the elderly, and people with disabilities. Otherwise, private operators had to cover their own capital and operating costs without public assistance and at their own risk. The national government provided a small subsidy in the form of fuel rebates.

When deregulation was passed, the original plan was to gradually instill more competition in the bus operations of greater London, and eventually privatize and deregulate that system in the same manner as elsewhere. London Transport, the public transport authority, was charged with contracting out, or tendering, bus services with as little public assistance as possible. A subsidiary unit (the Tendered Bus Division) was created and charged with obtaining the purchased bus services, while London Transport retained responsibility for route planning and setting of fares. The once-public bus fleets were converted to a subsidiary, known as London Buses Limited (LBL), and were required to compete with private companies for the opportunity to serve specific routes in a progressive process aimed at increasing the amount of tendering. Routes were awarded to the operator that could run the best service at the lowest subsidy price, and several of the initial routes went to private companies rather than to the newly created LBL.

The LBL initially faced several problems resulting from higher overhead that made it difficult to compete with the leaner private operators. To address this problem, and as a step toward the still-planned deregulation of buses in greater

London, the LBL created 13 locally based subsidiary companies. They conducted their own wage negotiations with the unions, took actions to reduce overhead, and competed against each other as well as against the private companies for bus contracts. The subsidiaries became increasingly successful in competing for routes, which are typically rebid at 5-year intervals. The LBL subsidiaries were fully privatized in 1994 as the companies were sold to other bus operators, management, and employees.

Partly because of the success with tendering, the national government has abandoned plans to extend the deregulation of bus services to London. Deregulation continues elsewhere, although the national government has taken some regulatory steps to improve bus service quality, and local passenger transportation authorities have been restored in most urban areas to improve overall transport planning.

Germany

The federal and state governments of Germany have been seeking to instill more competition in the provision of public transit. Rather than subsidizing transit services directly, they have increasingly been offering municipalities and other local jurisdictions block grants to provide transit and other public services. To make the most of these funds, local governments have been experimenting with contracted services, as well as the privatization of some bus companies.

In most cases, the local government franchises designate routes for specific periods of time, usually lasting no more than 8 years. This is done on a route-by-route basis, meaning that the services of several operators make up the overall network for an urban area. During the franchise period, the operator is protected from competition on the route (and on parallel routes), but is obligated to provide service at specified frequencies and within prescribed fare and quality levels. After the term has expired, the operator can apply for renewal along with other competing operators. Where projected service costs exceed projected fare revenues, local authorities seek competitive bids and award the franchise to operators requiring the least public subsidy.

Transit operators in many of the large urban areas of Germany are able to cover their operating costs through fare box revenues, especially when the government reimbursement for the discounted fares offered to students and the disabled is included. In many localities, however, bus operations are cross-subsidized with the revenues generated by their parent or partner electric and gas utilities. This situation has become problematic, viewed as protective by

the EU. Although services that are directly operated by government are not subject to EU requirements for market competition, many of the transit operators and utilities in Germany are private, albeit regulated, entities. Changes are still being negotiated among EU members.

Scandinavia

Next to Great Britain, Sweden has proceeded further than any other European country in privatizing once-public transit services. Prior to 1989, local transit authorities in each of Sweden's 23 counties (and the Municipality of Stockholm) provided exclusive operating licenses to individual transit operators. These companies were usually owned by the county and local jurisdictions. The system of licensing was abolished by the national government in 1989, and counties were encouraged to open their transit markets to competition. Most county and local governments, required to pay for all transit capital and operations out of their own budgets, elected to seek competitive bids from other operators on a route-by-route basis. Low price (that is, lowest required public payment) is usually the deciding factor in awarding contracts to bidders, who are typically given exclusive authority to provide the service for a period of 3 to 5 years. The operator is provided a fixed sum by the government, which receives the passenger revenues. Contract incentive schemes to encourage operators to attract more patrons, including a percentage of collected revenues, are becoming more common. Many of the Swedish bus operators are now subsidiaries of large British and French transport companies.

Denmark has also increased its use of contracting for bus services, although on a more incremental basis than in Sweden. Outside of the Capital Region of Copenhagen, regional transport authorities issue licenses to individual operators for service in specific areas. Routes, schedules, fares, and other conditions of service are established by the authority. The duration of most licenses is 5 to 8 years. Legislation passed in 1989 requires that tendering be used increasingly within Copenhagen for bus services. Copenhagen Transport, the regional transportation authority, is obliged to seek competitive tenders for two-thirds of the bus services in the region. The tenders are sought on a route-by-route basis. Copenhagen Transport, which has its own bus division, is not allowed to place bids. Its function has become increasingly oriented toward planning and policy making, overseeing of the placement of tendered services, design and integration of the network, and establishment of fares. The authority is also responsible for marketing and ensuring conformity in service quality. National legislation re-

quires that all bus services in Copenhagen be provided by private companies as of July 2002.

France, Belgium, and the Netherlands

Transit services in the Capital Region of Paris are provided almost exclusively by the government, funded at the national level. Decentralization laws passed in France during the early 1980s, however, leave it to local authorities to provide public transportation. Local authorities can consist of a single municipality or several acting together. Each authority establishes an “urban transport perimeter,” or PTU, in which it can levy a tax on employers for transportation funding. PTUs—which total more than 150—may provide the transit service directly. However, national legislation passed in 1993 requires that any PTU that chooses to delegate its transit service to another entity must publish a call for bids from competing operators. These tenders are usually offered for the entire network rather than on a route-by-route basis, as is common elsewhere in the EU. As a result of this rule, public transit operators in France consist of a mix of public, private, and semiprivate companies. Even in those PTUs that have opted for direct provision of service, management of the operations is usually delegated to a private company.

In neighboring Belgium, responsibility for urban transit lies with regional governments. Each region has its own approach to providing the service, some using contracting more than others. For instance, very little contracting goes on in the Brussels Capital Region, in which transit services are provided by the publicly owned regional Interdistrict Transport Company. In most other regions, however, a portion of public transit service is contracted out, usually on the basis of payments per vehicle-kilometer of service and subject to the meeting of specified service standards. Approximately 40 percent of bus services in Flanders is contracted to private firms from Belgium, which are often family-run enterprises.

Further north in the Netherlands, the institutional organization of public transit is highly centralized within the national Ministry of Transport. The ministry allocates funds as well as operating subsidies to the country’s transit infrastructure. The Netherlands has eight municipal transit companies and several regional ones for smaller urban areas; each operates within its designated boundaries without competition. The Dutch government has experimented with tendering during the past decade, but on a very limited basis for interurban and demand-responsive operations.

Note

1. Much of the information presented here about transit contracting in the European Union was obtained from UITP 1997.

References

ABBREVIATIONS

TRB	Transportation Research Board
UITP	Union Internationale des Transports Publics

- TRB. 2001. *Special Report 257: Making Transit Work: Insight from Western Europe, Canada, and the United States*. National Research Council, Washington, D.C.
- UITP. 1997. *Major European Players in Public Transport: New Developments in the European Union*. Brussels, Belgium.

Transit Contracting Survey Parts 1 and 2 with List of Recipients and Respondents

The survey instruments sent to transit systems (Part 1) and their general managers (Part 2) nationwide for this study are reproduced in reduced size on the following pages. Table B-1 lists all systems that received the surveys and indicates which parts were completed and returned.

THE NATIONAL ACADEMIES

Advisers to the Nation on Science, Engineering, and Medicine

National Academy of Sciences
National Academy of Engineering
Institute of Medicine
National Research Council



Transportation Research Board

November 27, 2000

Dear

The 1997 Transportation Efficiency Act for the 21st Century calls on the Transportation Research Board to study experiences with contracting out transit services. Findings from this study will assist you and other public transportation providers in deciding if and when to contract transit services, and in identifying best practices for doing so.

We need your help by completing the enclosed two-part questionnaire. The first part asks for information about your operations contracts. The second part (in blue) asks you, the chief executive, to judge your agency's experience with contracting. Please forward the first part of the survey to the person on your staff best able to provide detailed information about specific contracts. We ask that you complete the second survey yourself. Whether or not you currently contract for transit services, it is important that both parts are completed and returned.

Because the study results are due in the spring, we would very much appreciate your prompt reply—please no later than December 31, 2000. All your responses will be kept confidential. The study report will be distributed widely during the summer.

If you have questions about the study, need clarification concerning any aspect of the questionnaire, or would like an electronic version, please contact

With your help, this survey will provide valuable information for transit operators and policy makers in the years ahead.

Sincerely,

A handwritten signature in cursive script that reads "Gorman Gilbert".

Gorman Gilbert
Chairman
Committee for a Study of Contracting Transit Services

PART 1 - Transit Contracting Survey

Label goes here.

In the space provided below, please correct any inaccurate information shown on the label.

An electronic version of this survey is available. If you would prefer to complete and submit this survey on-line, e-mail your request for a non-NTD survey to

(1) Whom can we contact if we have questions about the data in this survey?

- ☐ Same person in the label above ☐ Please contact:

Name: _____
Telephone: _____

(2) For which type of organization do you work (select only one)?

- ☐ City Transportation/Transit Department
☐ Regional or Local Transportation/Transit Authority
☐ County Transportation/Transit Department
☐ State Transportation/Transit Department
☐ Private Operator
☐ Other: _____

(3) Does your agency contract for any public transit services?

- ☐ Yes
☐ No

(4) Please tell us about the transit services your agency provides.

	Directly Operated by my Agency	Contracted Out
Bus (Motorbus or Trolleybus)	<input type="checkbox"/>	<input type="checkbox"/>
ADA Paratransit	<input type="checkbox"/>	<input type="checkbox"/>
Dial-a-Ride/Demand Response	<input type="checkbox"/>	<input type="checkbox"/>
Commuter Rail	<input type="checkbox"/>	<input type="checkbox"/>
Heavy Rail	<input type="checkbox"/>	<input type="checkbox"/>
Light Rail	<input type="checkbox"/>	<input type="checkbox"/>
Vanpool	<input type="checkbox"/>	<input type="checkbox"/>
Jitney	<input type="checkbox"/>	<input type="checkbox"/>
Ferryboat	<input type="checkbox"/>	<input type="checkbox"/>
Other:	<input type="checkbox"/>	<input type="checkbox"/>



PART I - CONTRACTING SURVEY
November 2000
Page 2 of 7

(5) Please describe your agency's operating funding sources for the fiscal year ending in 1999.

Revenue Source	Total 1999 Amount	List Specific Sources	Dedicated at the Source Exclusively for Transit
Fares/Other Direct Revenues	\$		
Local	\$		<input type="checkbox"/> Yes <input type="checkbox"/> No
State	\$		<input type="checkbox"/> Yes <input type="checkbox"/> No
Federal	\$		
Other Revenues	\$		
Total 1999 Operating Funding	\$		

(6) Please fill in the requested data for Fiscal Year 1999.

Fiscal Year 1999	Total Annual Passengers Carried	Transit Vehicles Operated in Maximum Service/ Peak Vehicles	Total Annual Vehicle Miles	Total Annual Vehicle Hours	Total Annual Operating Cost
Bus					
Directly Operated					\$
Contracted					\$
ADA Paratransit					
Directly Operated					\$
Contracted					\$
Dial-A-Ride/Demand Response					
Directly Operated					\$
Contracted					\$
Other					
Directly Operated					\$
Contracted					\$
Other					
Directly Operated					\$
Contracted					\$
AGENCY TOTALS					\$

In the following sections, we will ask you to answer questions about specific contracts for each mode that your agency contracts out. We will begin with fixed-route bus services. If your agency *does not* contract for fixed-route bus services, please skip to question #8.

- (7) We would like to know more about your contracted fixed-route transit services. Please describe your agency's two (2) largest fixed-route transit service contracts below.

	Fixed-Route Contract #1	Fixed-Route Contract #2
Name of service contractor		
The service contractor's legal status	<input type="checkbox"/> Publicly owned <input type="checkbox"/> Private for-profit <input type="checkbox"/> Private non-profit <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Publicly owned <input type="checkbox"/> Private for-profit <input type="checkbox"/> Private non-profit <input type="checkbox"/> Other (Please explain):
Please describe the type of service(s) provided under this current contract. Use the space provided to add any clarifying information about the route.	<input type="checkbox"/> Local <input type="checkbox"/> Express <input type="checkbox"/> Community Circulator <input type="checkbox"/> Downtown/Parking Shuttle <input type="checkbox"/> Other:	<input type="checkbox"/> Local <input type="checkbox"/> Express <input type="checkbox"/> Community Circulator <input type="checkbox"/> Downtown/Parking Shuttle <input type="checkbox"/> Other:
These services can be best described as...	<input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural <input type="checkbox"/> Other:	<input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural <input type="checkbox"/> Other:
Year <u>current</u> contract was awarded		
Year <u>previous</u> contract was awarded		
Number of cycles that this service has been re-bid		
Number of times that the service provider on this contract has changed		
The services provided under this current award...	<input type="checkbox"/> Replace services directly provided by my agency <input type="checkbox"/> Replace other contract services <input type="checkbox"/> Are new services	<input type="checkbox"/> Replace services directly provided by my agency <input type="checkbox"/> Replace other contract services <input type="checkbox"/> Are new services
Number of bidders for this current award		
Number of bidders the last time this contract was awarded		

	Fixed-Route Contract #1	Fixed-Route Contract #2
Average annual contract amount (dollars)	\$	\$
Total years initial term of award will be in effect		
Does contract have an option to extend terms?	<input type="checkbox"/> Yes <input type="checkbox"/> No Number of years in option: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No Number of years in option: _____
What is the payment basis for the contract?	<input type="checkbox"/> Cost plus fixed fee <input type="checkbox"/> Revenue Miles <input type="checkbox"/> Revenue Hours <input type="checkbox"/> Total Vehicle Miles <input type="checkbox"/> Total Vehicle Hours <input type="checkbox"/> Passengers <input type="checkbox"/> Other (Please explain): _____	<input type="checkbox"/> Cost plus fixed fee <input type="checkbox"/> Revenue Miles <input type="checkbox"/> Revenue Hours <input type="checkbox"/> Total Vehicle Miles <input type="checkbox"/> Total Vehicle Hours <input type="checkbox"/> Passengers <input type="checkbox"/> Other (Please explain): _____
How does your agency handle fare revenues under this contract?	<input type="checkbox"/> Direct offset to cost <input type="checkbox"/> Percent kept by contractor (Percent=_____) <input type="checkbox"/> Other (Please explain): _____	<input type="checkbox"/> Direct offset to cost <input type="checkbox"/> Percent kept by contractor (Percent=_____) <input type="checkbox"/> Other (Please explain): _____
What contractor performance provisions does this contract have in it?	<input type="checkbox"/> Liquidated damages <input type="checkbox"/> Performance incentives <input type="checkbox"/> Performance penalties <input type="checkbox"/> Other (Please explain): _____	<input type="checkbox"/> Liquidated damages <input type="checkbox"/> Performance incentives <input type="checkbox"/> Performance penalties <input type="checkbox"/> Other (Please explain): _____
How many revenue vehicles are provided under this contract?	_____ Buses are provided by my agency _____ Buses are provided by contractor	_____ Buses are provided by my agency _____ Buses are provided by contractor
What equipment/facilities does the contractor provide for this contract?	<input type="checkbox"/> Non-revenue/support vehicles <input type="checkbox"/> Scheduling hardware and software <input type="checkbox"/> Bus maintenance facilities <input type="checkbox"/> Bus storage facilities (i.e., parking) <input type="checkbox"/> Maintenance equipment <input type="checkbox"/> Other: _____	<input type="checkbox"/> Non-revenue/support vehicles <input type="checkbox"/> Scheduling hardware and software <input type="checkbox"/> Bus maintenance facilities <input type="checkbox"/> Bus storage facilities (i.e., parking) <input type="checkbox"/> Maintenance equipment <input type="checkbox"/> Other: _____
Please add any information about the two contracts that you believe clarifies or adds to the information requested.		

**PART I - CONTRACTING SURVEY**

November 2000

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(8) We would like to know more about your contracted ADA Paratransit or Dial-a-Ride/Demand Response services. Please describe your agency's two (2) largest ADA Paratransit or Dial-a-Ride/Demand Response contracts below. If your agency does not contract for such services, you have completed this survey and may skip to page 7 to finish the survey.

	ADA or Dial-a-Ride Contract #1	ADA or Dial-a-Ride Contract #2
Name of service contractor		
The service contractor's legal status	<input type="checkbox"/> Publicly owned <input type="checkbox"/> Private for-profit <input type="checkbox"/> Private non-profit <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Publicly owned <input type="checkbox"/> Private for-profit <input type="checkbox"/> Private non-profit <input type="checkbox"/> Other (Please explain):
These services can be best described as...	<input type="checkbox"/> Urban <input type="checkbox"/> ADA <input type="checkbox"/> Suburban <input type="checkbox"/> Dial-a-Ride <input type="checkbox"/> Rural <input type="checkbox"/> Other:	<input type="checkbox"/> Urban <input type="checkbox"/> ADA <input type="checkbox"/> Suburban <input type="checkbox"/> Dial-a-Ride <input type="checkbox"/> Rural <input type="checkbox"/> Other:
Year current contract was awarded		
Year previous contract was awarded		
Number of cycles that this service has been re-bid		
Number of times that the service provider on this contract has changed		
The services provided under this current award...	<input type="checkbox"/> Replace services directly provided by my agency <input type="checkbox"/> Replace other contract services <input type="checkbox"/> Are new services <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Replace services directly provided by my agency <input type="checkbox"/> Replace other contract services <input type="checkbox"/> Are new services <input type="checkbox"/> Other (Please explain):
Number of bidders for this current award		
Number of bidders the last time this contract was awarded		
Average annual contract amount (dollars)	\$	\$
Total years initial term of award will be in effect		
Does contract have an option to extend terms?	<input type="checkbox"/> Yes <input type="checkbox"/> No Number of years in option:	<input type="checkbox"/> Yes <input type="checkbox"/> No Number of years in option:

	ADA or Dial-a-Ride Contract #1	ADA or Dial-a-Ride Contract #2
What is the payment basis for the contract?	<input type="checkbox"/> Cost plus fixed fee <input type="checkbox"/> Revenue Miles <input type="checkbox"/> Revenue Hours <input type="checkbox"/> Total Vehicle Miles <input type="checkbox"/> Total Vehicle Hours <input type="checkbox"/> Passengers <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Cost plus fixed fee <input type="checkbox"/> Revenue Miles <input type="checkbox"/> Revenue Hours <input type="checkbox"/> Total Vehicle Miles <input type="checkbox"/> Total Vehicle Hours <input type="checkbox"/> Passengers <input type="checkbox"/> Other (Please explain):
How does your agency handle fare revenues under this contract?	<input type="checkbox"/> Direct offset to cost <input type="checkbox"/> Percent kept by contractor (Percent=____) <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Direct offset to cost <input type="checkbox"/> Percent kept by contractor (Percent=____) <input type="checkbox"/> Other (Please explain):
What contractor performance provisions does this contract have in it?	<input type="checkbox"/> Liquidated damages <input type="checkbox"/> Performance incentives <input type="checkbox"/> Performance penalties <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Liquidated damages <input type="checkbox"/> Performance incentives <input type="checkbox"/> Performance penalties <input type="checkbox"/> Other (Please explain):
How many revenue vehicles are provided under this contract?	_____ Vehicles are provided by my agency _____ Vehicles are provided by contractor	_____ Vehicles are provided by my agency _____ Vehicles are provided by contractor
What equipment/facilities does the contractor provide for this contract?	<input type="checkbox"/> Non-revenue/support vehicles <input type="checkbox"/> Scheduling hardware and software <input type="checkbox"/> Vehicle maintenance facilities <input type="checkbox"/> Vehicle storage facilities (i.e., parking) <input type="checkbox"/> Maintenance equipment <input type="checkbox"/> Other: _____	<input type="checkbox"/> Non-revenue/support vehicles <input type="checkbox"/> Scheduling hardware and software <input type="checkbox"/> Vehicle maintenance facilities <input type="checkbox"/> Vehicle storage facilities (i.e., parking) <input type="checkbox"/> Maintenance equipment <input type="checkbox"/> Other: _____
What services does the contractor provide for this contract?	<input type="checkbox"/> Call taking <input type="checkbox"/> Reservations <input type="checkbox"/> Dispatch <input type="checkbox"/> Eligibility <input type="checkbox"/> Routing <input type="checkbox"/> Other (Please explain):	<input type="checkbox"/> Call taking <input type="checkbox"/> Reservations <input type="checkbox"/> Dispatch <input type="checkbox"/> Eligibility <input type="checkbox"/> Routing <input type="checkbox"/> Other (Please explain):
Please add any information about the two contracts that you believe clarifies or adds to the information requested.		



You have reached the end of the survey.

Again, we thank you again for sharing your time with us on this important effort. Your input will help shape transit policy.

If you would like to receive a copy of the results of this survey when completed, please check the box below

- ☐ ***Yes, I would like to receive a copy of the results of this survey once the study has been completed.***

Please keep a copy of this survey in case we contact you with questions. If you have any questions, please contact

When you complete this survey, please send it in the pre-addressed envelope enclosed or to the following address:

**TRB
Division B
National Research Council
2101 Constitution Avenue
Washington, DC 20418**



GENERAL MANAGER'S CONTRACTING SURVEY-PART II

November 2000

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PART 2: General Manager Assessment of Contracting

In the space provided below, please correct any inaccurate information shown on the label.

An electronic version of this survey is available. If you would prefer to complete and submit this survey on-line, e-mail your request for a GM survey to

- (1) Please tell us about the types of services that you provide. What services are directly operated, and which ones do you contract?

	Directly Operate	Contract
Bus (Motorbus or Trolleybus)	<input type="checkbox"/>	<input type="checkbox"/>
ADA Paratransit	<input type="checkbox"/>	<input type="checkbox"/>
Dial-a-Ride/Demand Response	<input type="checkbox"/>	<input type="checkbox"/>
Commuter Rail	<input type="checkbox"/>	<input type="checkbox"/>
Heavy Rail	<input type="checkbox"/>	<input type="checkbox"/>
Light Rail	<input type="checkbox"/>	<input type="checkbox"/>
Vanpool	<input type="checkbox"/>	<input type="checkbox"/>
Jitney	<input type="checkbox"/>	<input type="checkbox"/>
Ferryboat	<input type="checkbox"/>	<input type="checkbox"/>
Other:	<input type="checkbox"/>	<input type="checkbox"/>

★If you do not currently contract for any transit services, skip to question #19 on page 7.

★If you contract for transit services, then continue with question #2 below.

- (2) Does your agency have a specific unit to monitor the performance of contracted services?

- ☐ Yes. If "Yes," then how many employees does this unit employ: _____
- ☐ No

- [illegible]

- (5) Please describe the positive effects of contracting in more detail below. (Use additional sheets if necessary.)

- (6) Please describe the negative effects of contracting in more detail below, and any actions you took to mitigate these negative effects? (Use additional sheets if necessary.)

- (7) In your opinion, how have the results of transit service contracting met your expectations?

- ☐ Did not meet expectations
☐ Partially met expectations
☐ Fully met expectations

If contracting did not meet or only partially met your agency's expectations, please explain in more detail



GENERAL MANAGER'S CONTRACTING SURVEY-PART II

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(8) What advice would you give to an agency considering contracting for the first time?
(Use additional sheets if necessary.)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no text or other markings on the paper.

★In the following sections, we will ask you about contracting for specific modes. We will begin with fixed-route bus services (Questions #9-13).

★If your agency does not contract for fixed-route bus services, please skip to question #14 on page 6 to describe your ADA Paratransit or Dial-a-Ride/ Demand Response services.

(9) What year did your agency first begin contracting for fixed-route bus services? _____

(10) To the best of your knowledge, what factors did you consider when deciding to contract for fixed-route bus services?

	Major/ Primary Reason	Important factor	Minor factor	Not a factor
Start new services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expand existing services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allow for more flexible service changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide a higher quality service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Create a more competitive environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improve cost efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board direction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State mandate or law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Federal emphasis on contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please explain): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please explain): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(11) How do you obtain these bus services?

- ☐ Competitive bidding process ☐ Both competitive and negotiated
☐ Negotiated procurement ☐ Other (Please explain): _____

(12) How has the number of bidders changed over time?

- ☐ Increased ☐ Stayed about the same ☐ Declined

(13) If you do not competitively procure these services, why not?

- ☐ Satisfied with current contractor
☐ Few qualified firms available to provide service
☐ Other (Please explain): _____

★ If you also contract for ADA Paratransit or Dial-a-Ride/Demand Response services, please continue with questions #14-18 on the next page.

★ If your agency does not contract for ADA Paratransit and/or Dial-a-Ride/Demand Response services, please skip to question #21 on page 8.

(14) What year did your agency first begin contracting for ADA Paratransit and/or Dial-a-Ride/Demand Response services? _____

(15) To the best of your knowledge, what factors did you consider when deciding to contract for ADA Paratransit and/or Dial-a-Ride/Demand Response services?

	Major/ Primary Reason	Important factor	Minor factor	Not a factor
Start new services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expand existing services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allow for more flexible service changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide a higher quality service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Create a more competitive environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improve cost efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board direction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State mandate or law	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Federal emphasis on contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please explain): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please explain): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(16) How do you obtain these ADA Paratransit and/or Dial-a-Ride/Demand Response services?

- ☐ Competitive bidding process ☐ Both competitive and negotiated
☐ Negotiated procurement ☐ Other (Please explain): _____

(17) How has the number of bidders changed over time?

- ☐ Increased ☐ Stayed about the same ☐ Declined

(18) If you do not competitively bid these services, why not?

- ☐ Satisfied with current contractor
☐ Few qualified firms available to provide service
☐ Other (Please explain): _____

★ Please skip to page 8 to complete the survey.

**GENERAL MANAGER'S CONTRACTING SURVEY-PART II**

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★If you do not contract for transit services, please answer the following questions

(19) Why do you not contract for transit services?

	Major/ Primary Reason	Important factor	Minor factor	Not a factor
Not cost effective	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
No reason to change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not allowed in union contract	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prevented by Section 13(c)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Want to maintain control over operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board direction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State labor laws limit contracting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of qualified firms to do work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tried, but proposed bids too high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tried, but too few bidders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please explain): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please explain): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(20) Did your agency contract for transit services in the past?

- ☐ No
☐ Yes. Why did you stop? Please explain.



GENERAL MANAGER'S CONTRACTING SURVEY-PART II

November 2000

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(21) If you had to do it all over again, and the choice were solely yours, would you contract for transit services now? Why or why not?

- ☐ Yes
- ☐ No

You have reached the end of the survey.

We thank you for sharing your time with us on this important effort.

If you would like to receive a copy of the results of this survey when completed, please check the box below

- ☐ ***Yes, I would like to receive a copy of the results of this survey once the study has been completed.***

When you complete this survey, please send it to the following address:

T A B L E B - 1

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
0001	King County Department of Transportation–Metro Transit Div.	Seattle	WA	X	X
0002	Spokane Transit Authority	Spokane	WA	X	X
0003	Pierce Transit	Tacoma	WA	X	X
0005	Everett Transit	Everett	WA	X	X
0006	Yakima Transit	Yakima	WA		
0007	Lane Transit District	Eugene	OR	X	X
0008	Tri-County Metropolitan Transportation Dist. of Oregon	Portland	OR	X	X
0011	Boise Urban Stages	Boise	ID		
0012	Municipality of Anchorage - Public Transportation Department	Anchorage	AK		
0016	Community Urban Bus Service	Longview	WA		
0018	Ben Franklin Transit	Richland	WA		
0019	Intercity Transit	Olympia	WA		
0020	Kitsap Transit	Bremerton	WA	X	X
0021	Whatcom Transportation Authority	Bellingham	WA		
0022	City of Pocatello, Pocatello Regional Transit	Pocatello	ID		
0023	City of Seattle–Monorail Transit	Seattle	WA		
0024	Clark County Public Transportation Benefit Area Authority	Vancouver	WA	X	X
0025	Salem Area Mass Transit District	Salem	OR	X	X
0028	Pierce County Ferry Operations	Tacoma	WA	X	X
0029	Snohomish County Transportation Benefit Area Corporation	Everett	WA	X	X
0033	Senior Services of Snohomish County	Mukilteo	WA	X	
0034	Rogue Valley Transit District	Medford	OR		
0035	Washington State Ferries	Seattle	WA	X	X
0040	Central Puget Sound Regional Transit Authority	Seattle	WA		

(continued)

TABLE B - 1 (continued)**Recipients and Respondents to Parts 1 and 2 of Survey**

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
1001	Rhode Island Public Transit Authority	Providence	RI		
1002	Manchester Transit Authority	Manchester	NH		
1003	Massachusetts Bay Transportation Authority	Boston	MA	X	X
1004	Brockton Area Transit Authority	Brockton	MA		
1005	Lowell Regional Transit Authority	Lowell	MA		
1006	Southeastern Regional Transit Authority	New Bedford	MA		
1007	Berkshire Regional Transit Authority	Pittsfield	MA		
1008	Pioneer Valley Transit Authority	Springfield	MA		
1013	Merrimack Valley Regional Transit Authority	Haverhill	MA		
1014	Worcester Regional Transit Authority	Worcester	MA		
1016	Greater Portland Transit District	Portland	ME		
1017	Greater Hartford Transit District	Hartford	CT		
1040	Southeast Area Transit	Norwich	CT		
1042	Valley Transit District	Derby	CT	X	
1048	Connecticut Transit-Hartford Division	Hartford	CT	X	X
1049	The Greater New Haven Transit District	Hamden	CT	X	X
1050	Greater Bridgeport Transit Authority	Bridgeport	CT	X	X
1051	Housatonic Area Regional Transit	Danbury	CT	X	
1053	Cape Ann Transportation Authority	Gloucester	MA		
1057	Norwalk Transit District	Norwalk	CT		
1060	Town of New Milford New Milford Senior Center	New Milford	CT	X	X
1061	Montachusett Regional Transit Authority	Fitchburg	MA	X	X
1063	Middletown Transit District	Middletown	CT	X	X

<i>FTA</i>					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
1064	Greater Attleboro–Taunton Regional Transit Authority	Attleboro	MA		
1066	Chittenden County Transportation Authority	Burlington	VT		
1086	Cooperative Alliance for Seacoast Transportation	Portsmouth	NH		
1087	Nashua Transit System	Nashua	NH		
1088	Casco Bay Island Transit District	Portland	ME	X	X
1096	City of Bangor	Bangor	ME		
1098	Western Maine Transportation Services, Inc.	Mexico	ME		
1099	York County Community Action Corp.	Sanford	ME	X	X
1102	Connecticut Department of Transportation	Newington	CT	X	X
1103	City of Stamford Dial-A-Ride	Stamford	CT		
1104	Greater Waterbury Transit District	Waterbury	CT		
1105	Cape Cod Regional Transit Authority	Dennis	MA	X	X
1107	Milford Transit District	Milford	CT		
2002	Capital District Transportation Authority	Albany	NY	X	X
2003	Broome County Department of Public Transportation	Vestal	NY		
2004	Niagara Frontier Transportation Authority	Buffalo	NY	X	X
2005	Chemung County Transit System	Elmira	NY		
2006	City of Long Beach	Long Beach	NY	X	X
2007	Metropolitan Suburban Bus Authority dba MTA Long Island Bus	Garden City	NY	X	X
2008	New York City Transit	Brooklyn	NY	X	X
2009	City of Poughkeepsie	Poughkeepsie	NY	X	X
2010	Dutchess County Division of Mass Transportation	Poughkeepsie	NY	X	X
2015	City of Rome VIP Transit	Rome	NY	X	X
2018	Central New York Regional Transit Authority	Syracuse	NY		

(continued)

T A B L E B - 1 (continued)

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
2021	Utica Transit Authority	Utica	NY	X	X
2071	Huntington Area Rapid Transit	Huntington	NY	X	X
2072	Suffolk County Department of Public Works—Transportation Division	Yaphank	NY	X	X
2075	Port Authority Transit Corporation	Lindenwold	NJ	X	X
2076	Westchester County Department of Transportation	White Plains	NY		
2078	Metro-North Commuter Railroad Co.	New York	NY	X	X
2080	New Jersey Transit Corporation	Newark	NJ	X	X
2082	New York City Department of Transportation	New York	NY	X	
2084	Transport of Rockland	Pomona	NY		
2085	Clarkstown Mini-Trans	New City	NY		
2086	Transp. Resources Intra- County for Physically Hand. and Sr. Citizens	Pomona	NY		
2096	Putnam County Transit	Carmel	NY	X	X
2098	Port Authority Trans-Hudson Corporation	Jersey City	NJ	X	X
2099	Staten Island Rapid Transit Operating Authority	Brooklyn	NY	X	X
2100	Long Island Rail Road	Jamaica	NY	X	
2113	Rochester-Genesee Regional Transportation Authority Regional Transit Service, Inc. & Lift Line, Inc.	Rochester	NY		
2119	County of Oneida	Utica	NY		
2120	Greater Glens Falls Transit System	Queensbury	NY	X	X
2135	Monsey New Square Trails Corporation	Spring Valley	NY		
2142	New Windsor-Cornwall Dial-A-Bus	New Windsor	NY		
2143	Town of Newburgh	Newburgh	NY		

FTA Designator	Federal Grant Recipient	City	State	Part 1	Part 2
2145	Tompkins Consolidated Area Transit	Ithaca	NY		
2155	Cumberland County Office on Aging	Bridgeton	NJ	X	X
2157	Orange County ADA Paratransit Serve c/o Orange County Dept. of Planning	Goshen	NY		
3001	Kanawha Valley Regional Transportation Authority	Charleston	WV		
3002	The Tri-State Transit Authority	Huntington	WV		
3003	Mid-Ohio Valley Transit Authority	Parkersburg	WV	X	X
3004	Peninsula Transportation District Commission	Hampton	VA	X	
3006	Greater Richmond Transit Company	Richmond	VA	X	X
3007	Greater Roanoke Transit Company	Roanoke	VA		
3008	Greater Lynchburg Transit Company	Lynchburg	VA		
3009	Petersburg Area Transit	Petersburg	VA		
3010	Lehigh and Northampton Transportation Authority	Allentown	PA	X	X
3011	Altoona Metro Transit	Altoona	PA		
3012	Cambria County Transit Authority	Johnstown	PA	X	X
3013	Erie Metropolitan Transit Authority	Erie	PA	X	X
3014	Cumberland-Dauphin-Harrisburg Transit Authority	Harrisburg	PA		
3015	Luzerne County Transportation Authority	Kingston	PA		
3018	Red Rose Transit Authority	Lancaster	PA	X	X
3019	Southeastern Pennsylvania Transportation Authority	Philadelphia	PA		
3022	Port Authority of Allegheny County	Pittsburgh	PA	X	X
3023	Beaver County Transit Authority	Rochester	PA		
3024	Berks Area Reading Transportation Authority	Reading	PA		
3025	County of Lackawanna Transit System	Scranton	PA	X	X

(continued)

T A B L E B - 1 (continued)

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
3026	Williamsport Bureau of Transportation	Williamsport	PA	X	X
3027	York County Transportation Authority	York	PA		
3030	Washington Metropolitan Area Transit Authority	Washington	DC	X	X
3034	Mass Transit Administration, Maryland Dept. of Transportation	Baltimore	MD		
3035	Ohio Valley Regional Transportation Authority	Wheeling	WV		
3036	Charlottesville Transit Service	Charlottesville	VA		
3040	Annapolis Department of Parking & Transportation	Annapolis	MD	X	X
3041	Allegany County Transit	Cumberland	MD	X	X
3042	Washington County Transportation Department	Hagerstown	MD		
3044	Westmoreland County Transit Authority	Greensburg	PA	X	X
3048	Howard Area Transit Service (HATS) c/o Corridor Transportation	Ellicott City	MD		
3051	Ride-On Montgomery County Government	Rockville	MD	X	X
3053	Bristol Virginia Transit	Bristol	VA		
3054	Centre Area Transportation Authority	State College	PA		
3055	Shenango Valley Shuttle Service	Hermitage	PA		
3057	Pennsylvania Department of Transportation	Harrisburg	PA		
3058	City of Fairfax CUE Bus	Fairfax	VA	X	X
3061	Mid Mon Valley Transit Authority	Charleroi	PA		
3066	Weirton Transit Corporation	Weirton	WV		
3068	Fairfax Connector Bus System	Fairfax	VA		
3069	City of Danville Mass Transit System	Danville	VA	X	X
3070	Potomac and Rappahannock Transportation Commission	Woodbridge	VA	X	X

<i>FTA</i>					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
3071	City of Alexandria, Alexandria Transit Company	Alexandria	VA		
3072	Frederick County Transit	Frederick	MD	X	X
3073	Virginia Railway Express	Woodbridge	VA		
3074	Harford County Transportation Services	Bel Air	MD	X	X
3075	Delaware Transit Corporation	Dover	DE		X
3076	James City County Transit	Williamsburg	VA		
3077	Borough of Pottstown	Pottstown	PA		
3078	Pottstown Urban Transit				
3078	Southwestern Pennsylvania Commission	Pittsburgh	PA	X	X
3081	Loudoun County Commuter Bus Service	Leesburg	VA		
4001	Chattanooga Area Regional Transportation Authority	Chattanooga	TN		X
4002	Knoxville Transportation Authority	Knoxville	TN	X	X
4003	Memphis Area Transit Authority	Memphis	TN	X	X
4004	Metropolitan Transit Authority	Nashville	TN	X	X
4005	Asheville Transit Authority	Jacksonville	FL		
4006	Wilmington Transit Authority	Jacksonville	FL		
4007	Capital Area Transit	Raleigh	NC		
4008	Charlotte Public Transit Department	Charlotte	NC	X	X
4009	Fayetteville Area System of Transit	Fayetteville	NC		
4010	Gastonia Transit	Gastonia	NC	X	X
4011	High Point Transit	High Point	NC	X	X
4012	Winston-Salem Transit Authority—Trans-Aid of Forsyth County	Winston-Salem	NC		
4014	Mississippi Coast Transportation Authority	Gulfport	MS	X	X
4015	City of Jackson Transit System	Jackson	MS	X	X
4016	Ashland Bus System	Ashland	KY		
4017	Transit Authority Lexington-Fayette Urban County Government	Lexington	KY		
4018	Transit Authority of River City	Louisville	KY	X	X
4019	Transit Authority of Northern Kentucky	Fort Wright	KY	X	X

(continued)

TABLE B - 1 (continued)**Recipients and Respondents to Parts 1 and 2 of Survey**

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
4020	Owensboro Transit System	Owensboro	KY		
4021	Albany Transit System	Albany	GA		
4022	Metropolitan Atlanta Rapid Transit Authority	Atlanta	GA		
4023	Augusta Richmond Co. Transit Dept	Augusta	GA		
4024	Department of Transportation—METRA	Columbus	GA	X	X
4025	Chatham Area Transit Authority	Savannah	GA		
4026	Manatee County Area Transit	Bradenton	FL	X	X
4027	Pinellas Suncoast Transit Authority	Clearwater	FL	X	X
4028	Lee County Transit	Ft. Myers	FL		
4029	Broward County Mass Transit Division	Pompano Beach	FL		
4030	Gainesville Regional Transit System	Gainesville	FL		
4031	Lakeland Area Mass Transit District Citrus Connection	Lakeland	FL		
4032	County of Volusia dba VOTRAN	South Daytona	FL		
4034	Miami-Dade Transit Agency	Miami	FL	X	X
4035	Central Florida Regional Transportation Authority (LYNX)	Orlando	FL	X	X
4036	City of Tallahassee—TALTRAN	Tallahassee	FL		
4037	Palm Tran, Inc.	West Palm Beach	FL	X	X
4038	Escambia County Area Transit	Pensacola	FL		
4040	Jacksonville Transportation Authority	Jacksonville	FL	X	X
4041	Hillsborough Area Regional Transit Authority	Tampa	FL	X	X
4042	Birmingham-Jefferson County Transit Authority	Birmingham	AL	X	X
4043	Metro Transit	Mobile	AL	X	X
4044	Montgomery Demand and Response Transit System	Montgomery	AL		

<i>FTA</i>					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
4045	Tuscaloosa County Parking and Transit Authority	Tuscaloosa	AL		
4046	Sarasota County Transportation Authority	Sarasota	FL		
4047	Athens Transit System	Athens	GA	X	
4049	DART Gadsden	Gadsden	AL	X	X
4051	Chapel Hill Transit	Chapel Hill	NC		
4053	Greenville Transit Authority	Greenville	SC	X	X
4054	Johnson City Transit System	Johnson City	TN		
4055	Bristol Tennessee Transit System	Bristol	TN		
4056	Pee Dee Regional Transportation Authority	Florence	SC		
4057	Jackson Transit Authority	Jackson	TN	X	
4058	City of Rome Transit Department	Rome	GA		
4060	Hattiesburg Area Transit	Hattiesburg	MS		
4063	Space Coast Area Transit	Cocoa	FL	X	X
4064	East Alabama Regional Planning and Development Commission	Anniston	AL	X	X
4068	Northwest Alabama Council of Local Governments	Muscle Shoals	AL	X	X
4069	South Carolina Electric & Gas Company—Columbia	Columbia	SC		
4071	City of Huntsville, Alabama Department of Parking and Public Trans.	Huntsville	AL		
4074	Pasco County Public Transportation (PCPT)	New Port Richey	FL	X	X
4077	Tri-County Commuter Rail Authority	Pompano Beach	FL	X	
4078	Cobb Community Transit	Marietta	GA		
4080	City of Kingsport	Kingsport	TN	X	X
4081	Anderson Transit Authority	Anderson	SC		
4082	Douglas County Rideshare	Douglasville	GA		
4083	Aiken County Public Transit System	Aiken	SC	X	X
4084	Okaloosa County Coordinated Transportation, Inc.	Fort Walton Beach	FL		
4085	Bay County Council on Aging—Bay Coordinated Transportation	Panama City	FL	X	X

(continued)

TABLE B - 1 (continued)

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
4087	Durham Area Transit Authority	Durham	NC	X	X
4088	Spartanburg County Transportation Services	Spartanburg	SC		
4089	Phenix City Express	Opelika	AL		
4090	Piedmont Wagon	Hickory	NC	X	X
4092	Clarksville Transit System	Clarksville	TN	X	
4093	Greensboro Transit Authority	Greensboro	NC		
4095	Greenville Area Transit	Greenville	NC	X	
4096	Rocky Mount Transit	Rocky Mount	NC	X	X
4097	Council on Aging of St. Lucie, Inc.	Port St. Lucie	FL		
4099	Autauga County Commission	Prattville	AL	X	X
4100	Santee Wateree Regional Transportation Authority	Sumter	SC	X	X
4101	Spartanburg Transit System	Spartanburg	SC		
4102	Coastal Rapid Public Transit Authority	Conway	SC		
4103	Wiregrass Transit Authority	Dothan	AL		
4104	Indian River County Council on Aging	Vero Beach	FL		
4108	Research Triangle Regional Public Transportation Authority	Research Triangle	NC	X	X
4110	Charleston Area Regional Transportation	Charleston	SC		
4113	Council on Aging of Martin County, Inc.	Stuart	FL		
4118	City of Columbia Parking Division	Columbia	SC	X	X
4119	City of Miami Beach Miami Beach Transportation Mgmt.	Miami Beach	FL	X	X
4120	SunTran	Ocala	FL	X	X
5001	City of Appleton—Valley Transit	Appleton	WI	X	X
5002	Green Bay Transit	Green Bay	WI		
5003	Kenosha Transit	Kenosha	WI		
5004	LaCrosse Municipal Transit Utility	LaCrosse	WI	X	X
5005	Madison Metro Transit	Madison	WI		
5006	Belle Urban System-Racine	Racine	WI	X	

FTA Designator	Federal Grant Recipient	City	State	Part 1	Part 2
5008	Milwaukee County Transit System	Milwaukee	WI	X	X
5009	Oshkosh Transit System	Oshkosh	WI		
5010	Metro Regional Transit Authority	Akron	OH	X	X
5011	Stark Area Regional Transit Authority	Canton	OH		
5012	Southwest Ohio Regional Transit Authority	Cincinnati	OH	X	X
5015	The Greater Cleveland Regional Transit Authority	Cleveland	OH	X	X
5016	Central Ohio Transit Authority	Columbus	OH	X	X
5017	Miami Valley Regional Transit Authority	Dayton	OH	X	X
5019	City of Middletown–Middletown Transit System	Middletown	OH	X	X
5020	Springfield City Area Transit	Springfield	OH		
5021	Portage Area Regional Transportation Authority	Kent	OH		
5022	Toledo Area Regional Transit Authority	Toledo	OH	X	X
5024	Western Reserve Transit Authority	Youngstown	OH		
5025	Duluth Transit Authority	Duluth	MN		
5026	City of Moorhead-Transit	Moorhead	MN	X	X
5027	Metro Transit	Minneapolis	MN	X	X
5028	St. Cloud Metropolitan Transit Commission	St. Cloud	MN		
5029	Bay Metropolitan Transportation Authority	Bay City	MI		
5030	Battle Creek Transit	Battle Creek	MI	X	X
5031	Suburban Mobility Authority for Regional Transportation	Detroit	MI	X	
5032	Mass Transportation Authority	Flint	MI		
5033	Grand Rapids Area Transit Authority	Grand Rapids	MI		
5034	City of Jackson Transportation Authority	Jackson	MI	X	X
5035	Kalamazoo Metro Transit System	Kalamazoo	MI		
5036	Capital Area Transportation Authority	Lansing	MI	X	X
5037	Muskegon Area Transit System	Muskegon	MI	X	X

(continued)

T A B L E B - 1 (continued)

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
5038	Niles Dial-A-Ride	Niles	MI		
5039	Saginaw Transit Authority Transit Services	Saginaw	MI	X	X
5040	Ann Arbor Transportation Authority	Ann Arbor	MI	X	X
5041	City of Anderson Transportation System	Anderson	IN		
5042	East Chicago Transit	East Chicago	IN		
5043	Metropolitan Evansville Transit System	Evansville	IN	X	X
5044	Fort Wayne Public Transportation Corporation	Fort Wayne	IN		
5045	Gary Public Transportation Corporation	Gary	IN		
5047	Bloomington-Normal Public Transit System	Bloomington	IL	X	X
5050	Indianapolis Public Transportation Corporation	Indianapolis	IN	X	X
5051	Greater Lafayette Public Transportation Corporation	Lafayette	IN	X	X
5052	South Bend Public Transportation Corporation	South Bend	IN	X	X
5053	Terre Haute Transit Utility	Terre Haute	IN	X	X
5054	Muncie Indiana Transit System	Muncie	IN		
5055	City of Loves Park Transit System	Loves Park	IL		
5056	Greater Peoria Mass Transit District	Peoria	IL	X	X
5057	Rock Island County Metropolitan Mass Transit District	Rock Island	IL	X	X
5058	Rockford Mass Transit District	Rockford	IL		
5059	Springfield Mass Transit District	Springfield	IL	X	X
5060	Champaign-Urbana Mass Transit District	Urbana	IL		
5061	Decatur Public Transit System	Decatur	IL	X	X
5065	Pekin Municipal Bus Service	Pekin	IL	X	X
5066	Chicago Transit Authority	Chicago	IL		

<i>FTA</i>					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
5088	Sheboygan Transit System	Sheboygan	WI	X	X
5090	Richland County Transit	Mansfield	OH		
5091	Wausau Area Transit System	Wausau	WI		
5092	City of Rochester, Minnesota	Rochester	MN		
5093	Allen County Regional Transit Authority	Lima	OH		
5094	Waukesha County Transit System	Waukesha	WI	X	X
5095	Lorain County Transit	Lorain	OH		
5096	Waukesha Transit Commission	Waukesha	WI	X	X
5097	Campus Bus Service	Kent	OH	X	X
5099	Eau Claire Transit System	Eau Claire	WI		
5102	Hammond Transit System	Hammond	IN	X	X
5103	North Township of Lake County Dial-A-Ride	Hammond	IN	X	X
5104	Northern Indiana Commuter Transportation District	Chesterton	IN		
5107	Henderson Area Rapid Transit	Henderson	KY		
5108	Janesville Transit System	Janesville	WI	X	
5109	City of Beloit Transit System	Beloit	WI		
5110	Bloomington Public Transportation Corporation	Bloomington	IN	X	X
5112	Milwaukee County Paratransit System	Milwaukee	WI		
5113	Pace, Suburban Bus Division	Arlington Heights	IL	X	X
5117	LAKETRAN	Grand River	OH	X	X
5118	Northeast Illinois Regional Commuter Railroad Corporation	Chicago	IL	X	
5119	City of Detroit Department of Transportation	Detroit	MI		
5132	Twin Cities Area Transportation Authority	Benton Harbor	MI		
5133	Chippewa Falls General Public Shared-Ride Taxi System	Chippewa Falls	WI	X	X
5135	City of Kankakee TaxiVan Program	Kankakee	IL		
5138	City of Newark Transit Operations	Newark	OH		
5141	Detroit Transportation Corporation	Detroit	MI		
5142	Steel Valley Regional Transit Authority	Steubenville	OH		

(continued)

TABLE B - 1 (continued)**Recipients and Respondents to Parts 1 and 2 of Survey**

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
5143	Brunswick Transit Alternative	Brunswick	OH	X	X
5145	City of Kokomo	Kokomo	IN	X	X
5146	Madison County Transit District	Granite City	IL		
5147	City of Holland Dial-A-Ride	Holland	MI		
5148	Blue Water Area Transportation Commission	Port Huron	MI	X	X
5149	Heart City Rider/Goshen Transit MACOG	South Bend	IN		
5152	Onalaska Shared Ride Taxi City of Onalaska	Onalaska	WI		
5154	Metropolitan Council	St. Paul	MN		
5155	Metro Mobility	St. Paul	MN		
6001	Amarillo City Transit	Amarillo	TX	X	X
6006	Mass Transit Department-City of El Paso	El Paso	TX		
6007	Fort Worth Transportation Authority	Fort Worth	TX	X	X
6008	Metropolitan Transit Authority of Harris County, Texas	Houston	TX	X	X
6009	Laredo Metro, Inc.	Laredo	TX	X	X
6010	City Transit Management Company, Inc.	Lubbock	TX		
6011	VIA Metropolitan Transit	San Antonio	TX	X	X
6012	Waco Transit System, Inc.	Waco	TX	X	X
6013	Port Arthur Transit	Port Arthur	TX	X	X
6014	City of Brownsville Brownsville Urban System	Brownsville	TX	X	X
6016	Beaumont Transit System	Beaumont	TX		
6017	Central Oklahoma Transit & Parking Authority	Oklahoma City	OK		
6018	Metropolitan Tulsa Transit Authority	Tulsa	OK	X	X
6019	Sun Tran of Albuquerque	Albuquerque	NM	X	X
6020	Crescent City Connection Division-Louisiana Department of Trans.	New Orleans	LA	X	X
6022	Capital Transportation Corporation	Baton Rouge	LA		

FTA					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
6023	Lake Charles Transit System	Lake Charles	LA		
6024	Shreveport Area Transit System	Shreveport	LA		
6025	City of Alexandria	Alexandria	LA	X	X
6026	City of Monroe Transit System	Monroe	LA	X	X
6032	Regional Transit Authority of Orleans and Jefferson	New Orleans	LA		
6033	Central Arkansas Transit Authority	North Little Rock	AR		
6034	Pine Bluff Transit	Pine Bluff	AR		
6035	Wichita Falls Transit System	Wichita Falls	TX	X	X
6037	City of San Angelo	San Angelo	TX		
6038	City of Lafayette Transit (COLT)	Lafayette	LA		
6040	Abilene Transit System	Abilene	TX		
6041	Handitran Special Transit Division, City of Arlington	Arlington	TX	X	X
6048	Capital Metropolitan Transportation Authority	Austin	TX		
6049	Las Cruces Area Transit-RoadRUNNER	Las Cruces	NM		
6051	Corpus Christi Regional Transportation Authority	Corpus Christi	TX	X	X
6053	Texoma Council of Governments	Sherman	TX		
6056	Dallas Area Rapid Transit Authority	Dallas	TX	X	X
6058	St. Bernard Parish Government (SBURT)	Chalmette	LA	X	X
6059	Brazos Transit District (formally known as BVCAA dba Brazos Transit)	Bryan	TX		
6068	Transportation Services Department City of Grand Prairie	Grand Prairie	TX	X	X
6070	City of Mesquite Parks & Recreation	Mesquite	TX	X	X
6074	Lewisville Dial-A-Ride	Lewisville	TX		
6075	City of Temple	Temple	TX	X	X
6076	City of Denton Public Transportation Department	Denton	TX	X	X
6077	Transit Services Division Santa Fe Public Works Department	Santa Fe	NM	X	X

(continued)

TABLE B - 1 (continued)

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
6078	City of Plano	Plano	TX	X	X
6080	Terrebonne Parish Consolidated Government	Houma	LA	X	X
6081	City of Longview	Kilgore	TX	X	X
6082	The Gulf Coast Center	Galveston	TX	X	X
6086	Fort Smith Public Transit	Fort Smith	AR	X	
6088	Jefferson Parish Department of Transit Administration	Gretna	LA		
6089	City of Tyler	Tyler	TX	X	X
6090	Lower Rio Grande Valley Development Council	McAllen	TX		
7001	StarTran	Lincoln	NE	X	X
7002	Transit Authority of Omaha	Omaha	NE		
7003	City Utilities of Springfield	Springfield	MO	X	X
7005	Kansas City Area Transportation Authority	Kansas City	MO		
7006	Bi-State Development Agency	St. Louis	MO		
7007	Bettendorf Transit System	Bettendorf	IA	X	X
7008	Five Seasons Transportation	Cedar Rapids	IA		
7009	Davenport Public Transit	Davenport	IA		
7010	Des Moines Metropolitan Transit Authority	Des Moines	IA		
7011	City of Dubuque-KeyLine	Dubuque	IA		
7012	Sioux City Transit System	Sioux City	IA	X	X
7013	Metropolitan Transit Authority of Black Hawk County	Waterloo	IA		
7014	Topeka Metropolitan Transit Authority	Topeka	KS		
7015	Wichita Transit	Wichita	KS		
7016	Columbia Area Transit System	Columbia	MO		
7018	Iowa City Transit	Iowa City	IA	X	X
7020	City of East Dubuque	Dubuque	IL		
7030	Coralville Transit	Coralville	IA		
7032	St. Joseph Transit	St. Joseph	MO	X	X
7035	Johnson County Kansas aka Johnson County Transit	Olathe	KS	X	X
7037	City of Liberty	Liberty	MO	X	X
7038	City of Olathe	Olathe	KS		

FTA Designator	Federal Grant Recipient	City	State	Part 1	Part 2
7040	City of Joplin Metro Area Paratransit System	Joplin	MO		
8001	Utah Transit Authority P. O. Box 30810	Salt Lake City	UT		
8002	Sioux Falls Transit	Sioux Falls	SD		
8003	Fargo Metropolitan Area Transit	Fargo	ND		X
8004	Billings Metropolitan Transit	Billings	MT	X	X
8005	Colorado Springs Transit System	Colorado Springs	CO		
8006	Regional Transportation District	Denver	CO	X	X
8007	Pueblo Transit	Pueblo	CO	X	X
8008	Grand Forks City Bus	Grand Forks	ND	X	X
8009	Missoula Urban Transportation District	Missoula	MT	X	X
8010	City of Greeley—The Bus	Greeley	CO	X	X
8011	Transfort	Fort Collins	CO	X	
8013	City of Casper	Casper	WY		
8014	Rapid Transit System	Rapid City	SD	X	X
8016	Mesa County	Grand Junction	CO	X	X
8019	Bis-Man Transit Board	Bismarck	ND	X	X
8020	The City of Cheyenne Transit Program	Cheyenne	WY	X	X
8021	City of Logan dba, The Logan Transit District	Logan	UT		
9001	Regional Transportation Commission of Washoe County	Reno	NV	X	X
9002	City and County of Honolulu Dept. of Transportation Services	Honolulu	HI	X	X
9003	San Francisco Bay Area Rapid Transit District	Oakland	CA	X	X
9004	Golden Empire Transit District	Bakersfield	CA	X	X
9006	Santa Cruz Metropolitan Transit District	Santa Cruz	CA	X	X
9007	Modesto Area Express	Modesto	CA		
9008	Santa Monica's Big Blue Bus	Santa Monica	CA		
9009	San Mateo County Transit District	San Carlos	CA		
9010	City of Torrance Transit System	Torrance	CA		

(continued)

T A B L E B - 1 (continued)

Recipients and Respondents to Parts 1 and 2 of Survey

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
9012	San Joaquin Regional Transit District	Stockton	CA		
9013	Santa Clara Valley Trans. Authority	San Jose	CA		
9014	Alameda–Contra Costa Transit District	Oakland	CA	X	X
9015	San Francisco Municipal Railway	San Francisco	CA		
9016	Golden Gate Bridge, Highway and Transportation District	San Francisco	CA	X	X
9017	City of Santa Rosa	Santa Rosa	CA		
9019	Sacramento Regional Transit District	Sacramento	CA	X	X
9020	Santa Barbara Metropolitan Transit District	Santa Barbara	CA	X	
9022	Norwalk Transit System	Norwalk	CA	X	
9023	Long Beach Public Transportation Company	Long Beach	CA	X	
9024	City of La Mirada Transit	La Mirada	CA		
9027	Fresno Area Express	Fresno	CA	X	X
9028	City of Vallejo: Vallejo Transit Vallejo–San Francisco Ferry	Vallejo	CA		
9029	OMNITRANS	San Bernadino	CA	X	X
9030	North San Diego County Transit Development Board	Oceanside	CA	X	
9031	Riverside Transit Agency	Riverside	CA		
9032	City of Phoenix Public Transit Department	Phoenix	AZ	X	X
9033	City of Tucson	Tucson	AZ	X	X
9034	City of Glendale–Transit	Glendale	AZ	X	X
9035	South Coast Area Transit	Oxnard	CA	X	X
9036	Orange County Transportation Authority	Orange	CA		
9039	Culver City Municipal Bus Lines	Culver City	CA	X	
9041	Montebello Bus Lines	Montebello	CA	X	X
9042	City of Gardena Transportation Department	Gardena	CA		
9043	City of Commerce Municipal Buslines	Commerce	CA		

<i>FTA</i>					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
9044	Arcadia Transit	Arcadia	CA	X	X
9050	Simi Valley Transit	Simi Valley	CA		
9052	City of Corona Dial-A-Ride	Corona	CA		
9061	Yuba-Sutter Transit Authority	Marysville	CA	X	X
9062	Monterey-Salinas Transit	Monterey	CA		
9078	Central Contra Costa Transit Authority	Concord	CA		
9079	SunLine Transit Agency	Thousand Palms	CA	X	X
9086	City of Riverside Special Transportation	Riverside	CA	X	X
9087	Santa Maria Area Transit	Santa Maria	CA	X	X
9088	Napa County Transportation Planning Agency–VINE	Napa	CA	X	X
9089	Sonoma County Transit	Santa Rosa	CA		
9090	Yolo County Transportation District	Woodland	CA	X	X
9091	City of Visalia–Visalia City Coach	Visalia	CA		
9092	City of Fairfield, Fairfield–Suisun Transit	Fairfield	CA	X	X
9093	Redding Area Bus Authority (RABA)	Redding	CA		
9095	San Diego Association of Governments	San Diego	CA	X	X
9119	Laguna Beach Municipal Transit Lines	Laguna Beach	CA	X	
9121	Antelope Valley Transit Authority	Lancaster	CA		
9127	Chico Area Transit System	Chico	CA		
9129	City of Mesa	Mesa	AZ	X	X
9131	City of Scottsdale–Scottsdale Connection	Scottsdale	AZ	X	X
9132	Maricopa County Special Transportation Services	Phoenix	AZ	X	X
9134	Peninsula Corridor Joint Powers Board	San Carlos	CA		
9135	Sun Cities Area Transit System, Inc.	Sun City	AZ	X	X
9136	Regional Public Transportation Authority	Phoenix	AZ		
9137	Surprise Dial-A-Ride Transit System	Surprise	AZ	X	X
9140	Peoria Transit	Peoria	AZ		

(continued)

TABLE B - 1 (continued)**Recipients and Respondents to Parts 1 and 2 of Survey**

<i>FTA Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
9144	Livermore–Amador Valley Transit Authority	Livermore	CA	X	X
9146	Foothill Transit Zone	West Covina	CA		
9147	City of Los Angeles Department of Transportation	Los Angeles	CA		
9148	Victor Valley Transit Authority	Hesperia	CA	X	X
9149	City of Lompoc–Lompoc Transit	Lompoc	CA	X	X
9150	City of Alameda Ferry Services, c/o City of Alameda	Alameda	CA	X	
9151	Southern California Regional Rail Authority	Los Angeles	CA	X	X
9154	Los Angeles County Metropolitan Transportation Authority	Los Angeles	CA	X	X
9155	City of Vacaville	Vacaville	CA	X	X
9156	City of San Luis Obispo	San Luis Obispo	CA		
9159	Western Contra Costa Transit Authority	Pinole	CA	X	X
9161	City of Union City Transit Division	Union City	CA	X	
9162	Eastern Contra Costa Transit Authority (ECCTA)	Antioch	CA		
9163	Camarillo Area Transit, c/o City of Camarillo	Camarillo	CA	X	X
9164	Ventura Intercity Service Transit Authority	Ventura	CA	X	X
9165	Thousand Oaks Transit, c/o City of Thousand Oaks	Thousand Oaks	CA		
9167	Davis Community Transit	Davis	CA	X	
9168	Roseville Transit	Roseville	CA	X	X
9171	Santa Clarita Transit	Santa Clarita	CA	X	X
9172	City of Tempe Transportation Division	Tempe	AZ		
9173	Merced County Transit	Merced	CA	X	X
9175	City of Lodi	Lodi	CA	X	X
9177	Town of Guadalupe	Guadalupe	AZ	X	X
9180	Coconino County Community Services Transportation Services	Flagstaff	AZ		X

<i>FTA</i>					
<i>Designator</i>	<i>Federal Grant Recipient</i>	<i>City</i>	<i>State</i>	<i>Part 1</i>	<i>Part 2</i>
9182	Altamont Commuter Express San Joaquin Regional Rail Commission	Stockton	CA	X	X
9185	San Diego Metropolitan Transit Development Board	San Diego	CA	X	X

NOTE: X indicates returned survey part.

RESPONSE TOTALS

	<i>Part 1</i>	<i>Parts 1 and 2</i>	<i>Part 2</i>
Respondents	259		237
Respondents to Parts 1 and 2		233	
Respondents to Part 1 only	26		
Respondents to Part 2 only			4

RESPONSES BY REGION

<i>Region</i>		<i>Respondents</i>	<i>Part 1</i>	<i>Part 2</i>
1	New England (CT, MA, ME, NH, RI, VT)	36	13	11
2	New York–New Jersey	35	21	19
3	Mid-Atlantic (DC, DE, MD, PA, VA, WV)	51	21	21
4	Southeast (AL, FL, GA, KY, MS, NC, SC, TN)	88	43	39
5	Great Lakes (IL, IN, OH, MI, MN, WI)	92	46	42
6	Southwest (AR, LA, NM, OK, TX)	49	29	28
7	Plains (IA, KS, MO, NE)	23	8	8
8	Mountain (CO, MT, ND, SD, UT, WY)	17	11	11
9	Pacific Southwest (AZ, CA, HI, NV)	87	54	46
10	Pacific Northwest (AK, ID, OR, WA)	24	13	12
	Total	502	259	237

APPENDIX

C

Tabulations of Responses to Survey Part 1

TABLE C - 1

Does your agency contract for any public transit services?

<i>Any Contracting</i>	<i>Systems</i>	<i>Percent</i>
Yes	156	60.2%
No	103	39.8%
Total Responding	259	100.0%

TABLE C - 2

For what type of organization do you work? (Survey response pattern by system type compared with pattern for all systems receiving the survey.)

<i>Organization Type</i>	<i>Contracting</i>		<i>Non-contracting</i>		<i>Total Responding</i>		<i>Non-responding</i>	
	<i>Systems</i>	<i>Percent</i>	<i>Systems</i>	<i>Percent</i>	<i>Systems</i>	<i>Percent</i>	<i>Systems</i>	<i>Percent</i>
Regional Transit								
Agency	69	44.2%	37	35.9%	106	40.9%	95	39.1%
City Agency	53	34.0%	48	46.6%	101	39.0%	103	42.4%
County Agency	16	10.3%	10	9.7%	26	10.0%	37	15.2%
State Transit								
Agency	2	1.3%	2	1.9%	4	1.5%	3	1.2%
Other	16	10.3%	6	5.8%	22	8.5%	5	2.1%
Total Responding	156	100.0%	103	100.0%	259	100.0%	243	100.0%

TABLE C - 3**Please tell us about the transit services that your agency provides.**

<i>Type of Service</i>	<i>Directly Operated</i>	<i>Contracted</i>	<i>Responding Systems</i>	<i>Percent Contracted</i>
Bus	151	82	203	40.4%
DR (ADA)	87	121	188	64.4%
DR (Dial-a-Ride)	27	71	83	85.5%
Commuter Rail	5	7	11	63.6%
Heavy Rail	10	0	10	0.0%
Light Rail	10	1	10	10.0%
Vanpool	12	13	24	54.2%
Ferryboat	3	8	11	72.7%
Other	3	7	9	77.8%

NOTE: DR = demand-responsive service.

TABLE C - 4**What type of services do you contract?**

<i>Type of Service</i>	<i>Total Contracts</i>	<i>Percent</i>
DR	170	61.4%
Fixed-Route Bus	98	35.4%
Ferry	4	1.4%
Commuter Rail	3	1.1%
Vanpool	2	0.7%
Total Responding	277	100.0%

TABLE C - 5**Number of Contracts Reported by Responding Systems**

<i>No. of Contracts Reported</i>	<i>Responding Systems</i>	<i>Percent</i>
1	62	40.3%
2	68	44.2%
3	17	11.0%
4	7	4.5%
Total Responding	154	100.0%

T A B L E C - 6**Service Contractor's Organization Type**

<i>Contractor Organization Type</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
Private for-profit	79	81.4%	114	68.3%	5	198	72.5%
Private non-profit	6	6.2%	30	18.0%	2	38	13.9%
Public	11	11.3%	21	12.6%	2	34	12.5%
Other	1	1.0%	2	1.2%	0	3	1.1%
Total Responding	97	100.0%	167	100.0%	9	273	100.0%

T A B L E C - 7**Describe the type of service(s) provided under the current contract.**

<i>Types of Services</i>	<i>Bus</i>	<i>DR</i>	<i>Other</i>	<i>Percent</i>
Local Bus	79			80.6%
Express Bus	38			38.8%
Community Circulator	22			22.4%
Downtown/Parking Shuttle	6			6.1%
Fixed Route Total	98			
DR (ADA)		135		79.4%
DR (Dial-a-Ride)		69		40.6%
DR Total		170		
Commuter Rail			3	
Vanpool			2	
Ferry			4	

T A B L E C - 8**These services can best be described as . . .**

<i>Service Geography</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
Urban	69	71.1%	59	65.6%	5	133	68.6%
Suburban	49	50.5%	34	37.8%	3	86	44.3%
Rural	10	10.3%	18	20.0%	2	30	15.5%
Total Responding	97		90		7	194	

TABLE C - 9

Year Current Contract Was Awarded

<i>Year of Current Contract Award</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
1989–1990	1	1.0%	1	0.6%	0	2	0.7%
1991–1995	8	8.2%	12	7.3%	0	20	7.4%
1996–1997	22	22.4%	31	18.9%	0	53	19.6%
1998–1999	32	32.7%	67	40.9%	5	104	38.4%
2000–2001	35	35.7%	53	32.3%	4	92	33.9%
Total Responding	98	100.0%	164	100.0%	9	271	100.0%

TABLE C - 10

Year Previous Contract Was Awarded

<i>Year of Previous Contract Award</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
1990 and prior	5	6.6%	5	3.6%	0	9	4.2%
1991–1995	46	60.5%	71	51.4%	3	119	55.9%
1996–2000	25	32.9%	62	44.9%	5	85	39.9%
Total Responding	76	100.0%	138	100.0%	8	213	100.0%

TABLE C - 11

Number of Times Service Has Been Rebid

<i>No. of Rebids</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
Still in First Cycle (No Rebids)	15	17.4%	20	13.4%	2	37	15.3%
1 or 2	26	30.2%	48	32.2%	3	77	31.8%
3 or 4	28	32.6%	53	35.6%	2	83	34.3%
5–10	17	19.8%	20	13.4%	0	37	15.3%
Over 10	0	0.0%	8	5.4%	0	8	3.3%
Total Responding	86	100.0%	149	100.0%	7	242	100.0%

T A B L E C - 1 2

Number of Times the Contractor for Service Has changed

<i>No. of Contractor Changes</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
0	45	46.9%	82	53.9%	5	132	51.6%
1	22	22.9%	26	17.1%	1	49	19.1%
2	13	13.5%	19	12.5%	2	34	13.3%
3	13	13.5%	15	9.9%	0	28	10.9%
4 or more	3	3.1%	10	6.6%	0	13	5.1%
Total Responding	96	100.0%	152	100.0%	8	256	100.0%

T A B L E C - 1 3

Number of Contractor Changes for Contracts That Have Been Rebid at Least Once, by Service Type

<i>No. of Contractor Changes</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
0	26	36.1%	53	45.7%	3	82	42.3%
1	17	23.6%	19	16.4%	1	37	19.1%
2	13	18.1%	19	16.4%	2	34	17.5%
3	13	18.1%	15	12.9%	0	28	14.4%
4 or more	3	4.2%	10	8.6%	0	13	6.7%
Total Responding	72	100.0%	116	100.0%	6	194	100.0%

T A B L E C - 1 4

Services Provided Under Current Award

	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
Replacements for in-house service	21	23.3%	30	19.5%	1	52	20.6%
Replacements for previous contract services	53	58.9%	75	48.7%	3	131	51.8%
New	26	28.9%	31	20.1%	3	60	23.7%
Supplemental	0	0.0%	13	8.4%	0	13	5.1%
Ongoing	1	1.1%	14	9.1%	2	17	6.7%
Total Responding	90		154		9	253	

T A B L E C - 1 5**Most Recent Number of Bidders for Current Award**

<i>No. of Bidders</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
1	16	18.4%	41	28.5%	2	59	24.7%
2	13	14.9%	36	25.0%	3	52	21.8%
3	25	28.7%	23	16.0%	2	50	20.9%
4	14	16.1%	16	11.1%	1	31	13.0%
5 or more	19	21.8%	28	19.4%	0	47	19.7%
Total Responding	87	100.0%	144	100.0%	8	239	100.0%

T A B L E C - 1 6**Number of Bidders Previous Time Contract Was Awarded**

<i>No. of Bidders</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
1	9	12.0%	31	26.7%	2	42	21.5%
2	15	20.0%	30	25.9%	0	45	23.1%
3	26	34.7%	22	19.0%	1	49	25.1%
4	13	17.3%	14	12.1%	1	28	14.4%
5 or more	12	16.0%	19	16.4%	0	31	15.9%
Total Responding	75	100.0%	116	100.0%	4	195	100.0%

T A B L E C - 1 7**Change in Number of Bidders: Current Award Compared with Last Time Contract Was Awarded, by Service Type**

<i>Change in No. of Bidders</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
Decrease 3+	3	4.1%	4	3.6%	0	7	3.7%
Decrease 1–2	15	20.5%	31	27.7%	1	47	24.9%
No change	33	45.2%	58	51.8%	1	92	48.7%
Increase 1–2	18	24.7%	16	14.3%	2	36	19.0%
Increase 3+	4	5.5%	3	2.7%	0	7	3.7%
Total Responding	73	100.0%	112	100.0%	4	189	100.0%

TABLE C - 18

Change in Number of Bidders: Current Award Compared with Last Time Contract Was Awarded, by Service Type (Excluding Contracts That Had Only One Bid in Previous Cycle)

<i>Change in No. of Bidders</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
Decrease 3+	3	4.6%	4	4.8%	0	7	4.7%
Decrease 1–2	15	23.1%	31	37.3%	1	47	31.3%
No change	27	41.5%	34	41.0%	0	61	40.7%
Increase 1–2	18	27.7%	11	13.3%	1	30	20.0%
Increase 3+	2	3.1%	3	3.6%	0	5	3.3%
Total Responding	65	100.0%	83	100.0%	2	150	100.0%

TABLE C - 19

Average Annual Contract Dollar Amount

<i>Contract Amount (Millions)</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
\$0.1 and under	8	8.4%	23	15.1%	0	31	12.2%
\$0.1–\$0.5	24	25.3%	38	25.0%	0	62	24.4%
\$0.5–\$1.0	16	16.8%	20	13.2%	4	40	15.7%
\$1.0–\$3.0	22	23.2%	40	26.3%	1	63	24.8%
\$3.0–\$5.0	7	7.4%	15	9.9%	0	22	8.7%
Over \$5.0	18	18.9%	16	10.5%	2	36	14.2%
Total Responding	95	100.0%	152	100.0%	7	254	100.0%

T A B L E C - 2 0

Total Years Initial Term of Award Will Be in Effect

<i>Years</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
1	13	14.6%	36	22.5%	2	51	19.9%
2	6	6.7%	21	13.1%	1	28	10.9%
3	52	58.4%	63	39.4%	1	116	45.3%
4	3	3.4%	8	5.0%	0	11	4.3%
5	13	14.6%	30	18.8%	3	46	18.0%
Over 5	2	2.2%	2	1.3%	0	4	1.6%
Total Responding	89	100.0%	160	100.0%	9	256	100.0%

T A B L E C - 2 1

Does contract have an option to extend terms and for how long?

<i>Years in Option</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Other</i>	<i>Total Contracts</i>	<i>Percent</i>
1	4	4.1%	8	4.7%	0	12	4.3%
2	40	40.8%	62	36.5%	0	102	36.8%
3	9	9.2%	16	9.4%	1	26	9.4%
4+	7	7.1%	13	7.6%	0	20	7.2%
Unspecified	6	6.1%	11	6.5%	2	19	6.9%
No Option	32	32.7%	60	35.3%	6	98	35.4%
Total Responding	98	100.0%	170	100.0%	9	277	100.0%

T A B L E C - 2 2

What is the payment basis for this contract?

<i>Payment Basis</i>	<i>Sole Factor</i>	<i>Partial Factor</i>	<i>Sole or Partial</i>	<i>Percent</i>
Cost + Fixed Fee	55	11	66	25.5%
Revenue Miles	13	20	33	12.7%
Revenue Hours	52	36	88	34.0%
Vehicle Miles	7	5	12	4.6%
Vehicle Hours	33	9	42	16.2%
Passengers	25	4	29	11.2%
Service Zones	1	2	3	1.2%
Fixed Fee	9	23	32	12.4%
Trips	7	7	14	5.4%
Total Responding	202	117	259	100.0%

T A B L E C - 2 3

Payment Basis by Service Type

<i>Payment Basis Summarized</i>	<i>Bus</i>				<i>DR</i>			
	<i>Sole</i>	<i>Partial</i>	<i>Sole/Part</i>	<i>Percent</i>	<i>Sole</i>	<i>Partial</i>	<i>Sole/Part</i>	<i>Percent</i>
Cost + Fixed Fee	27	1	28	29.2%	24	10	34	21.8%
Fixed	8	10	18	18.8%	1	12	13	8.3%
Hours	34	16	50	52.1%	50	28	78	50.0%
Miles	8	10	18	18.8%	12	14	26	16.7%
Passengers	0	0	0	0.0%	25	3	28	17.9%
Other	1	0	1	1.0%	7	9	16	10.3%
Total Responding	78	37	96	100.0%	119	76	156	100.0%

T A B L E C - 2 4

How does your agency treat fare revenues under this contract?

<i>Treatment of Fares</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Others</i>	<i>Total</i>	
						<i>Contracts</i>	<i>Percent</i>
Direct offset	60	64.5%	121	77.6%	4	185	72.3%
Kept by agency	25	26.9%	17	10.9%	2	44	17.2%
Kept by contractor	5	5.4%	12	7.7%	0	17	6.6%
Other	3	3.2%	6	3.8%	1	10	3.9%
Total Responding	93	100.0%	156	100.0%	7	256	100.0%

T A B L E C - 2 5

What contractor performance provisions does this contract have?

<i>Provision</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Others</i>	<i>Total</i>	
						<i>Contracts</i>	<i>Percent</i>
Liquidated damages	45	45.9%	61	35.9%	1	107	38.6%
Incentives	25	25.5%	45	26.5%	3	73	26.4%
Penalties	43	43.9%	72	42.4%	4	119	43.0%
Total Responding	98		170		9	277	

T A B L E C - 2 6

How many revenue vehicles are provided under this contract and who provides them?

<i>Source of Vehicles</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Others</i>	<i>Total Contracts</i>	<i>Percent</i>
By agency	69	72.6%	72	48.3%	5	146	58.2%
By contractor	20	21.1%	57	38.3%	1	78	31.1%
Mixed	6	6.3%	20	13.4%	1	27	10.8%
Total Responding	95	100.0%	149	100.0%	7	251	100.0%

T A B L E C - 2 7

What equipment or facilities does the contractor provide for this contract?

<i>Equipment/Facilities Provided by Contractor</i>	<i>Bus</i>	<i>Percent</i>	<i>DR</i>	<i>Percent</i>	<i>Others</i>	<i>Total Contracts</i>	<i>Percent</i>
Bus storage facilities	53	71.6%	107	78.7%	1	161	75.2%
Maintenance facilities	49	66.2%	100	73.5%	1	150	70.1%
Maintenance equipment	49	66.2%	94	69.1%	2	145	67.8%
Nonrevenue vehicles	41	55.4%	78	57.4%	0	119	55.6%
Schedule hard/software	28	37.8%	62	45.6%	2	92	43.0%
Other	7	9.5%	12	8.8%	2	21	9.8%
Total Responding	74		136		4	214	

T A B L E C - 2 8

What services does the contractor provide for this contract?

<i>Services Provided by Contractor</i>	<i>DR Contracts</i>	<i>Percent</i>
Dispatch	140	92.1%
Reservations	110	72.4%
Call taking	107	70.4%
Routing	105	69.1%
Eligibility	31	20.4%
Other	30	19.7%
Total Responding	152	

APPENDIX

D

Tabulations of Responses to Survey Part 2

TABLE D - 1

**Question 1: Please tell us about the types of services that you provide.
What services are directly operated, and which ones do you contract?**

<i>Type of Service</i>	<i>Directly Operated</i>	<i>Responding Systems</i>
Bus	151	200
DR (ADA)	91	187
DR (dial-a-ride)	62	115
Commuter rail	1	7
Heavy rail	10	10
Light rail	12	12
Vanpool	18	30
Ferryboat	6	10
Other	10	18
Total responding		237

NOTE: DR = demand-responsive service.

TABLE D - 2

Number of Systems Reporting Contracted Service by Type of Service

<i>Type of Service</i>	<i>Responding Systems</i>
Bus	77
DR	123
Ferry	1
Commuter rail	1
Total responding systems with contracted service	144

NOTE: Some systems contract for more than one service.

T A B L E D - 3

Question 2: Does your agency have a specific unit to monitor the performance of contracted services? If "Yes," then how many employees does this unit employ?

<i>Special Monitoring Unit</i>	<i>Number</i>	<i>Percent</i>	<i>Average No. of Employees</i>
Yes	91	63%	4.2
No	53	37%	0
Total responding	144	100%	

T A B L E D - 4

Question 3: Do you monitor overhead costs for contracted services? If so, please check off the areas that you monitor.

<i>Areas Monitored for Overhead Cost</i>	<i>Responding Systems</i>
Contract administration	52
National Transit Database reporting	51
Vehicle inspection	50
Maintenance	49
Driver instruction	36
Cash counting	35
Operations management	31
Internal audit	28
Dispatch	26
Liability	25
Street supervision	23
Accounts payable	19
Workers compensation	18
Depreciation	11
Human resources	11
Other	11
Total responding	144

T A B L E D - 5

Question 4: We want to know your general views on contracting transit services. Rate the following areas in terms of the issues or benefits that you have experienced when contracting.

<i>Area</i>	<i>Responding Systems</i>				
	<i>Large Problems</i>	<i>Minor Problems</i>	<i>Neither/ Depends</i>	<i>Some Benefits</i>	<i>Large Benefits</i>
Operating costs	4	9	14	58	48
Cost-efficiency	3	12	8	68	45
Amount of service	5	10	40	33	38
Labor-management relations	4	14	50	24	25
Labor productivity	3	19	40	42	18
Ridership	2	7	60	46	9
Time demands on staff	12	32	38	22	22
Service quality	10	41	29	42	12
Employee morale	1	27	68	15	9
Accidents	7	13	81	18	4
On-time performance	13	38	47	28	5
Contract disputes	8	34	60	8	6
Customer service	17	51	23	29	10
Employee turnover	15	31	50	13	3
Workforce retention	20	32	37	11	9

NOTE: Each respondent was asked to check one response per area.

TABLE D - 6

Question 5: Please describe the positive effects of contracting in more detail below.

<i>Positive Effects</i>	<i>Responding Systems</i>
Reduced operating cost	79
Reduced administration	35
Flexibility	29
Expertise of contractor	28
More service	23
Contractor handles all	14
Avoid capital costs	14
Competitive environment	12
Reduces hiring/staff	10
Public image/political	10
Only way to start ADA	8
Total responding	144

NOTE: Written answers were coded into categories by the committee.

TABLE D - 7

Question 6, Part 1: Please describe the negative effects of contracting in more detail below.

<i>Negative Effects</i>	<i>Responding Systems</i>
Limited control	59
Quality/customer service	48
Contractor issues	22
Communication	21
Turnover/low wages	20
Need to monitor	19
Personnel issues	14
Public/political issues	13
Diminishing returns	12
Union issues	7
Total responding	117

NOTE: Written answers were coded into categories by the committee.

T A B L E D - 8**Question 6, Part 2: Please describe any actions you took to mitigate these negative effects.**

<i>Action</i>	<i>Responding Systems</i>
Improved contract	22
Communication	10
Personnel/training	7
Additional monitoring	7
Enforcement	2
Agency actions	2
Total responding	40

NOTE: Written answers were coded into categories by the committee.

T A B L E D - 9**Question 7, Part 2: In your opinion, how have the results of transit service contracting met your expectations?**

<i>How Did Contracting Meet Expectations?</i>	<i>Responding Systems</i>
Fully met	79
Partially met	54
Did not meet	6
Total responding	139

T A B L E D - 10**Question 7, Part 2: If contracting did not meet or only partially met your expectations, please explain in more detail.**

<i>Why Contracting Fell Below Expectations</i>	<i>Responding Systems</i>
Contractor issues	23
Service quality/customer service	23
Benefits not fully realized	13
Not enough control	6
Too few bidders	3
Personnel issues	4
Total responding	49

NOTE: Written answers were coded into categories by the committee.

T A B L E D - 1 1

Question 8: What advice would you give to an agency considering contracting for the first time?

<i>Advice</i>	<i>Responding Systems</i>
Outline specific duties/responsibilities	54
Specify performance requirements	47
Monitor contract performance	38
Scrutinize contractors beforehand	24
Talk to other agencies	23
Teamwork/communication with contractor	20
Competitive procedure, not low cost	19
Combine rewards and penalties	18
Clear mechanism to make changes	14
Identify elements to contract re agency goals	14
Specify wage rates/cost escalation	13
Penalty clauses/liquidated damages	12
Begin with internal cost analysis	12
Provide vehicles/facility/maintenance/eligibility	10
Be flexible	10
Broad involvement in RFP process	10
Contractor provides vehicle/fuel/routing	5
Other	18
Total responding	117

NOTE: Written answers were coded into categories by the committee.

T A B L E D - 1 2

Questions 9 and 14: What year did your agency first begin contracting for fixed-route bus or demand-responsive services?

<i>Year Began Contracting</i>	<i>Bus</i>	<i>DR</i>	<i>Other</i>	<i>Percent</i>
1980 and prior	18	21	0	21%
1981–1985	18	19	0	20%
1986–1990	13	22	0	19%
1991–1995	13	39	1	29%
1996–2000	11	10	0	11%
Total responding	73	111	1	100%

TABLE D - 13

Questions 10 and 15: To the best of your knowledge, what factors did you consider when deciding to contract for fixed-route bus or demand-response services?

<i>Factors Considered</i>	<i>Major Reason</i>	<i>Important Factor</i>	<i>Minor Factor</i>	<i>Not a Factor</i>
FIXED-ROUTE BUS				
Start new services	33	14	5	23
Reduce costs	30	20	7	18
Improve cost-efficiency	26	21	8	20
Competitive environment	13	16	10	36
Expand services	12	19	5	39
More flexibility	10	16	14	35
Board direction	11	16	7	41
Higher-quality service	10	10	15	40
State mandate or law	3	5	4	63
Federal emphasis	2	3	13	57
DEMAND-RESPONSIVE				
Start new services	50	25	7	35
Reduce costs	47	25	11	34
Improve cost-efficiency	49	22	14	32
Competitive environment	21	26	16	54
Expand services	22	26	11	58
More flexibility	13	34	17	53
Board direction	14	21	21	61
Higher-quality service	8	26	23	60
State mandate or law	14	7	6	90
Federal emphasis	6	7	17	87

TABLE D - 14

Questions 11 and 16: How do you obtain these bus or demand-responsive services?

<i>How Services Obtained</i>	<i>Bus</i>	<i>DR</i>	<i>Other</i>	<i>Percent</i>
Competitive bidding	36	57	1	47%
Negotiated procurement	10	22	0	16%
Combination	27	32	0	30%
Other	4	9	0	7%
Total responding	77	120	1	100%

TABLE D - 15**Questions 12 and 17: How has the number of bidders changed over time?**

<i>Change in Number of Bidders</i>	<i>Bus</i>	<i>DR</i>	<i>Total Contracts</i>
Increased	11	11	22
Stayed about the same	53	78	131
Declined	9	22	32
Total responding	73	111	185

TABLE D - 16**Questions 13 and 18: If you do not competitively bid these services, why not?**

<i>Why Not Competitively Bid?</i>	<i>Bus</i>	<i>DR</i>	<i>Total Contracts</i>
Satisfied with current	5	7	12
Few qualified firms	3	5	8
Board policy direction	1	3	4
Other	3	3	6
Total responding	12	18	30

TABLE D - 17**Question 19: Why do you not contract for transit services?**

<i>Reason for Not Contracting</i>	<i>Major Reason</i>	<i>Important Factor</i>	<i>Minor Factor</i>	<i>No Factor</i>
Maintain control	33	18	9	27
Not cost-effective	22	25	6	34
No reason to change	18	23	9	37
Lack of qualified firms	11	9	9	58
Board direction	10	10	5	62
Union contract	7	9	4	67
Section 13c prevents	8	5	4	70
Too few bidders	7	6	0	74
Proposed bids too high	6	3	1	77
State laws limit ability	0	2	1	84

T A B L E D - 1 8**Question 20: Did your agency contract for transit services in the past?**

<i>Contract in Past?</i>	<i>Responding Systems</i>
Yes	30
No	63
Total responding	93

T A B L E D - 1 9**Question 20, Part 2: Why did you stop contracting?**

<i>Why Stop Contracting</i>	<i>Responding Systems</i>
Regain control	7
Improve service quality	7
Cost savings in house	6
Contractor issues	6
Contractor opted out	6
Escalating costs	4
Few qualified contractors	3
Internal changes	2
Other	3
Total responding	30

T A B L E D - 2 0**Question 21: If you had to do it all over again, and the choice were solely yours, would you contract for transit services now?**

<i>Would You Contract Now?</i>	<i>Responding Systems</i>
Yes	104
No	65
Unsure	13
Total	182

TABLE D - 2 1**Responses to Question 21 by Whether Systems Currently Contract or Do Not Contract**

<i>Would You Contract Now?</i>	<i>Currently Contract</i>	<i>Do Not Contract</i>
Yes	89	15
No	16	49
Unsure	9	4
Total responding	114	68

TABLE D - 2 2**Question 21, Part 2: Why would you contract now (for those who answered yes to Part 1 of Question 21)?**

<i>Why Contract Now?</i>	<i>Responding Systems</i>
Cost/cost-effectiveness	32
Positive experience	15
Flexibility	13
Minimizes administration	9
Timely/logical for ADA	7
Process works	7
Higher level of service	4
Political/public benefits	4
Other	9
Total	64

TABLE D - 2 3**Question 21, Part 2 (for those who answered no to Part 1 of Question 21): Why would you not contract now?**

<i>Why Not Contract?</i>	<i>Responding Systems</i>
Direct control	12
System in place works	13
Service quality	8
Collaboration with union	2
Too many problems	6
Few qualified contractors	7
Not cost-effective	8
Total	40



Study Committee Biographical Information

Gorman Gilbert, *Chair*, is Head of the School of Civil and Environmental Engineering at Oklahoma State University, where he is also Director of the Oklahoma Transportation Center. He was previously Director of the Institute for Transportation Research and Education at North Carolina State University and on the faculty of the City and Regional Planning Department at the University of North Carolina. From 1989 to 1990 he was President of Taxi Systems, Inc., and from 1986 to 1989 he was Chairman of the New York City Taxi and Limousine Commission. He is a member of the Transportation Research Board's (TRB) Executive Committee. He earned his Ph.D. in civil engineering from Northwestern University.

J. Barry Barker is Executive Director of the Transit Authority of River City in Louisville, Kentucky. He was previously General Manager at Metro in Akron, Ohio, and Assistant General Manager for Marketing and Management for the Greater Cleveland Regional Transit Authority. He is a member of the Projects Oversight and Selection Committee for the Transit Cooperative Research Program (TCRP) and has served on several other TCRP panels. He earned his bachelor's degree in engineering from Case Western Reserve University and master's degree in public administration from Cleveland State University.

Santo A. Grande is Executive Director of Delmarva Community Services, a position he has held since 1975. He is responsible for administering the local service delivery system in Dorchester

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Clarence W. Marsella, Jr., is General Manager of the Denver Regional Transportation District (RTD). RTD serves more than 2 million people and operates a light rail system, 900 fixed-route buses, and 200 paratransit vehicles. RTD also has contracts with private operators for the services of more than 600 fixed-route and paratransit vehicles. Previously, Mr. Marsella was a co-owner of Gulf Coast Paratransit Services in Ft. Myers, Florida; Executive Director of the Florida Transit Operators Association; and Chief of Contracted Services for the Metro Dade Transit Agency. He earned his bachelor's and master's degrees in public administration from the University of Connecticut.

James J. McLary is President of Southeast Transit Management, Inc., in Alexandria, Virginia. He was previously President of Transportation Management Services, which provides paratransit systems and turnkey management for public transit agencies. Before that, he was Executive Vice President of National Transit Services, Inc. He has also been a transit consultant and served for 8 years as Transit Administrator for the City of Madison, Wisconsin. He is on the Board of Directors of the Taxicab, Limousine, and Paratransit Association. He earned his bachelor's degree in civil engineering from Purdue University.

Charles L. Pettus, Sr., is International Vice President and General Executive Board Member of the Amalgamated Transit Union. From 1980 to 1999 he was President of the union's Baltimore local, where he was chief negotiator for collective agreements. He joined the Baltimore Transit Company (which preceded the Maryland Mass Transit Administration) as a bus operator in 1969. Since 1990 he has chaired the City of Baltimore's Wage Commission. He was a member of TCRP's Panel on International Transit Studies. He earned his bachelor's degree in business administration from the University of Baltimore.

Patrisha Piras is a transportation consultant specializing in public transit planning and evaluation and an elected member of the Board of Directors of AC Transit in Oakland, California. She was previously Director of Paratransit Planning

for Laidlaw Transit Services, Inc., and was a senior analyst with the Metropolitan Transportation Commission of the San Francisco Bay Area. She has served on several TRB committees, including the Committees on Social and Economic Factors in Transportation, Public Involvement in Transportation, and Accessible Transportation and Mobility. She earned her J.D. from Hastings College of the Law, University of California.

Elliott D. Sclar is Professor of Urban Planning and Public Affairs and Director of the Graduate Program in Urban Planning at Columbia University. He is also a research associate at the Economic Policy Institute; a member of the Board of Directors of the Institute for Transportation Development Policy; and Chairman of the Board of Directors of Trillium Asset Management, an investment advisory firm. He has studied and written extensively on privatization in public transportation, hospitals, and other fields and has advised several labor unions on privatization issues. He earned his Ph.D. in economics from Tufts University.

Roger Tauss is National Coordinator for Government and Political Affairs for the Transport Workers Union of America, a position he has held since 1997. Previously he was the union's international representative and president of the 5,600-member Local 234 in Philadelphia. He was Vice President of the Pennsylvania State Federation of Labor and Philadelphia Central Labor Council from 1984 to 1989. From 1975 to 1983 he was a bus driver for the Southeast Pennsylvania Transit Authority. He has taught political science at Bryn Mawr University and Northwestern University. He earned his bachelor's degree in economics from the University of Pennsylvania.

Brian D. Taylor is Associate Professor of Urban Planning and Associate Director of the Institute of Transportation Studies at the University of California, Los Angeles (UCLA). His research centers on both transportation finance and travel demographics. His work on transportation finance has involved examining the politics of finance, including the influence of finance on the development of metropolitan freeway systems and the effect of public transit subsidy programs on both system performance and social equity. His finance research has also examined the effects of contracting for transit service on cost and performance. His research on travel demographics has emphasized access-deprived populations, including women, racial-ethnic minorities, the disabled, and the poor. He earned his Ph.D. in urban planning from UCLA.

Roger F. Teal is President of TWJ Consulting, a software consulting firm in Wilmette, Illinois. He previously taught in the Department of Civil Engineering at the University of California, Irvine. He has authored and coauthored numerous articles and reports on transportation policy and public transportation, including the effects of privatization on transit service quality and efficiency. He was a member of TRB's Paratransit Committee and served on the Strategic Transportation Research Study for Transit. He earned his Ph.D. in political science from Tufts University.

Nigel H. M. Wilson is Professor of Civil and Environmental Engineering at the Massachusetts Institute of Technology (MIT), where he specializes in public transportation service planning, transit operations management and control, and advanced technology applications to transport systems. He led the department's Transportation Group from 1993 to 1996, and currently heads the Engineering Systems Group. He has written extensively on public transportation technology and planning and is former Chairman of the TRB Committee on Transit Management and Performance. He earned his Ph.D. in Transportation Systems from MIT.