

**PUBLIC TRANSPORT
ORGANIZATIONAL MODELS:
A CRITICAL APPRAISAL
AND PROSPECTS FOR FUTURE
INDUSTRY RESTRUCTURING**

Outline

- **Organizational models**
- **US Implementation**
- **Industry structure**
- **Prospects for the future**

Organizational Models

- **Unregulated/Deregulated**
- **Regulated Competition**
- **Threatened Competition**
- **Private Monopoly**
- **Public Monopoly**
- **Contracting Out**

Six Organizational Models

		MODELS					
		Unregulated	Regulated Competition	Threatened Competition	Private Monopoly	Public Monopoly	Contracting Out
FUNCTIONS	Regulation	Minimum	Yes	Yes*	Yes	Yes	Yes*
	Financing	PR	PR	PR	PR	PU	PR
	Planning	PR	PU & PR	PU & PR	PR & PU	PU	PU
	Ownership	PR	PR	PR	PR	PU	PR (or PU)
	Operation	PR	PR	PR	PR	PU	PR
	Maintenance	PR	PR	PR	PR	PU	PR
<p>* The model is regulated in the form of contracts.</p> <p>PU: Public Sector; PR: Private Sector</p>							

Organizational Models in the US

- **Traditional regional public transport authority**
- **Enhanced public transportation authority**
- **Split policy and planning/operations entities**

A. "Classical" Regional Transit Authority (RTA)

Characteristics:

- **integrated policy and operations responsibilities**
- **single service provider (or equivalent)**
- **limited/non-existent role beyond transit**
- **limited range of services: fixed route ops, paratransit**

Example: RIPTA (Rhode Island); many others

A. "Classical" Regional Transit Authority (RTA)

- Pros:**
- strong coordination and control;
clear accountability
 - coherent image: strong public identification
 - low conflict potential
 - known, familiar option
 - low overhead for smaller cities
- Cons:**
- little long-range planning, except "monument building"
 - little incentive for efficiency
 - vulnerable to labor and political pressures
 - narrow mandate
 - isolated/remote from customers
 - entrenched/resistant to change

B. Expanded RTA Model

Characteristics:

- **integrated policy and operations responsibilities**
- **single service provider (or equivalent)**
- **expanded range of services: carpools, etc.**
- **expanded role re: land use planning**

Example: King County Metro

B. Expanded RTA Model

- Pros:**
- **intervention in land use -- transit demand cycle**
 - **potential to match service with needs**
 - **increased market share --> increased public support**
 - **strong market orientation**
 - **many "pros" from Alternative "A"**
- Cons:**
- **complex to manage efficiently**
 - **hard to measure performance**
 - **priorities may be hard to set**
 - **vulnerable to labor and political pressures**

C. Split Policy/Operations Responsibilities: Single Service Providers

Characteristics:

- **policy board responsible for:**
service area definition, capital planning, farebox recovery/revenue goals, performance measures
- **single service provider responsible for:**
service provision, marketing, route planning, maintenance, workforce management

Example: Minneapolis/St. Paul

C. Split Policy/Operations Responsibilities: Single Service Providers

- Pros:**
- limits political influence on operations
 - allows operations staff to focus on service
 - encourage longer-range perspective
 - clear objectives for service provider
 - many "pros" from Alternative "A"
- Cons:**
- difficult to define clear separation of roles
 - hard to transition into from "A"
 - some "cons" from Alternative "A"

D. Split Policy/Operations Responsibilities: Multiple Service Providers

Characteristics:

- **competitive bidding for service contracts**
- **policy board role also includes:
funding allocation to providers, contracting, and
oversight centralized customer information system**

Example: San Diego

D. Split Policy/Operations Responsibilities: Multiple Service Providers

- Pros:**
- encourages efficient operations
 - makes clear distinction between policy and operations role
 - all "pros" of Alternative "C"
- Cons:**
- difficulty of contracting and monitoring
 - accountability unclear
 - duplication of roles
 - transition difficulties between operators
 - weakened system image

Transit Industry Structure

- **Remarkably little change since the early 1970s:**
 - **regional transit authorities regulating, planning and directly operating most services**
 - **principal use of private sector is in providing purchased services to transit authorities**

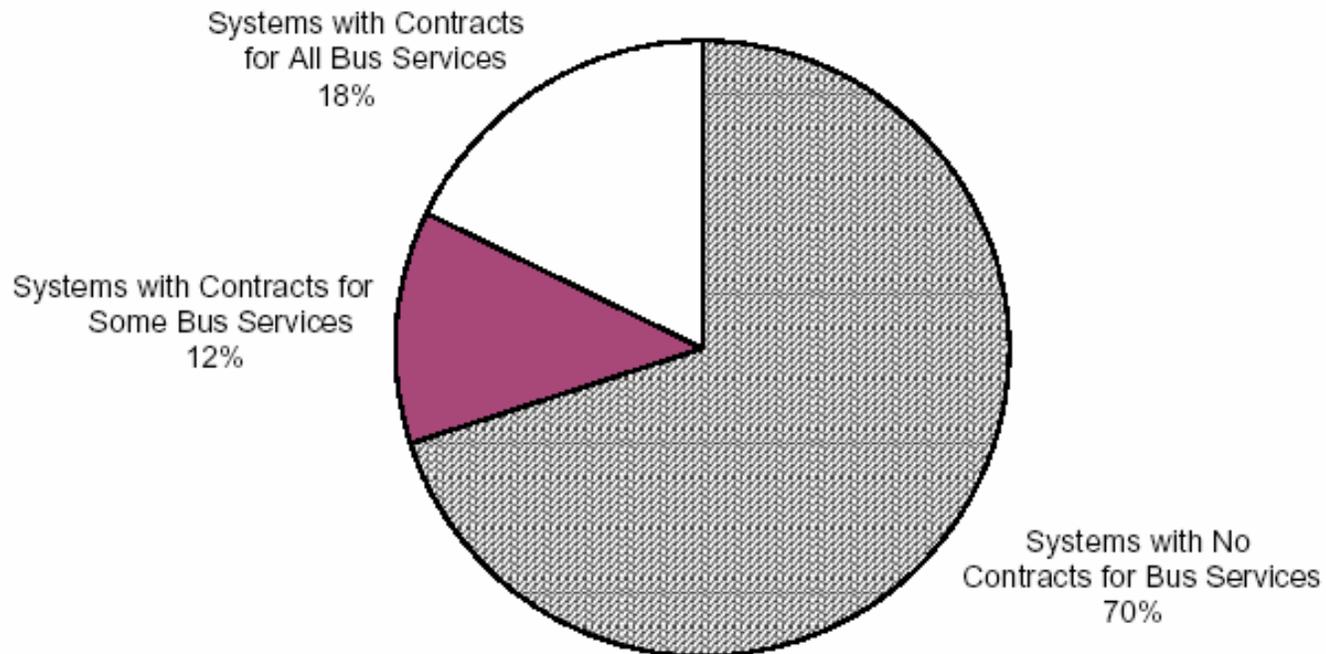
Purchased Transit Service in US Transit Industry (2002): Operating Expense

Mode	Directly Operated	Purchased	Total	% Purchased
Bus	12,681.9	1,383.7	14,065.6	9.8%
Heavy Rail	4,267.5	0.0	4,267.5	0.0%
Commuter Rail	2,798.2	205.0	3,003.2	6.8%
Light Rail	747.6	30.7	778.3	3.9%
Demand Response	676.2	1,273.2	1,949.4	65.3%
Other	511.3	71.0	582.3	12.2%
TOTAL	21,682.7	2,963.6	24,646.3	12.0%

Use of Purchased Transit Services

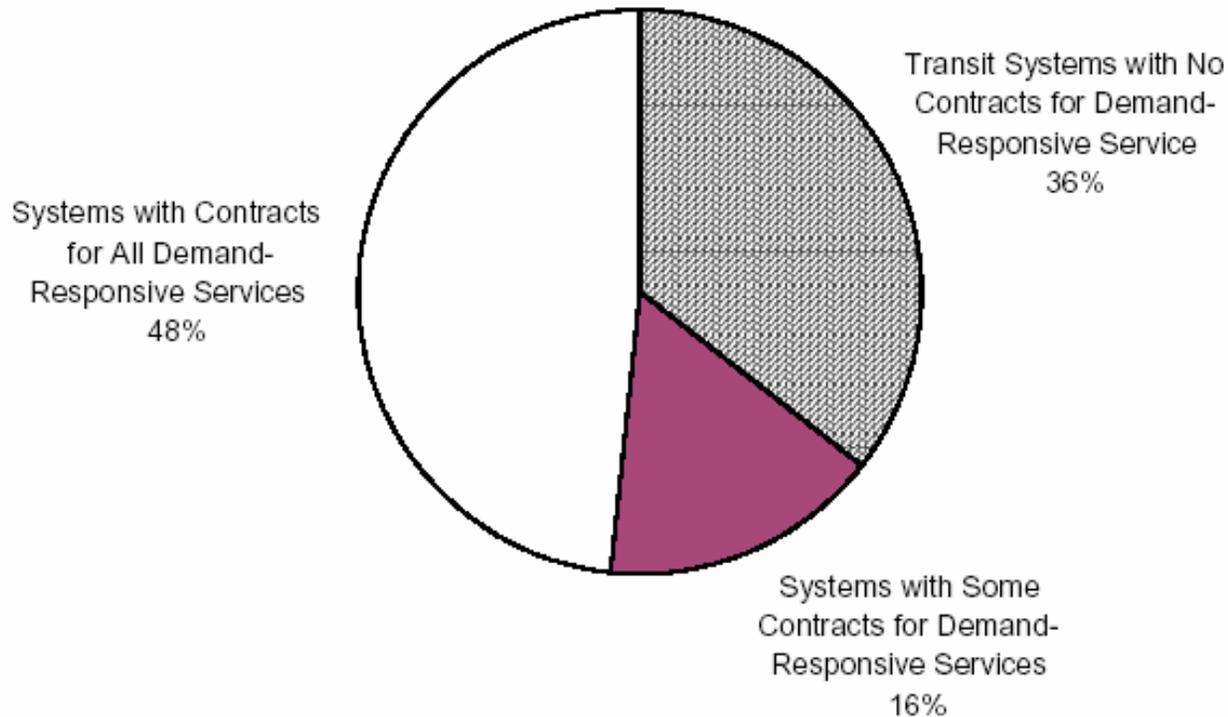
- **Dominant for demand-responsive service**
- **Little or none for urban rail services**
- **Modest for fixed route bus services**

Percent of Transit Systems that Contract for Bus Services



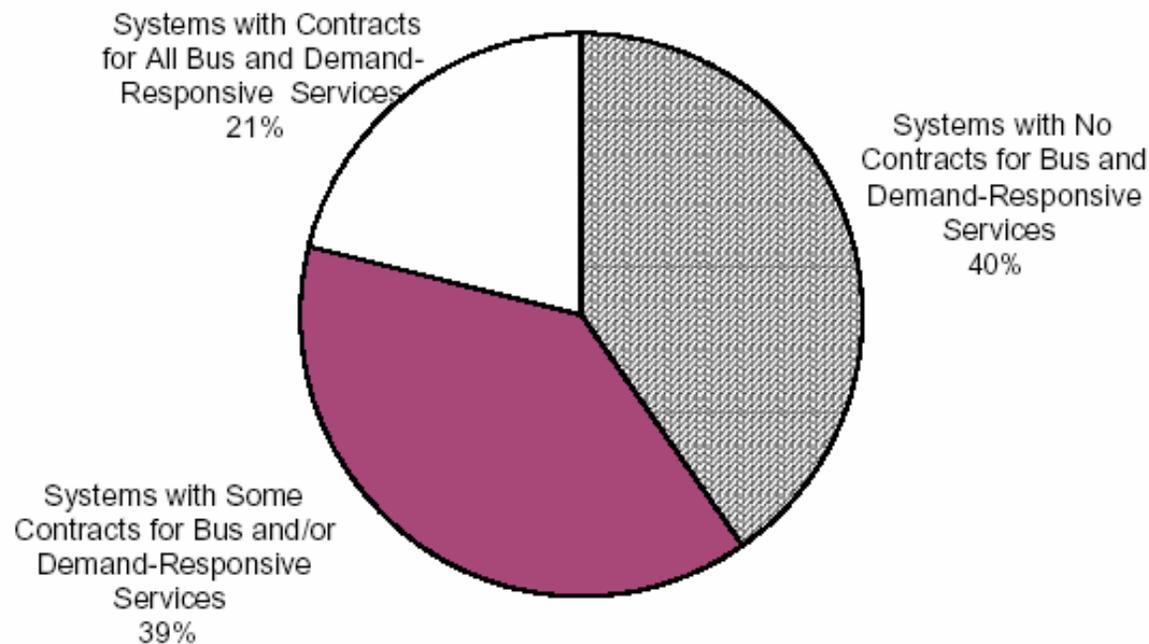
Source: *Transportation Research Board Special Report 258 (2001) Contracting for Bus and Demand-Responsive Transit Services: A Survey of US Practice and Experience.*

Percent of Transit Systems that Contract for Demand-Responsive Transit Services



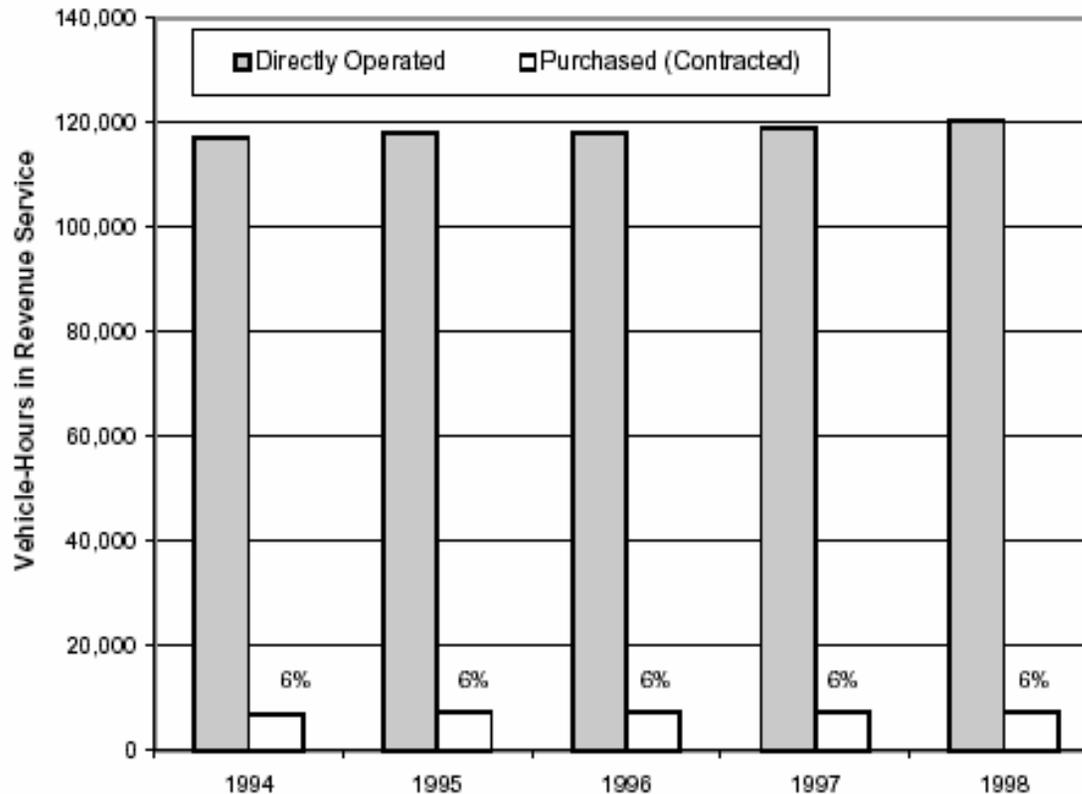
**Source: Transportation Research Board Special Report 258 (2001)
Contracting for Bus and Demand-Responsive Transit Services: A Survey of US Practice and Experience.**

Percent of Transit Systems that Contract for All, Some, and No Bus and Demand-Responsive Transit Services



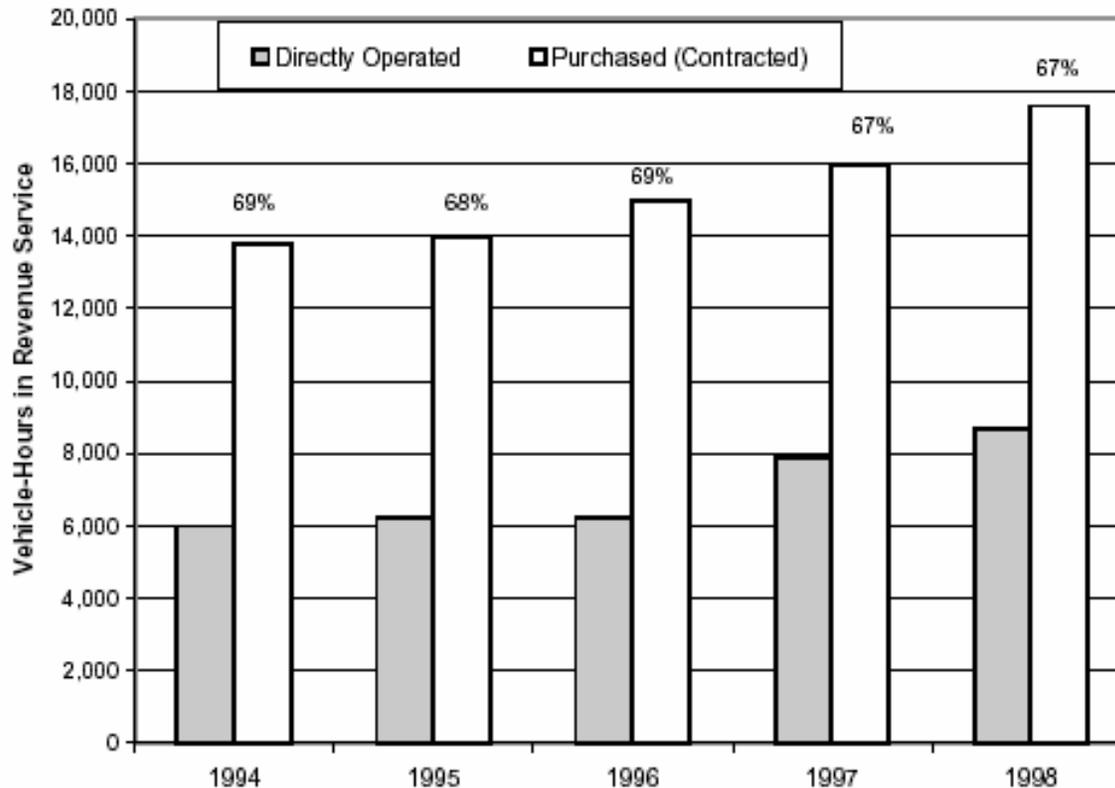
**Source: Transportation Research Board Special Report 258 (2001)
Contracting for Bus and Demand-Responsive Transit Services: A Survey of US Practice and Experience.**

Recent Trends in Vehicle-Hours Directly Operated and Purchased for Fixed-Route Bus Services



Source: Transportation Research Board Special Report 258 (2001). Contracting for Bus and Demand-Responsive Transit Services: A Survey of US Practice and Experience.

Recent Trends in Vehicle-Hours Directly Operated and Purchased for Demand-Responsive Services



Source: Transportation Research Board Special Report 258 (2001). Contracting for Bus and Demand-Responsive Transit Services: A Survey of US Practice and Experience.

Fixed Route Bus Services

- **Represents more than 50% of all services in the US**
- **Could clearly be operated efficiently and effectively by the private sector under contract**
- **The real potential for significant expansion for the private sector in transit**

BUSES OPERATING EXPENSE

(2002: \$ million)

(All agencies with Operating Cost > \$100 million)

Agency	Total Bus Expense	Purchased Service	% Purchased
New York City Transit	1,587.2	0	0
Los Angeles MTA	761.0	45.0	6%
Chicago (CTA)	615.1	0	0
New Jersey Transit	550.5	27.8	5%
Philadelphia (SEPTA)	387.5	0.2	0
Washington DC	355.0	0	0
New York City (DOT)	322.2	322.2	100%
Seattle	294.1	0	0
Houston	249.3	29.9	12%
Oakland (AC Transit)	245.9	1.2	0
Boston (MBTA)	240.2	6.0	2%
Denver (RTD)	217.4	52.0	24%
Miami (MDTA)	214.4	0	0
Santa Clara	213.7	2.5	1%
Pittsburgh	210.6	0	0

Source: National Transit Database Transit Profiles, 2002

<http://www.ntdprogram.com>

BUSES OPERATING EXPENSE

(2002: \$ million)

(All agencies with Operating Cost > \$100 million)

Agency	Total Bus Expense	Purchased Service	% Purchased
Baltimore (MTA)	209.8	22.3	11%
Dallas (DART)	198.4	31.8	16%
Minneapolis/St Paul	194.0	0	0%
Atlanta (MARTA)	173.4	2.9	2%
Detroit (DDOT)	171.5	0	0%
Portland (Tri-Met)	171.4	0	0%
San Francisco (MUNI)	167.2	0	0%
Cleveland	162.0	0	0%
Orange County (OCTD)	150.2	4.3	3%
Honolulu	119.7	0	0%
Milwaukee	115.7	0	0%
Chicago (PACE)	109.3	11.4	10%
St. Louis	107.0	0	0%
TOTAL	8,513.7	559.5	7%

Source: National Transit Database Transit Profiles, 2002

<http://www.ntdprogram.com>

Largest 28 Bus Operators

- **Less than 7% of bus service is currently provided under purchase of service arrangements**
- **14 of 28 agencies do not provide any purchased bus service**
- **Only 6 agencies provide more than 10% of bus services under contract: New York City (Department of Transportation), Houston, Denver, Baltimore (MTA), Dallas, and Chicago (PACE)**

Agencies Using Purchased Services Extensively Fall Into Three Groups

- **Agencies which took over financial responsibility for franchise operators: New York City Department of Transportation**
- **Agencies taking over franchised services and/or expanding services through purchase agreements: Baltimore (MTA), Dallas, and Chicago (PACE)**
- **Agencies required to transfer core services to purchased service arrangements: Denver**

Prospects for the Future

Key ingredients for private sector participation:

- **service is new and different**
- **external intervention**
- **incomplete assimilation of private operators**

Direct transit authority operation is highly stable in North America:

- **small leverage for central government**
- **at state/local levels of government organized labor is a powerful force likely to resist change**
- **confrontational/ideological nature of the debate**

Possible Strategies

- **Development of non-confrontational, incremental change proposals**
- **Contingency plans**
- **Replacement of marginally performing routes by contracted van or minibus service**
- **Develop a database on results of initiatives by credible agency**
- **Split policy board from operating functions**
- **Corporatization and privatization of bus depots in large metropolitan areas**