U.S. Department of Transportation

# Cost Reduction and Service Improvements from Contracting in Rural, Small Urban, and Suburban Areas

December 1987

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Final Report
December 1987

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Distributed in Cooperation with
Technology Sharing Program
Research and Special Programs Administration
U.S. Department of Transporatation
Washington, D.C. 20590

**DOT-T-90-04**

# PREFACE

This report documents the analysis of 17 public transportation systems from throughout the United States that were found to have successfully contracted with private transportation companies. The intent of the study was to examine cases in which cost reduction and productivity improvements had occurred due to the use of the private sector instead of in-house operations, either for a whole system or a portion of a system. The study was also focused on cases in rural, small urban and suburban areas since most research of this issue has been done on large urban systems and since many small system managers have been skeptical of the benefits of contracting.

The conduct of the research documented by this report was made possible by the involvement of numerous State and local officials, agency staff, transportation company owners and interested constituents and consumers. The support and interest of the UMTA Office of Private Sector Initiatives and the Rice Center, Joint Center for Urban Mobility Research was responsible for enabling the Consultant to pursue the research. We are especially grateful to the numerous individuals who gave freely of their time to assist us in site visits and in obtaining data and information about their systems.

# Cost Reduction and Service Improvements From Contracting in Rural, Small Urban, and Suburban Areas

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# EXECUTIVE SUMMARY

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During 1987, a series of 17 case studies of rural, small urban and suburban transportation systems found that by contracting with private transportation companies, that significant cost reductions (ranges from 20% to 110% with 46% average), and the ratio of fares to operating expense increases (7% - 78%) could be achieved, with service quality and consumer satisfaction being maintained or even improved. These cases were drawn from throughout the nation from a variety of environments, organizations and approaches to show that contracting could succeed in a variety of local conditions and environments. The case included 10 rural systems, three suburban and four small urban systems. Rural cases were emphasized since much documentation already exists on urban cases.

Cost reduction and productivity improvements from using private contractors were documented in 10 of the 17 cases where comparisons to previous or current publicly operated service were possible. The other 7 cases had either always been privately operated or else didn't have reliable data from prior or current cases, however, were found to be quite satisfied with the use of private operators. One case, in fact, had lost its private operator due to business decline and was forced to return to in-house operations, but still preferred to find a new private contractor. The following list summarizes the type and level of cost improvements found:

| | |
|---|---|
| 1) Ben Franklin Transit<br>Richland, Washington<br>Demand Response contracted to taxi | 62% operating cost savings over Authority's operational cost |
| 2) Senior Citizen Affordable Taxi<br>Delaware Trans. Authority<br>Taxi User Subsidy | 24% lower cost per passenger than State's current demand response system |
| 3) Tri-Met Clackamus County E&H Service<br>Clackamus County, Oregon<br>Annual competitive bid of demand response service | 28% lower cost per vehicle hour and 38% lower per vehicle mile than Tri-Met |
| 4) Crawford County Transp. Authority, Meadville, PA<br>Fixed route and demand response contracted to school bus company | 20% lower cost per vehicle mile than Authority's Operation |

| | |
|---|---|
| 5) Chippewa Falls Trans. Netwk.<br>Chippewa Falls, Wisconsin<br>Conversion of total system from fixed route Authority-operated to demand response contracted taxi | 59% reduction in annual operating cost plus 7% increase in fare ratio over prior system |
| 6) Monmouth Cty. Trans. System<br>Freehold, NJ<br>Contracted fixed routes and demand response to bus and taxi companies | 39%-110% lower cost per passenger by selective contracting compared to current in-house operations |
| 7) Wilson Transit System<br>Wilson, NC<br>Contracted fixed route dial-a-ride to taxi co. | 50% reduction in operating cost over previous in-house operation |
| 8) Tuolumne County Transit<br>Sonora, CA<br>Contracted fixed route and demand response to bus co. | 34% reduction in cost per passenger over previous in-house operation |
| 9) Fort Wayne Transit Corp.<br>Fort Wayne, Indiana<br>Fixed route drivers contracted by employment agencies | 38% reduction in driver cost per hour over current in-house drivers |
| 10) Lexington Transit Authority<br>Lexington, Kentucky<br>Contracted fixed route with bus company | 23% reduction in deficit per passenger and 78% increase in fare ratio compared to current in-house operations |

Several findings or conclusions were drawn from the 17 case studies which in some cases may have generic application to other environments. The following is a summary listing of those notable findings without regard to priority:

1) The combination of local interest in the private sector doing public services; the availability of successful and respected transportation companies in the local area; and State DOT policies supportive of private sector involvement creates a conducive environment for private sector involvement.

2) Employment contracting agencies offer a means of hiring transit operators at rates that can be significantly lower than the salary and fringe benefits paid to public agency employees.

3) The belief or perception that the private sector can do a more effective and more cost-efficient job in operating public transit or paratransit service is in itself an influential condition which can strongly support privatization. This perception can often be considered to be more important than service quality considerations. Involvement in the planning and decision-making process of affected consumers from neighborhoods or affected service areas can be instrumental in gaining support for privatization strategy.

4) The concept of being able to contract with the private sector for specified service increments as compared to having to hire and pay for full-time labor cost (and in some cases non-labor operating expenses as well) whether service is utilized or not can be persuasive in deciding to shift to the private sector. In some instances, this shift could also be coupled with a total or partial mode change.

5) The ability to contractually require specified levels of service quality, reliability and on-time performance through the financial performance incentive of a legal contract can, on its own, be sufficient reasoning for privatization in whole or in part.

6) A mix of in-house operations and contracted private sector operations with consideration towards strategic locations of contractors versus in-house operations can help maintain competitiveness in annual bidding.

7) Contracting with the private sector for off-peak evening and weekend service can be more cost-efficient than in-house operations.

8) The avoidance of initial capital and start-up expenditures can be attractive to local governments.

9) Even smaller urban and rural areas may have the staff capacity to provide significant technical assistance to contract operators in addition to normal administrative monitoring and evaluation support activities which collectively can help insure a continued high quality of service by contract operators.

10) Pending budgetary limitations and relatively low efficiency and productivity for certain fixed routes or route segments can provide substantial incentive for using a contractor.

## Report Organization and Project Methodology

The report is organized into two sections including documentation reports and fact sheets. Documentation reports were prepared for those systems which initial inquiries and analyses indicated major successes with privatization.

Fact sheets were initially prepared for all systems considered. Only those fact sheets, however, for four systems for which documentation reports were not prepared are included in the report herein (Fact Sheets for all other systems in the documentation report section were also provided to UMTA and the Rice Center).

This research project began with the Consultant making communications with all State DOT's, the International Taxicab Association, the United Bus Owners of America, and the American Bus Association. This initial inventory method was utilized to advertise the project and the desire for the states and trade organizations to provide the Consultant with a recommendation of systems which suited the purpose of the research project. Respondents were essentially asked to identify case examples in their state or industry where successful use of the private sector could be demonstrated with the particular emphasis on rural and small urban areas. This latter focus was taken since a substantial amount of previous research had already been done on privatization in large urban areas and metropolitan centers.

From the initial screening the Consultant selected those cases from throughout the country which appeared to be the most promising for further investigation. Contacts were established with local officials and government representatives for each of the case studies. The fact sheet papers were prepared based upon telephone interviews and correspondence with local authorities. For the top 13 cases for which a documentation report was prepared, a site visit was made by the Consultant in order to confirm the success and conditions under which each case existed. Site visits were instrumental in gaining a first-hand understanding of how each case was developed and what strategies, conditions and methods were utilized that led to a successful project. Of the four fact sheets printed herein, the Consultant, coincidentally, had previous firsthand on-site knowledge of two of the systems. All four, however, involved both personal phone discussions and interviews, and collection of data and information through correspondence.

For the 13 Documentation Reports, the Consultant coordinated site visits with a local government or agency official, having some responsibility for the transportation service. In each case, the Consultant also held interviews with relevant operating agency officials, elected officials, private transportation company owners, human service agency officials that utilized service, constituents, and State officials. This variety of local contacts enabled the Consultant to obtain a thorough understanding of each case plus confirm its success and the reasons for success.

# DOCUMENTATION REPORTS

## DESCRIPTION AND BACKGROUND

The Ben Franklin Transit Authority serves Benton and Franklin Counties located in the southeastern portion of the State of Washington. The system began service in 1982 and now uses 95 vehicles to provide fixed route, Dial-A-Ride, and van pool transportation services. In 1986 an upper income subdivision initiated a well organized effort to obtain fixed-route transit service. The Ben Franklin Transit Authority evaluated the service options for this subdivision and concluded that major cost savings could occur through the use of a private taxi cab shuttle operation.

Prior to 1986, all fixed route transit services were operated by the Ben Franklin Transit Authority, no transit services were subcontracted to provide for the private sector. The system has an extremely successful operation and provides 2,376,842 trips per year. The service is heavily subsidized with state and local funds. However, in 1986, Federal dollars represented only approximately eight percent of the revenues. These Federal subsidies were utilized for capital items and no Federal money was used to assist in operating subsidy. Local funds are derived from a motor vehicle excise tax at the state level and from a three-tenths of one percent sales tax at the local level contributing approximately $6 million to the system's annual revenues.

In 1986, the Authority initiated a private sector contract service--the Panoramic Heights Shuttle Service. The shuttle service includes a demand responsive cab-type vehicle which will respond on-call to shuttle stop locations in the neighborhood with a 15-minute response time and transport riders to a fixed route bus stop. This fixed route service is provided at a one-half hour frequency from 6:00 a.m. to 7:00 p.m. during the weekdays, and 8:00 a.m. to 7:00 p.m. on Saturdays. The shuttle schedule matches exactly the schedule offered by the Authority's fixed route transit system and provides residents of Panoramic Heights freedom to spontaneously use the system. The service has been in operation for one year and there have been no complaints about service levels. A few complaints have occurred regarding taxi drivers' and on time performance. The transit system has responded to these complaints and the problems were easily rectified.

The following paragraph describes the process that a Panoramic Heights resident follows to utilize the shuttle service. The resident calls a designated phone number, which is the local cab company, and requests a

pick-up at the designated neighborhood shuttle stop, the cab is dispatched to arrive at the shuttle stop location in the neighborhood on 15-minute response and shuttle the rider from the neighborhood to a nearby fixed route bus stop. This shuttle ride must be provided by the cab company so as to guarantee the rider that a connection will be made with the next available fixed route bus. The rider is asked to sign a voucher form, one copy of the form is given to the rider. The rider is charged a regular fare upon boarding the fixed route bus but no fare is charged for the trip from the neighborhood to the bus stop. The return trip process begins when the rider boards a fixed route bus, the rider informs the fixed route bus driver that his or her destination is Panoramic Heights and the bus driver communicates via radio with his dispatcher indicating that he has a rider on-board to return to Panoramic Heights. The Authority's dispatcher communicates with the cab company to dispatch a cab to the fixed route bus stop. The bus driver issues the rider a ticket (yellow card) which is used by the rider in lieu of fare for the shuttle ride. The rider disembarks the bus upon reaching the bus stop and waits for the cab to arrive on or near the one-half hour. The shuttle picks up the rider at the bus stop and the driver completes a second cab invoice slip to verify the trip and the rider is transported back to Panoramic Heights to the neighborhood shuttle stop of origin. The taxi cab operator invoices the Transit Authority on a monthly basis based upon the completed invoice slips and tickets which denote the specific time and occupancy of each trip. The cab operator is reimbursed at a trip rate of $5.25 regardless of the number of riders on the vehicle. The negotiated contract with the cab operator includes a provision that if the cab is not large enough to transport the number of residents requiring service in any one hour that only one trip can be invoiced even if more than one vehicle has to be dispatched. These kinds of load factors very seldom if ever have occurred. However, the cab operator utilizes Ford Fiesta cars, therefore, multiple cars may, from time to time, be needed to carry out a single trip response. The contract also requires the cab company to respond to a request for service in 15 minutes. This rapid response requirement insures very good transportation service to a spontaneous need of a Panoramic Heights resident.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

In 1986, the Ben Franklin Transit Authority was approached by residents of Panoramic Heights subdivision with a request to provide equal transportation services. The residents of this subdivision were well educated, upper income and knew the exact procedures to mount a progressive campaign to gain transit services for their neighborhood. The Transit Authority quickly evaluated service options for the area and determined that an additional vehicle and related drivers would be necessary to provide fixed route service. This fixed route addition would add 3,952 vehicle hours

of service a year to the system. Ben Franklin Transit initially estimated that such a service would cost approximately $175,000 a year. The transit system projected that limited ridership would be produced from this neighborhood and, therefore, alternatives to fixed route service were evaluated. The chief evaluation criteria was cost effectiveness. During this evaluation process, the transit system staff initiated meetings in the neighborhood. The meetings occurred in local neighborhood homes: These meetings were organized to improve communication and trust between the neighborhood residents and the Transit Authority. These meetings helped the Authority to better understand the desires of the residents and the residents understand possible service constraints that the transit system faced. The neighborhood organized the meetings and assisted the Transit Authority with the administration of a survey instrument.

The survey had a higher than normal return ratio. The survey results indicated a need for service mornings and afternoons, weekdays and Saturdays with specific emphasis on serving school age children. A second meeting was held in the neighborhood to recommend that a shuttle system be initiated which would link the neighborhood with a nearby fixed route transit system. The Authority pledged that the shuttle service would provide equal or better transportation service compared to the requested fixed route service. The neighborhood accepted the proposal. The residents felt that having transportation services and not having the noise and fumes resulting from large transit buses was the best of both worlds. The proposed shuttle service included the use of a local cab operator to provide the transportation link between the neighborhood and the nearest bus stop on the Authority's fixed route system. The transit system requested bids from local transportation providers resulting in a negotiated contract with a local cab operator to provide trips at the rate of $5.25 per trip.

## DOCUMENTATION OF COST DIFFERENCE

Over the last year the Panoramic Heights project has transported 794 passengers through the provision of 569 trips, produces a daily passenger rate of 2.54. At a rate of $5.25 per trip the cab service has resulted in an expenditure of $2,987.25. In comparison it is estimated that a fixed route transit service would have required an additional vehicle and related drivers operating 13 hours per day during the weekdays and 11 hours for Saturdays. This schedule would result in 3,952 additional vehicle hours each year. Based upon the per hour cost for the bus system in 1986 of $43.30 the use of fixed route bus service for this neighborhood would have cost $171,121.60. The variance between the fixed route service cost and the private sector cab shuttle service cost is $168,134.35. As a secondary comparison the system's Dial-A-Ride cost per hour for 1986 was $27.38.

Assuming that a trip to the subdivision and then to the nearest transfer point and back to the Authority could be accomplished in 30 minutes and noting that the cab provided 569 trips during the year the Dial-A-Ride service would have used 284.5 hours of service. This 284.5 hours of service at a cost of $27.38 would have resulted in a total expenditure for Dial-A-Ride service of $7,789.61. The private sector cab operation service still represents a savings of $4,802.36 or a difference of 161 percent. However, due to the organizational nature of the Dial-A-Ride System the Authority did not consider the Dial-A-Ride service a viable option. Equal service to existing fixed route service would not have been provided to Panoramic Heights due to the 24-hour response requirements of Dial-A-Ride.

## OVERALL RATING OF THE SERVICE

The Ben Franklin Transit Authority is very pleased with the operation and feels that service levels are satisfactory to the local neighborhood and to the Authority, and that the cost for service is very affordable. As documented above, the new shuttle service has resulted in tremendous savings, while providing an excellent level public transit service to the Panoramic Heights neighborhood. The Authority is so impressed with the private sector shuttle service that other areas of the Authority's service area are being evaluated for potential shuttle-type service. The cost to the neighborhood residents for the shuttle service is the same as the fixed route service without the noise and fumes usually associated with fixed route transit coaches. The Panoramic Heights residents are completely satisfied with the service. Ridership is expected to remain stable at recent levels.

## CONCLUSIONS

The Panoramic Heights neighborhood is like many other neighborhoods found throughout the service area of most transit systems. The unique method in which the Ben Franklin Transit Authority addressed the transportation needs of this neighborhood has definite transferability. The transfer of this case study should not only include the contractual, procedural and operational characteristics of the shuttle service but should also include the method in which the Ben Franklin Transit Authority communicated with the local neighborhood, met with them and used the neighborhood leadership resources to arrive at the final service delivery method. When local residents of a neighborhood are involved in the decision-making process those decisions receive greater support by the neighborhood and will retain their credibility longer.

## DESCRIPTION AND BACKGROUND

The Burlington County Transportation System (BCTS) contracts with one private carrier to provide all transportation services for the County. Since the initiation of privatized transportation services in FY 1986, various types of services have been offered and expanded. Currently, all services are intended for use by the elderly and handicapped. The present service includes demand responsive transportation for four days per week; a Shopping Day for two of the County's major shopping malls; a Medical Only Day, which also includes out-of-County transportation; and Nutrition and Tender Care five days per week. The Nutrition and Tender Care services consist of transporting the elderly to pre-designated nursing homes, daycare centers, and food services. The contractor uses three 11-passenger vans with wheelchair capabilities and eight ten-passenger vans.

The BCTS service area includes all of Burlington County--the largest county in New Jersey. Burlington County is located east of Philadelphia in central New Jersey where 80 percent of the land is considered rural. The service area population is 362,542, with 64,080 living in rural areas.

BCTS receives the bulk of its funding from the casino revenues tax. Since 1985, New Jersey has dispersed funds from the casino revenues tax to county transit systems throughout the State. Table 1.1 lists the sources of the budget expended in FY 1987, and the respective percentages of the total.

Table 1.1
**BCTS FINANCIAL DATA -- SOURCES OF EXPENDED FY 1987 BUDGET**

| Source | Amount | Percent |
|---|---|---|
| Casino Revenue | $304,594 | 54.7 |
| HUD | 92,275 | 16.6 |
| Title III-B | 46,046 | 8.3 |
| New Jersey Division on Aging | 34,798 | 6.2 |
| County Office on Aging | 11,031 | 2.0 |
| County (general) | 68,609 | 12.3 |
| Donations | $ 4,615 | -- |
| **Total** (less Donations) | **$557,353** | **100.0** |

**Source:** Burlington County Transportation System, September 1987

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

Prior to FY 1986, all demand responsive, nutrition, and tender care transportation services were directly operated and administered by BCTS. BCTS, a County government agency, worked closely with the Burlington County Office on Aging and other County offices to provide services, procurement of capital equipment, and funding. For FY 1986, it was decided to contract all operations to a private carrier.

A competitive bidding system was used to contract services. During the last quarter of each fiscal year, competitive bids are accepted and evaluated. For the first three fiscal year contracts (1986, 1987, and 1988), the same private provider has been awarded the contract. BCTS has now changed to issuing Requests for Proposals, rather than pure competitive bidding, to reserve the right to evaluate providers on qualitative as well as cost criteria.

The decision to use a private carrier, rather than continue County-directed operations was prompted by several factors: 1) severe maintenance problems under government operations; 2) revenues of New Jersey's casinos dispersed in the mid-1980's to transportation systems throughout the State that were planning and expanding services; 3) labor problems with County employees; and 4) a privatized system was thought to be more manageable in terms of services rendered and cost control.

During BCTS-directed operations, the County had no maintenance facilities for its vehicles. All maintenance of vehicles was contracted out to a local mechanics shop. Because there was no overall coordination of repairs and regular check-ups, severe problems with maintenance of vehicles existed. Vehicles tended to be repaired only after severe mechanical problems arose. Without any preventive maintenance, the County vehicles became mechanically unreliable. Under privatization, all maintenance is conducted by the private provider, who is contractually obligated to maintain vehicles in proper and reliable condition. The current provider is a 260-vehicle company that operates a regular maintenance facility.

Funds directed for public transit systems from casino revenues also played a role in the privatization of BCTS transit operations. With a larger influx of funds, it was felt that the transportation services could be expanded and new programs initiated. Using a private carrier was believed to be the most cost-effective and manageable manner to implement the new plans.

Under County operations, BCTS sometimes experienced labor problems. As already stated, the County had no mechanics which caused problems if vehicles did not operate in the morning or broke down during operation. BCTS also had problems with dispatchers, although mainly due to a poor County-owned radio system. Most importantly, the County could not be flexible with its use of labor. Employees could not be shifted easily from one task

to another, and the use of part-time employees was restricted. The private provider now exercises much more liberty in its use of labor, shifting its resources when necessary. When privatized operations began, the provider offered all County employees jobs with the company.

Finally, the system was privatized to gain more control over the costs and services rendered. Under contract, the private provider is expected to render specific services at a specific cost. During government operations the services were not as specifically adhered to, giving the system more flexibility but little management and cost control.

## DOCUMENTATION OF COST DIFFERENCES

Costs during government operations were never thoroughly documented. Different County agencies handled different aspects of the administration of the service (such as legal services, procurement, etc.), making total cost accounting almost impossible. Also, true overhead and general expenses were not known. It is believed that, with the private provider, the costs can be monitored with more sound accounting procedures. As a result, costs can be stabilized and minimized.

Table 1.2 presents BCTS operating data for FY 1987. As stated, accurate data from the years of BCTS direct operations are not available for comparison.

Table 1.2
**BCTS FY 1987 OPERATING DATA — PROGRAM COSTS**

| | |
|---|---|
| Service Population | 362,542 |
| Ridership | 76,752 |
| Program Cost | $557,354 |
| - Contract Cost | $441,508 |
| - Administration & Other Charges | $115,846 |
| Cost/Passenger | $ 7.26 |
| Cost/Vehicle Mile | $ 1.88 |
| Cost/Vehicle Hour | $33.27 |
| Total Miles | 297,159 |
| Total Hours | 16,752 |

**Source:** Burlington County Transportation System, September 1987

## OVERALL RATING OF THE SERVICE

Since privatization of direct operations, the scope of services of BCTS has increased substantially. Old services were increased and new services were created. For the first two years of privatization, ridership has increased by almost seven percent.

Table 1.3 presents all services rendered for FY's 1985, 1986, and 1987. It lists the number of vehicles used each fiscal year, the number of days per week each service was rendered and the ridership for each fiscal year. The primary increase in services since County operations is the door-to-door demand responsive transportation services. During FY 1985--the last year of County directed operations--demand responsive service was provided only one day per week. In the first year of private operations (FY 1986), two days per week of demand responsive service was offered.

Also, one fixed route was set up for the County. However, due to low ridership and high cost, the fixed route was dropped. During the second year of private operations (FY 1987), a shopping day was added to provide transportation two days per week to the County's major shopping malls. For the current fiscal year, a medical day has been added which includes out-of-County transportation services for the purposes of chemotherapy and dialysis.

Overall, the privatized operations receive a positive evaluation: services have been increased, ridership has risen, and the vehicles are more reliable. The Burlington County Office on Aging--the County office most involved with BCTS--is satisfied with the services rendered, although the agency feels that the County could be more flexible for special event services. The contract with the private provider specifies services rendered, and any services outside of the scope of the contract must be negotiated.

## CONCLUSION

Since the privatization of BCTS, the system has proven to be more manageable. Services have been increased, costs can now be properly monitored, resources can be shifted, labor problems have been eliminated, and the vehicles used are considerably more reliable. The County is satisfied with the privatized service and expects to continue with the use of contract operations.

Table 1.3

**BCTS ANNUAL COMPARISONS**

| | FY 1988 (Current) 3rd Year Contract | FY 1987 2nd Year Contract | FY 1986 1st Year Contract | FY 1985 County-Operated |
|---|---|---|---|---|
| **Vehicles** | 13<br>2 19-Passenger<br>3 11-Passenger (wheelchair)<br>8 10-Passenger | 10<br>2 10-Passenger (wheelchair)<br>8 10-Passenger | 13<br>3 10-Passenger (wheelchair)<br>10 10-Passenger | 15 |
| **Service** | Demand Responsive<br>° 24-Hour Notice 4 days/week<br>° Shopping Malls 1 day/week<br>° Medical Day out-of-County service for dialysis and chemotherapy<br>Nutrition<br>° 5 days/week<br>Tender Daycare<br>° 5 days/week | Demand Responsive<br>° 24-Hour Notice 2 days/week<br>° Shopping Malls 2 days/week<br>Nutrition<br>° 5 days/week<br>Tender Daycare<br>° 5 days/week | Demand Responsive<br>° 24-Hour Notice 2 days/week<br>Nutrition<br>° 5 days/week<br>Tender Daycare<br>° 5 days/week<br>Fixed Route | Demand Responsive<br>° 24-Hour Notice 1 day/week<br>Nutrition<br>° 5 days/week<br>Tender Daycare<br>° 5 days/week |
| **Ridership** | -- | 86,265 | 83,460 | 80,701 |

## DESCRIPTION AND BACKGROUND

The Chippewa Falls Transit Network is a City government office which contracts for the operation of door-to-door demand-responsive service with City Cab Company. The City has realized significant cost-savings and high consumer and public satisfaction, both by converting its fixed-route system to a demand-responsive service and by using the private sector.

The City of Chippewa Falls, Wisconsin has a population of approximately 13,000. Chippewa Falls is located next the the City of Eau Claire, Wisconsin, which has a population in excess of 50,000. There is a great deal of travel between these two cities, and the transportation history of these two small cities is linked together. The City of Chippewa Falls has had bus service dating back as far as 1937. A succession of private operators provided service in Chippewa Falls until 1971, when all operation ceased. The City of Chippewa Falls went without transportation service until 1975, when a one-year State Public Transit Demonstration Grant was awarded for both intra-city service in Chippewa Falls and intercity service between Chippewa Falls and Eau Claire. Between 1976 and July 1985, the City of Chippewa Falls had ongoing transit service provided through a contract with the Eau Claire Transit Commission to operate intercity and intra-city service at an hourly rate. The vehicles used by Eau Claire Transit were purchased by the City of Chippewa Falls.

The cost of operating transit service in Chippewa Falls increased drastically between 1975 and 1985. Table 1.1 indicates the cost per vehicle hour and ridership for transit service between 1975 and 1985. The hourly charge for service increased by 103.3 percent between 1975 and the first half of 1985. As the cost of service continued to rise, ridership was decreasing.

Ridership began a downward trend in 1981, and never increased after that time. The fact that "empty buses" were seen throughout the City and on the road between Chippewa Falls and Eau Claire made the funding of transportation a political issue in the City of Chippewa Falls. In 1984, Chippewa Falls commissioned a transportation study to provide alternatives to the fixed-route, fixed-schedule service that Chippewa Falls was contracting from the Eau Claire Transit Commission.

Table 1.1
**CHIPPEWA FALLS CITY BUS HOURLY RATES**

| Year | Hourly Charge | Percentage Of Cost Increase/Decrease | Annual Ridership |
|---|---|---|---|
| 1975 | $14.00 | -- | 27,498 |
| 1976 | $12.46 | - 11% | 137,038 |
| 1977 | $12.71 | + 11% | 138,789 |
| 1978 | $13.24 | + 9% | 139,211 |
| 1979 | $13.87 | + 5% | 160,228 |
| 1980 | $17.50 | + 26% | 170,183 |
| 1981 | $20.07 | + 15% | 145,364 |
| 1982 | $20.93 | - 4% | 134,298 |
| 1983 | $22.13 | -.06% | 112,368* |
| 1984 | $24.16 | + 9% | 107,302 |
| 1985 | $28.47 | + 18% | 31,608* |
| 1986 | $10.70 | -- | -- |

**Source:** Chippewa Falls Transportation Coordinator and Eau Claire Transit Commission, July 1987

*Note that Saturday service was dropped in 1983, and 1985 is for one-half year only.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

The transportation alternatives study provided City decision-makers with four alternatives to the existing transportation service provided in Chippewa Falls. The alternatives included a shared-ride taxi service that would provide demand-responsive service to all areas of the City; a single fixed-route service, supplemented with shared-ride taxi service in the remainder of the City; a route-deviation system designed so that vehicles could deviate off the route to pick up and drop off passengers as long as they served the pre-determined check points as scheduled; and the restructuring of the existing fixed-route system to expand the service area and improve productivity. After much debate, the Chippewa Falls City Council decided to implement a shared-ride taxi service that would provide demand responsive service throughout the City of Chippewa Falls.

The Mass Transit Committee and the full City Council debated the issue of moving to a shared-ride taxi service for approximately six months before the final decision was made. This allowed the general public time to get acquainted with the idea of a shared-ride taxi system before it was finally approved by the City Council on November 20, 1984. Prior to the final vote, the City Council had requested that the City's Transit Coordinator prepare a budget for bus service in 1985, based on the continuation of the current contractual agreement with the City of Eau Claire. The budget requested a total of about $88,000 in local tax money, and it was anticipated that the cost would double the following year. The City Council found this to be unacceptable, and made the final decision to implement the shared-ride taxi service on July 1, 1985.

The City Council made a decision not to request Federal funding for the operation of the shared-ride taxi service. The reasons stated for not applying for Federal funding in 1986 included (from Mass Transit Committee meeting notes):

1. The City is a Section 9 recipient and would have to apply on its own for funding; Section 18 recipients get funding through the State of Wisconsin.

2. The City would have to comply with the UMTA 13(c) Warranty.

3. The City would have to comply with the Disadvantaged Business Enterprise program.

4. The City would have to give assurance of compliance with special efforts to provide transportation for the handicapped.

5. The City would have to comply with the UMTA policy on EEO.

6. The City would have to comply with the Civil Rights Acts of 1964.

7. The funding level for the local project would be nine to twelve percent lower than 1985 funding levels.

8. Administrative time would be greatly increased in applying for funding and managing the project in compliance with Federal regulation.

9. The City would have to comply with Federal guidelines on third-party contracting.

The City of Chippewa Falls felt that steady ridership and the anticipated return of fares would more than make up for the loss of Federal dollars. A good public relations program, combined with promotion through advertising, was believed to be the key to the success of the shared-ride taxi system. The Mass Transit Committee and the full City Council voted to not apply for Federal funding for the upcoming year, and to assign the unused remaining portion in 1986 to the City of Eau Claire.

There were a few members of City Council who were not in favor of discontinuing bus service in Chippewa Falls. The decision was not unanimous. Those in favor of bus service felt that elderly and low income persons relied heavily on the $0.50 per ride service that was provided by the Eau Claire Transit Commission. All City Council members were concerned with the increasing local match to fund operations, but some felt it was an affordable service that residents needed. The bus service hours and routes had been reduced gradually over the years 1981 to 1984, in hopes of reducing the cost, but even as service and ridership decreased, the cost continued to rise. The key factors which led to the decision to drop bus service were the escalating cost and decrease in ridership.

The City of Chippewa Falls now follows an established procedure for bidding out the shared-ride, demand responsive taxi service. A notice is run annually in the Chippewa Falls and Eau Claire newspapers requesting proposals to provide service. This advertisement is run 30 days prior to the closing date for proposals. Specifications for preparing the proposal are obtained from the Transit Coordinator, which is a half-time position. The contract is approved by City Council and monitored by the Transit Coordinator.

## DOCUMENTATION OF COST DIFFERENCES

Shared-ride demand responsive service has been provided by the City Cab Company since July 1, 1985. This has been the only private operator to bid on the service since it began two years ago. The service area is the Chippewa Falls City limits, and service is operated between the hours of 6:00 a.m. and 7:00 p.m., Monday through Friday. There is no general public shared-ride taxi service on Saturdays, Sundays, or holidays. Senior citizens and handicapped persons pay one-half the regular fare during the non-peak hours of 10:00 a.m. to 2:00 p.m. In addition, rides that are pre-arranged a day or more in advance are provided at a reduced fare.

There are eight taxis that provide demand responsive service in Chippewa Falls. The system is based on a four-zone fare basis. The regular adult fare for travel through one zone is $1.50, and $1.25 for a pre-arranged ride. Students pay $1.25 for a regular fare, and $1.00 if the ride is pre-arranged. For each additional zone, a zone fare of $0.25 is added. The zones are set up so that a typical trip to the downtown business district requires travel through just one zone.

The shared-ride taxi service resulted in increased service hours. The two city buses that provided intra-city service operated from 7:00 a.m. to 5:15 p.m. The intercity bus service, however, was not replaced by the shared-ride taxi service. A resident of Chippewa Falls can request an intercity ride from the City Cab Company, but that is not part of the

shared-ride taxi fare structure described above. The resident pays the normal taxi cab fare charged by the City Cab Company for continuing a trip outside the City limits.

Table 1.2 presents a comparison of cost differences between 1984 and 1986. Shared-ride taxi service was initiated in July 1985 and, therefore, the comparison of service for six months in 1985 may not provide an accurate picture of cost difference because the service was new in the second half of 1985, and because service on the bus system had been seriously reduced in the first half of 1985.

Table 1.2
**COMPARISON OF COSTS -- ANNUAL OPERATING DATA**

| Operating Data | Service | |
|---|---|---|
| | 1984 Contracted w/ECTC (Public Operator) | 1986 Shared-Ride Taxi (Private Operator) |
| Population | 13,000 | 13,000 |
| Ridership | 107,302 | 34,590* |
| Labor Cost | N/A** | 60% |
| Cost/Passenger | $ 2.28 | $2.69 |
| Cost/Vehicle Hour | $23.62 | $7.49 |
| Cost/Vehicle Mile | $ 1.52 | $0.69 |
| Passengers/Vehicle Hour | 10.30 | 2.70 |
| Passengers/Vehicle Mile | 0.67 | 0.30 |
| Subsidy/Passenger | $ 1.92 | $1.51 |
| Number Of Employees | 4 | 9*** |
| Annual Cost--Operating | $226,234.01**** | $93,276.98***** |
| Annual Cost--Administration | $ 18,643.25 | |
| Number of Vehicles | 3 buses | 8 taxis |
| Farebox Revenue | $ 38,313.00 | $40,856.00 |

**Source:** Carter Goble Associates, Inc., July 1987

*An intercity route between Chippewa Falls and Eau Claire was eliminated when the service was contracted with a private operator.

**The Eau Claire Transit Authority was not able to give an exact breakdown of the labor cost for this portion of their service.

***Represents 6 full-time and 3 part-time drivers.

****A portion of the Eau Claire operating cost was also used for administration.

*****Represents combined operating and administration annual cost.

Table 1.2 indicates that the service population remained the same--approximately 13,000--for the comparison period. Ridership, however, did decline in the service area. A large part of the decline in ridership can be attributed to the elimination of the Chippewa Falls/Eau Claire intercity bus route.

The cost per vehicle mile was more than cut in half when a private operator took over operation of Chippewa Falls' transportation service. The number of passengers per vehicle hour and per vehicle mile were reduced when the fixed route system (public operation) was changed to a demand-responsive (private operator) system. This would be expected by the different nature of these types of transportation services. The total operating budget was reduced from $226,234 in 1984, to $93,277 in 1986. This reflects a reduction in service and ridership, as well as the reduction in cost per vehicle hour and per vehicle mile. The farebox revenue increased slightly, even though ridership decreased by 67.7 percent between 1984 and 1986. This is reflected in the reduction in subsidy per passenger between 1984 and 1986.

## OVERALL RATING OF SERVICE

There appears to be overall support for the shared-ride taxi system. Some of the local businesses had not supported the bus service because it took residents of Chippewa Falls into Eau Claire, and they felt that took away from their business base. The local officials are supportive of the system because of the reduced local share for funding transportation service, and it is generally felt that people who need transportation service are receiving it.

The decrease in ridership between 1984 and 1986 could be accounted for in several ways. A good deal of it is felt to be the elimination of intercity travel, which Chippewa Falls officials questioned the need to be subsidizing to begin with. Also, some elected officials believe that transportation may be provided by other providers now, such as service to the elderly which may be provided with vehicles owned by retirement homes or organizations. The City is now providing service for those who need it, but much more cost-efficiently and at lower overall cost than with the fixed-route bus service.

There is the issue of cost to the passenger when comparing the current shared-ride taxi system to the old fixed-route bus system. The average cost went from $0.50 to $1.50 per ride. However, the shared-ride taxi service is premium service, because residents are picked up at their door at the exact time they desire.

There was initial resistance to the call-in nature of the new service, but as ridership statistics indicate, ridership has increased each month that the service has been in operation since July 1, 1985. With continued advertising and good interaction between cab drivers and passengers, which has contributed to the growing success of the shared-ride taxi system, ridership is expected to continue to grow. Chippewa Falls is a good example, not only of successful privatization, but also of how door-to-door demand service can satisfy local needs, as well as or better than fixed-route service and at a lower overall cost.

## CONCLUSIONS

The key factor in the selection of a private operator to provide transportation service in the City of Chippewa Falls was a limited local financial capability. The cost of bus service had simply become unacceptable to City decision-makers.

The other factor which lead to a change in service was the perception that the service was not fully utilized by the citizens of Chippewa Falls. There is no evidence from a review of news articles or discussions held with City officials that transportation service of any kind was not needed in Chippewa Falls, but there was evidence of strong support for a lower cost means of providing that service.

There were also strong reasons for moving away from Federal funding because of all the restrictions and requirements that it would place on the establishment of a new type of service in Chippewa Falls. The City has operated the shared-ride taxi service with no Federal funding for almost two years and feels that this was a smart decision in beginning the shared-ride taxi service. The City is currently putting together a grant to receive some Federal funding for the next fiscal year, but at a much reduced level from the years of contracting bus service with the Eau Claire Transit Commission.

In summary, Chippewa Falls presents an example of transit service that has become less costly through both a service change and the use of a private operator, while decreasing (in fact, eliminating) Federal funding for transportation service.

## CRAWFORD AREA TRANSPORTATION AUTHORITY (CATA)
Meadville, Pennsylvania

### DESCRIPTION AND BACKGROUND

The Crawford Area Transportation Authority (CATA) is a Countywide public transportation authority, headquartered in Meadville, Pennsylvania--the County seat of this 1,037 square mile County in northwestern Pennsylvania. Crawford County has a population of approximately 88,000 persons. It is a relatively large rural county, with Meadville at the center, and rural and undeveloped land, small towns, and settlements make up the balance of the County. CATA subcontracts for the operation of all services provided under its sponsorship, which includes small urban and rural fixed route, and areawide door-to-door, demand responsive service. In addition to service contracting, CATA also contracts for bookkeeping and accounting services. The Authority's emphasis on contracting was originally inspired by both the cost-savings opportunities and higher levels and qualities of services available through the private sector.

Crawford County's involvement in public transportation began in January 1978 with the award of an FHWA Section 147 Rural Transportation Demonstration Grant. This grant was sought due to the common interest of County re-development officials and the local Community Action Agency, primarily for the support that such a new service could bring to employment, economic development potentials, and the needs of the transportation disadvantaged associated with the Community Action Agency and the Salvation Army.

The County Commissioners designated the Community Action Agency to develop and manage the transportation service. However, the service was started with primary focus on the needs of the transportation disadvantaged and agency clients. Almost a year later, the CATA was created by the County Commissioners (in May 1979), due to the County's interest in the availability of Pennsylvania DOT Act 10 funds, along with the newly available UMTA Section 18 funds--both for supporting rural public transportation.

In its first Board meeting in 1979, CATA elected to contract with the LaFayette Taxi Company of Meadville to provide door-to-door demand responsive service in the Meadville area only. At the same time, the County Senior Services Agency was also engaged to provide rural area service in the eastern half of the County, where there was no private operator available at that time. The remaining Section 147 Demonstration Grant funds were used to support these services, in addition to the continuation of some service operations by the Community Action Agency, while the State Act 10 and Section 18 funds were just beginning.

About one year later, in February 1980, CATA also decided to contract with the local certified public accounting firm to handle all bookkeeping accounting for CATA. By this time, CATA had developed a strong preference toward the use and involvement of the private sector, not only for service operations but professional services where feasible. In the case of bookkeeping and accounting, it was found that CATA could obtain much more substantial professional resources and computerized accounting that would simply not be affordable if CATA hired its own staff and procured resources to provide the equivalent service in-house.

In September 1981, CATA began providing fixed route bus service in the Meadville area. This service was procured by a competitive bid process. CATA's then current contractor, LaFayette Taxi and Hubbards Bus Company both of Meadville, were the two competing bidders. The first year contract was for a ten-month period, from September 1981 through June 1982. The taxi company's bid was approximately $76,000, and the Hubbards Bus Company's bid was approximately $57,000. With this contract award the interest and position of the taxi company and CATA seemed to diverge.

For a short period, until 1982, CATA by contracting with the Town of Titusville operated a demand responsive service, as the local taxi operator elected to withdraw from CATA-sponsored operations. One intervening factor at this time was the emergence of the State DOT's State Lottery fund for demand responsive shared-ride services, primarily for senior citizens. With this new funding source, the private taxi companies and any shared-ride operator for that matter, were able to obtain funds directly from the Pennsylvania DOT to serve senior citizens. Consequently, the local taxi company had an alternative source of funds that could be used, at least in the initial years, without the taxi company having to be a subcontractor to CATA. At the same time, CATA also began to use the shared-ride lottery funds to finance services in Titusville and the eastern portion of the County not served by the private taxi company. The Titusville-based operation was operated under a subcontract with CATA.

By March of 1986, CATA terminated all of its drivers for the eastern portion of the County and contracted all Countywide fixed route and demand responsive service with Hubbards Bus Company, with the exception of the Titusville Senior Center in the eastern area of the County. The Titusville Senior Center continues to work as a contractor for CATA to provide services, primarily for the senior citizens but open to the general public, where coverage from the private sector is not yet readily available. Prior to the transition of all services to the private sector, CATA had also previously contracted with Hubbards Bus Service for the maintenance of all of its vehicles.

CATA utilizes UMTA Section 18 operating assistance, only for the fixed route portion of its services. All demand responsive services are totally financed without any UMTA subsidy. The availability of the Pennsylvania lottery revenue program for shared-ride demand responsive services enables CATA and other Pennsylvania systems to provide such service without relying on UMTA funds.

Since demand responsive shared-ride services make up the majority of CATA's total system, it is clear that availability of State, local, and non-UMTA funding sources for such service is a substantial benefit to the County. Without such a funding base, the total County system undoubtedly would be much smaller and would probably have to split the use of its UMTA funds between fixed route and demand responsive service, thus, substantially reducing the size of the current fixed route system.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

Local leaders and elected officials who were instrumental in forming CATA did so with a focus toward jobs, economic development benefits, and the overall industrial development attractiveness that a Countywide transit system would add. Most of these individuals also had a common belief that government should always "get as much out of the private sector as possible, whenever feasible." This attitude and general policy position, in conjunction with the presence of a local taxi company in the County-seat that was interested in providing publicly-sponsored service, made the decision in Crawford County to use the private sector a relatively easy and natural course to follow.

An added factor which increased the County's interest in utilizing the private sector was an effort in 1981 by drivers who had worked for the previous Section 147 Transportation Demonstration Project to attempt to collectively obtain substantially higher wages than CATA was anticipating in its newly planned services. It was clear to CATA Board members at this time that the use of the private sector under operating contracts would result in lower costs.

During the formative period, the CATA Board also spoke with the owner of Hubbards Bus Company. At that time, the owner was not interested in participating in the County-sponsored service. Consequently, the start-up of Countywide service under the newly formed Authority was limited to the resources of LaFayette Taxi in Meadville and non-profit human service agencies in outlying areas where other private operators were not available.

The CATA Board extended this philosophy of using the private sector to include the engagement of a local CPA firm to handle all of its bookkeeping and accounting as early as 1980. In the meantime, the owner of Hubbards Bus Company had become interested in public sector service after observing CATA's success and realizing that subcontracting with CATA presented a means of expanding the business, which to that point had been totally dedicated to public school bus and charter services.

The provision of satisfactory and quality service by the private sector, along with the realization that cost-savings were in fact substantial by using the private sector, spurred CATA to expand its reliance on private transportation companies, minimize its use of non-profit human service agencies, and eliminate all in-house operations.

Another factor in the decision to use the private sector was the County's experience with the previous FHWA Section 147 Demonstration Project during the mid- to late-1970's, which had ten different managers in a five-year span. This experience highlighted the advantage of utilizing a professional transportation company with the management and operating expertise to handle a Countywide system.

In the Consultant's experience, management capability is an important factor, perhaps even more in rural areas than in large urban areas. Rural transportation systems tend to have much more limited budgets and simply do not have the ability to pay substantial enough wages to attract highly experienced system directors as full-time employees. Through contracting, even a small county or rural regional transportation authority can gain management and operating skills and experience that otherwise might not be affordable.

Finally, the policies and requirements of the Pennsylvania DOT, which not only encourage, but in some cases require, local transportation agencies to utilize private transportation companies is also a significant factor--not only in Crawford County, but throughout Pennsylvania. From the Consultant's experience in Pennsylvania, over a five-year period it was found that private transportation companies tend to be well aware of the Pennsylvania DOT's policies in this regard. Even small taxi companies, as well as small school bus operators, usually know that there are State regulations which require local transportation authorities or agencies to provide an opportunity for involvement. These policies and regulations have an important impact on private sector involvement in Pennsylvania.

## DOCUMENTATION OF COST DIFFERENCES

The staff of CATA includes an executive director, an administrative assistant, and one secretary--all full-time. All others involved in the services of CATA are employees of the private sector operator, since all services are contracted. One of the important functions of CATA's staff is to ensure each year that CATA is, in fact, achieving cost benefits through contracting. This not only involves a competitive bidding process to obtain the lowest cost responsive bid, but also periodic comparison of the contractor cost to the cost that would occur for CATA to operate service.

During CATA's beginning years, it was clear that the private sector provided cost-saving opportunities over in-house operations. As stated earlier, it was this very reason which caused CATA to turn to the private sector. Drivers, who at that time were on County payroll, were not only paid a substantially higher wage structure, but also received substantial fringe benefits not utilized by private companies. Moreover, the County drivers, as indicated earlier, at that time wanted CATA to substantially increase both wage and fringe benefits.

Table 1.1 gives time-series comparisons of operating and financial data, various performance indexes, and revenue sources. Table 1.2 compares the contract operator's rates to estimated costs for in-house operations by CATA. Table 1.1 shows selected operating and financial data for the fixed route and demand responsive services on the total system for Fiscal Years 1985-1986 and 1986-1987, along with the percentage change rates between the two years. As noted in Table 1.1, a substantial service level increase occurred for the fixed route system between the two years because of the addition of Saturday service. Consequently, both the operating miles and hours of service incurred increased significantly between the two years. There was also a significant increase in the service levels for the demand responsive system, but not nearly as great an increase in operating cost.

Table 1.2 shows the most recent accepted bid by Hubbards Bus Service, as compared to the estimates of cost for CATA to operate the same service. The contractor's rate for demand responsive service is 20 percent below the rate for CATA-operated service. As noted in the table, this comparison is based on actual data for the same fiscal year when demand responsive service was transitioned over to Hubbards. CATA has never operated fixed route service in-house--only by contractors. The rate of savings for using a CPA firm for accounting and bookkeeping work also is shown at 32 percent.

In the trends of data and indicators in Table 1.1, it is interesting to note that, in conjunction with the level of service increases over the two-year period, the system also made increases in most all measures of productivity, cost-efficiency, and cost-effectiveness. Only in the case of passengers per vehicle mile for fixed route operations and passengers per revenue hour for demand responsive service were there notable decreases in productivity. From a financial standpoint, the operating revenue ratio declined significantly for the fixed route operation, but made a slight gain for demand responsive services. In terms of peak fleet utilization, the cost per peak fleet increased significantly for the fixed route operation, but made a significant decrease for the demand responsive operation.

Revenue sources for the CATA system have been predominantly reliant upon State and local funding and operating revenues with only 15 to 17 percent of the total system revenue coming from UMTA operating assistance over the two-year period. This relatively low reliance on UMTA funds is attributable to a combination of substantial State funding from the Pennsylvania DOT for fixed route service, the State Lottery for demand responsive service, and a relatively favorable operating revenue ratio for the system.

Table 1.1
CRAWFORD AREA TRANSPORTATION AUTHORITY PERFORMANCE TRENDS

| Item | 1985/1986 | | | 1986/1987 | | | % Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | (1) Fixed Route | Demand Responsive | Total System | (1) Fixed Route | Demand Responsive | Total System | (1) Fixed Route | Demand Responsive | Total System |
| **Operating & Financial Data** | | | | | | | | | |
| - Passengers | 148,457 | 41,812 | 190,269 | 159,688 | 46,289 | 205,977 | ( 7) | ( 11) | ( 8) |
| - Revenue Miles | 90,717 | 81,623 | 172,340 | 98,898 | 85,665 | 184,563 | ( 9) | ( 5) | ( 7) |
| - Deadhead Miles | 0 | 56,656 | 56,656 | 4,353 | 58,864 | 63,217 | -- | ( 4) | ( 12) |
| - Vehicle Miles | 90,717 | 138,279 | 228,996 | 103,251 | 144,529 | 247,780 | ( 14) | ( 4) | ( 8) |
| - Revenue Hours | -- | 6,350.7 | -- | -- | 9,368.75 | -- | -- | ( 48) | -- |
| - Vehicle Hours | 8,199.5 | -- | -- | 8,791 | -- | -- | ( 7) | -- | -- |
| - Operating Revenue | $ 45,538 | $ 34,227 | $ 79,765 | $ 50,023 | $ 40,057 | $ 90,080 | ( 10) | ( 17) | ( 13) |
| - Operating Cost | $139,662 | $243,003 | $382,665 | $206,788 | $259,198 | $465,986 | ( 48) | ( 7) | ( 22) |
| - Peak Fleet | 3 25-seat buses | 9 20-seat mini buses | 12 vehicles | 3 31-seat coaches | 11 20-seat mini buses | 14 vehicles | ( 0) | ( 22) | ( 17) |
| **Performance Indexes** | | | | | | | | | |
| - Passengers/Rev. Mile | 1.6 | .51 | 1.1 | 1.6 | .54 | 1.1 | ( 0) | ( 6) | ( 0) |
| - Passengers/Veh. Mile | 1.6 | .30 | 0.8 | 1.5 | .32 | 0.8 | (- 6) | ( 7) | ( 0) |
| - Passengers/Rev. Hour | -- | 6.60 | -- | -- | 4.90 | -- | -- | (-26) | -- |
| - Passengers/Veh. Hour | 18 | -- | -- | 18 | -- | -- | ( 0) | -- | -- |
| - Cost/Vehicle Mile | $1.54 | $1.76 | $1.67 | $2.00 | $1.79 | $1.88 | ( 30) | ( 2) | ( 12) |
| - Cost/Passenger | $0.94 | $5.81 | $2.01 | $1.29 | $5.60 | $2.26 | ( 37) | (- 4) | ( 12) |
| - Oper. Rev./Oper. Cost | (33) | (14) | (21) | (24) | (15) | (19) | (-27) | ( .7) | (-14) |
| - Oper. Cost/Peak Veh. | $46,600 | $ 27,000 | $ 31,900 | $68,900 | $23,600 | $33,300 | ( 48) | (-13) | ( 4) |
| **Revenue Sources** | | | | | | | | | |
| - UMTA | $62,541 | $ 0 | $ 62,541 (15) | $78,383 | $ 0 | $ 78,383 (17) | ( 25) | -- | ( 25) |
| - State Transit | $ 0 | $ 0 | $ 0 ( 0) | $16,118 | $ 0 | $ 16,118 ( 3) | -- | -- | -- |
| - State Lottery | $64,342 | $204,701 | $269,043 (63) | $47,210 | $193,517 | $240,727 (52) | (-27) | (- 6) | (-11) |
| - Local Funds | $12,779 | $ 4,075 | $ 16,854 ( 4) | $15,054 | $ 25,624 | $ 40,678 ( 9) | ( 18) | (529) | (141) |
| - Operating Revenue | $45,538 | $ 34,227 | $ 79,765 (18) | $50,023 | $ 40,057 | $ 90,080 (19) | ( 10) | ( 17) | ( 13) |

**Source:** Data from CATA; and performance indexes calculated by Carter Goble Associates, Inc., August 1987

(1) For 1986/1987, Saturday service was operated all year, but only half a hear for 1985/1986.

Table 1.2

**CATA AND HUBBARDS BUS SERVICE -- COST COMPARISONS**

| | Service Type | |
|---|---|---|
| | Fixed Route | Demand Responsive |
| Hubbards Bus Service | $ 1.25/veh. mile<br>$20.54/veh. hour | $ 1.42/veh. mile<br>$20.81/veh. hour |
| Estimates for CATA to Operate Service | N/A | $ 1.70/veh. mile<br>$22.00/veh. hour |
| Current Savings by Use of CPA Firm = 32% Savings Over In-House Accountant (plus computerization of all records and qualified back-up staff. | | |

**Source:** Contract rates and cost estimates form CATA, May, 1987

**Note:** Hubbard's fixed route rates were contracted amounts for 1986/1987, and demand responsive was actual cost for 1986/1987, when Hubbards first took over demand responsive service at about mid-year. The CATA estimates are operating cost minus administrative overhead in order to be fully comparable to Hubbards. The CATA rates are also from the 1986/1987 transition year when CATA still operated some demand responsive service. CATA has never operated fixed route service in-house.

For 1986-1987, the amount of operating revenue generated by the system covered 19 percent of the system's total cost, which exceeded the amount of UMTA funds utilized. The cost-recovery ratio for the CATA system is favorable for a small rural system, especially for its demand responsive service which generated 15 percent from operating revenues. Demand response of services in Pennsylvania, as well as other states, tends to have very small amounts of operating revenue and are covered primarily by transit and/or human service agency subsidies.

No UMTA operating funds are used to subsidize the demand responsive service, which is totally covered by State and local funds and operating revenue. UMTA funds are only applied to the fixed route operation.

Prior to the availability of the UMTA Section 18 Program, Pennsylvania State transit subsidies covered approximately 33 percent of the operating deficit of local systems. Consequently, even without UMTA Section 18 funds, Crawford County and the State of Pennsylvania generally would appear to be in a relatively more stable position for service continuation, due to the major levels of State subsidy provided. The combination of the Pennsylvania DOT State transit assistance program and the lottery revenue assistance program for transit and paratransit probably makes Pennsylvania one of the largest State-level supporters of public transportation services.

## OVERALL RATING OF THE SERVICE

To assess the success of the CATA system qualitatively, the Consultant held interviews with: the CATA Executive Director; the CATA Board Chairperson and one Board member (who was the first Board Chairman and organizer of CATA); two County Commissioners, including the Chairman and the President of Hubbards Bus Service; and the Pennsylvania DOT Western Field Representative who monitors the State and UMTA transit grants and provides technical assistance to Pennsylvania DOT.

All interviewees where highly supportive of, and pleased with, the CATA system and its method of operation utilizing a private contractor. Officials expressed a definite orientation towards supporting the private sector and business in general throughout Crawford County. While they did not feel it was a "must" situation, they generally favored utilizing the private sector where it was feasible and beneficial to do so.

In terms of overall service quality and consumer acceptance, all interviewees felt that the service provided through a private transportation company was superior to any of the services that the County had attempted to operate internally, especially in the 1970's and early 1980's. The bus

company is headquartered in the County seat and conducts business primarily in Crawford County. Having the experience and in-house resources of a sizable school bus and charter operation, including major in-house maintenance capabilities, gives Crawford County a capital resource base that otherwise probably would have cost a few million dollars just to equip and house such a system.

It was felt that this level of resources and professional capabilities available from a professional transportation company simply would not have been affordable nor feasible for the County to develop on its own with government grants. Moreover, there was a common belief that, due to wage structure, fringe benefits differences, and inherent operating efficiency of the private company, the County could not provide such a service nearly as cost-efficiently as the private operator.

Both the County Commissioners and other officials felt that the concept of the Crawford system totally utilizing the private sector was good from a public relations standpoint, in that the public did not see the system as one that required the building of additional new bureaucracy. The Commissioners also felt that, while the service is viewed primarily as a public service in the Meadville area and more of a specialized service in the outlying County, one of the major benefits is that it helps keep senior citizens in their homes instead of being institutionalized at an earlier age. While not quantified, the overall benefit to government of not having to contribute to such institutional cost undoubtedly would be substantial, compared to the cost of transportation.

Two CATA Board members and the Executive Director felt that an additional benefit from the system was that it had a meaningful impact on reducing parking needs in downtown Meadville. The Board members and staff point to the fact that the system has experienced ridership growth every year since the beginning of the use of private operators.

Also, reportedly, the quality of maintenance on the vehicles is substantially improved from what the County was able to do when it was involved in operations. As an attest to this, the system has three vehicles that have been in public service since the beginning of operations with speedometers that have turned over three times. The private operator, without reservation, sees the CATA arrangement as a good financial business arrangement for his company.

## CONCLUSIONS

A combination of: 1) local interest in the private sector doing public business; 2) State DOT policies which are supportive of private sector

involvement; and 3) the availability of a successful and well regarded private transportation company interested in doing public business, seem to be the key factors in supporting privatization in Crawford County.

To a lesser extent, but nevertheless somewhat influential, the County's initial experience with trying to develop an in-house operation and using ten different managers in five years to do so was also a factor. This experience clearly helped to influence some officials to conclude that somebody who was in the business day-to-day to make a living had the incentive to do a good job for the County and would, thus, not tolerate incompetence nor inefficiency.

With respect to the County's ability to minimize reliance on UMTA transit operating assistance, it appears that the availability of a substantial State transit aid program is a major factor. Officials in Crawford County do not have any philosophical hesitancy to use Federal funds, as is the case in some jurisdictions. Consequently, if such substantial State funds were not available, Crawford County may have turned more toward Federal subsidies. On the other hand, the UMTA Section 18 funding program is extremely limited, and in the case of Pennsylvania as in some other States, has to be constrained for each system due to grant application requests that exceed available funding.

In addition, the Pennsylvania DOT has a relatively strong policy position that is well supported by its staff, Statewide, to require significant local financial support and minimum requirements for operating revenue through fare charges. Pennsylvania DOT requires its grantees to obtain minimum cost-recovery levels from farebox revenue. These policies appear to be quite important in at least helping to influence local governments to avoid total, or even major, reliance on Federal transit subsidies.

In the case of Crawford County, the State DOT also must be credited for its strong support of private sector involvement. The availability of a Field representative from the Pennsylvania DOT to consult with and assist CATA frequently, especially in its formative years, also contributed strongly to the system's improvements and successful private sector involvement. In this regard, Crawford County seems to exemplify the benefits of a positive and pro-active local ands State relationship for transit financing and the support of private sector involvement.

## DESCRIPTION AND BACKGROUND

In the State of Delaware, the Delaware Transportation Authority (DTA), Delaware Department of Transportation, is vested with the responsibility for managing and operating public transportation programs Statewide. These include fixed route services provided by Delaware Area Regional Transit (DART) in the Wilmington area, as well as a Statewide paratransit program designed for the mobility impaired--Delaware Area Specialized Transit (DAST). In addition to these two services, DTA also financially assists a number of other private non-profit human service agencies with direct and indirect funding to either provide or purchase transportation services on behalf of its clients. DTA also funds SCAT, which is designed to serve the State's senior citizens who are ambulatory.

The SCAT program operates as a user-side program, wherein patrons with proof of age or handicapped certification purchase coupon books and redeem the coupon at the time of transit paying the taxi's standard rate or fare. A ticket book valued at $10 may be purchased for $5, providing a 50 percent subsidy to the user. At present, DTA has established over 30 ticket distribution outlets. Six locations are banks; the other locations are primarily senior citizen centers. Ticket vendors are responsible for recording date of purchase, purchaser's name, address, telephone number, and age, as well as obtaining the purchaser's signature. The full metered fare and gratuity may be paid for using the coupons. Drivers collect the coupons and record the date, driver's name, vehicle number, trip number, origin, destination, number of passengers, and the fare (including tip) on a daily trip envelope.

DTA collects all receipts, trip envelopes, and operator invoices at the end of each month. Statistical analysis and audits of SCAT usage is routinely conducted by DTA staff to ensure program accountability.

As noted above, four taxi companies have participated in the SCAT program. Diamond/Yellow Cab, with a fleet of approximately 60 vehicles serving the Wilmington/Northern New Castle County area, is the largest company. The firm was the first participant and remains in the program to this day. In addition to reimbursement provided under the user-side subsidy, Diamond/Yellow Cab receives a payment of $600 per month from DTA to cover administrative expenses associated with the SCAT program.

Dover City Cab is also a long-term participant in the SCAT program. The company operates in the capital city of Dover, as well as surrounding Kent County. Like Diamond/Yellow Cab, actual operating authority extends Statewide. However, each company primarily operates in the territorial jurisdictions described above. City Cab of Dover operates a fleet of approximately eight vehicles. The firm also receives a monthly administrative fee for the SCAT program, set at $200 per month.

The third participant in the program was Clayton's Cab Service, located in Lewes, Delaware. Initially operating in a service area restricted to Lewes, the operator was given authority to operate in southern Sussex County in 1984. Operating a single vehicle, Clayton's Cab carried about 900 SCAT passengers in FY 1983-84--its peak passenger volume year. The company went out of business in April 1986, and therefore no longer participates in the program.

In January 1982, Newark Taxicab Service, Inc. initiated SCAT service in Newark. SCAT service replaced a former dial-a-ride program that had been in operation since July 1977. However, in July 1982, Newark Taxicab Service became the first of the SCAT providers to go out of business, leaving the State with liability for $1,400 in outstanding tickets. With the demise of Newark Taxicab Service, Dover City Cab moved into the market with four vehicles, but they too closed down Newark operations in March 1984.

Kane Delivery of Delaware, Ltd. began SCAT service in February 1984 and is the smallest of the current SCAT operators. The company recently was sold and is trading under the name Webb Transportation.

As of July 1987, Diamond/Yellow Cab, Dover City Cab, and Webb Transportation are the three SCAT operators. Diamond/Yellow Cab and Dover City Cab represent the State's two largest firms. According to a February 1987 inventory, five other firms that have authority to operate taxis in Delaware do not participate in the SCAT program.

Current tariffs for the three SCAT participants are as follows: Diamond/Yellow Cab--$2.90 for the first mile and $1.20 per mile thereafter; City Cab of Dover--$190 for the first mile and $1.20 per mile thereafter; and Kane Delivery--$0.90 per mile.

Eligibility criteria for individuals to use SCAT was initially for anyone over 65 years of age. In January 1978, this age limit was lowered to 62 years and lowered again in March 1978 to anyone 60 years of age or older. Also, in January 1978, the SCAT program was opened to ambulatory handicapped persons unable to drive an automobile. However, the individual must be able to enter or exit the taxi with only limited driver assistance. Drivers are required to escort passengers in and out of the vehicle and beyond, if necessary. Handicapped status is determined through the submittal of an application form, obtained from and returned to the taxi operator, that provides a doctor's verification of the disability. The

operator returns the application forms to DTA for approval. Service hours are from 9:00 a.m. to midnight during the week, and from 7:00 a.m. to midnight on Saturdays, Sundays, and holidays.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

In the mid-1970's State transportation officials recognized two problems in the transportation industry in the State. The first problem centered on citizens with unmet transportation needs, particularly outside the Wilmington area where DART services were available. While DAST was proving to be an effective means of responding to the travel needs of individuals with mobility impairments, it was known that several service gaps existing, including:

- Individuals, particularly the elderly, who were transit dependent but not mobility impaired so that they were not eligible for DAST certification;
- Individuals who were transit dependent but not clients of human service agencies that could purchase transportation on behalf of the individuals; and
- DAST-certified individuals who could not schedule trips 48 hours in advance and, therefore, could not have their trip needs met by DAST.

Concurrent with the recognition of these service gaps was a growing awareness of a second problem--a general decline in the health of the taxi industry in Delaware. Planners realized that an opportunity existed for State government to provide some assistance in both problem areas. As a result, the Delaware General Assembly in its FY 1977-78 budget bill, established a subsidized taxi program designed to serve the State's elderly population. DTA was assigned responsibility for developing and administering the program which was subsequently entitled Senior Citizen Affordable Taxi (SCAT). An initial appropriation of $125,000 was authorized from State turnpike revenues to offer a 50 percent subsidy for the cost of a taxi ride.

DTA determined from the onset of the program that all of the State's taxi concerns would be eligible to participate in the SCAT program. Participation is arranged through a contractual agreement executed between DTA and the taxi company. Diamond/Yellow Cab, Inc. of Wilmington was the first company to become involved in the program with an agreement reached on October 2, 1977. While trading under two names, this company operates as a single business concern. Subsequent agreements were reached with Dover City Cab, Inc. in November 1978; Clayton's Cab Service located in Lewes

in October 1980; and with Kane's Delivery of Delaware, Ltd. in January 1984. Kane's Delivery serves the coastal sections of the State, south of Wilmington, primarily in the Rehobeth Beach area. Two other companies have participated in the program, but have gone out of business.

## DOCUMENTATION OF COST DIFFERENCES

DTA maintains a historical monthly summary of operating statistics for each of the SCAT providers. Table 1 provides a comparative overview of these statistics for the three current SCAT providers in both FY 1985-86 and FY 1986-87.

Overall, SCAT usage has declined somewhat (2.7 percent) in FY 1986-87, primarily due to a decline in the Wilmington SCAT program. Program usage rose during the same period for Dover City Cab and Kane Delivery. Additionally, these latter two programs recorded strong gains in ticket book sales during the period so that the average number of ticket books sold per day increased from an average of 58.3 per day in FY 1985-86 to 63.0 books per day in FY 1986-87.

In comparing the relative cost-effectiveness of the SCAT program, it must be recognized that SCAT has no peer in the public sector in Delaware. The program's on-demand trip booking process, combined with an extensive span of service 365 days per year, as well as the provision of door-to-door type transportation, is not comparable to DTA's Specialized Transit Service (DAST). Yet, SCAT was created, in part, to augment DAST service. Thus, it is appropriate to examine the relative cost of the two services.

Based on the service parameters presented in Table 1, and in consideration of the administrative fees paid directly to two of the taxi companies (estimated at $9,600 per year), the cost per trip of SCAT in FY 1986-89 was $9.29. Due to different fare levels in effect through the respective providers, it is not possible to compute average trip lengths, although SCAT trip lengths are believed to be less than six miles per trip on an average.

The average subsidy cost per passenger was $4.67 in FY 1986-87. These figures compare favorably to the DAST statistics compiled for the first six months of FY 1986-87. According to DTA, the cost per trip of DAST was $12.37 per passenger, compared to $9.29 for SCAT--a cost difference of $3.01 per passenger trip. The average passenger trip length of DAST was 7.12 miles per trip--longer than the estimated trip length taken on SCAT.

Table 1
**SCAT PROGRAM OPERATING STATISTICS**
(FY 1985-86 and FY 1986-87)

| Item | Diamond/Yellow Cab | | Dover City Cab | | Kane Delivery | | Total | |
|---|---|---|---|---|---|---|---|---|
| | FY 1985-86 | FY 1986-87 | FY 1985-86 | FY 1986-87 | FY 1985-86 | FY 1986-87 | FY 1985-86 | FY 1986-87 |
| Passengers | 33,590 | 29,955 | 13,941 | 15,908 | 1,825 | 2,138 | 49,356 | 48,001 |
| Trips | 28,587 | 24,775 | 11,731 | 13,486 | 1,330 | 1,738 | 41,648 | 39,999 |
| Days | 366 | 362 | 365 | 364 | 365 | 362 | 365* | 365* |
| Ticket Books Sold | 15,729 | 15,628 | 4,815 | 6,091 | 738 | 1,133 | 21,282 | 22,852 |
| Passengers/ Day | 91.5 | 82.8 | 38.2 | 43.7 | 5.0 | 5.9 | 135.2 | 132.2 |
| Trips/Day | 77.9 | 68.4 | 32.1 | 38.0 | 3.6 | 4.8 | 114.1 | 110.2 |
| Ticket Book Sales/Day | 42.9 | 43.2 | 13.2 | 16.7 | 2.0 | 3.1 | 58.3 | 63.0 |
| Value of Tickets Used | $151,837.14 | $150,307.75 | $47,495.50 | $60,459.25 | $ 6,312.20 | $11,086.75 | $205,644.84 | $221,853.75 |
| Revenue/Trip | $5.31 | $6.07 | $4.05 | $4.48 | $4.75 | $6.38 | $4.94 | $5.55 |
| Revenue/ Passenger | $4.52 | $5.02 | $3.41 | $3.80 | $3.46 | $5.19 | $4.17 | $4.62 |

**Source:** Delaware Transportation Authority; and computations by Carter Goble Associates, Inc.; October 1987

*average

Nevertheless, SCAT offers an apparent cost-effective transit alternative that operates with a much higher ratio of non-governmental revenue support. For example, with users providing $221,853.75 in revenue for FY 1986-87, SCAT's cost recovery ratio is 49.7 percent. This contrasts with the fact that DAST service is financed with only one percent of user revenue--the remainder consists of DTA and UMTA subsidy, as well as contract revenue from other governmental services.

## OVERALL RATING OF THE SERVICE

In June 1984, DTA conducted a telephone survey of SCAT users in the Wilmington and Dover areas. Seventy-five SCAT users were contacted, with 41 agreeing to respond to the survey. DTA reports a high degree of satisfaction with the SCAT program with many patrons responding that the taxi program represented their only means of transportation. DTA views the program as having contributed to the economic vitality of the taxi industry in the Wilmington and Dover markets. Thus, SCAT has met one of the original legislative objectives to the program.

Negative elements about SCAT expressed in the DTA user survey relate to taxis not being on time and drivers not taking the shortest route between the users' origin and destination. The SCAT program does have a user complaint/comment process. However, DTA reports that very few negative comments are received. Problems encountered by DTA have been more serious. The two SCAT providers that went out of business during periods of program participation left outstanding SCAT tickets for which the State ultimately had to assume liability. This resulted in changes to SCAT contracts in FY 1984-85 wherein an escrow account was established equal in level to the value of outstanding SCAT tickets Statewide. DTA staff indicated that this and other administrative actions have lessened the possibility of this problem occurring again in the future.

## CONCLUSION

Several factors can be cited as responsible for the success of the SCAT program. First and foremost is the fact that, from the very beginning, there was a strong legislative and administrative support for a service option to utilize taxis--an acknowledgement from the public sector that taxis are an important element in the State's public transportation network.

Additionally, planners specifically defined the role which taxis would play in augmenting other public transportation resources to meeting the needs of the elderly and ambulatory handicapped. Consequently, unrealistic expectations concerning the role of the private sector were never created.

Third, placement of administrative responsibility for the program with DTA, which also regulates taxis in the State, supported the development of program implementation guidelines that were consistent with other regulatory aspects of the taxi industry in Delaware. The payment of an additional administrative subsidy to the taxi operators above and beyond the user subsidy reimbursement contributed to the incentive for operators to continue participation in the program.

Finally, the fact that SCAT achieves substantially lower costs per trip than DTA's Statewide paratransit service--DAST--has convinced DTA that it is a program worth continuing. This lower cost alternative to DAST gives the State a more economic way to enhance the mobility of seniors and support the State taxi industry.

## DESCRIPTION AND BACKGROUND

The Town of Exeter, New Hampshire contracts with a private taxi company to provide elderly, handicapped, and general public demand responsive transportation service to the residents of Exeter. The program started in 1973 as an elderly transportation system. At that time, $5,000 was appropriated from revenue-sharing funds to support the transportation program for elderly citizens of Exeter. Transportation funding continued the following year, and has been in the Town budget ever since it began in 1973. General public ridership began in 1984, when the Town of Exeter began to receive Federal operating assistance through the Section 18 program.

The Cooperative Alliance for Seacoast Transportation, located in Durham, New Hampshire, approached the Town of Exeter in 1983 to apply for funding through the Section 18 program. The Cooperative Alliance for Seacoast Transportation is the designated recipient of Federal funding. The Town of Exeter decided to apply for Section 18 funding in 1984, and added general public riders at that time. The program is run by the Director of the Town's Recreation Department.

The Town of Exeter, New Hampshire has a population of approximately 14,000 and is located in Rockingham County. The County is sparsely populated, but does receive some transportation service through the Cooperative Alliance for Seacoast Transportation.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

When the Council on Aging was formed in 1973, a study was done to assess the needs of elderly citizens in Exeter. It was found that transportation was a major need of the elderly in Exeter. The Council on Aging considered purchasing a van with funds supplied by the State. A local taxi company heard of the potential purchase of a van and approached the Council to split the cost of transportation with the Town and the users to provide transportation to elderly residents of Exeter. An agreement was reached that tickets would be sold to the elderly at a cost of $0.25, and the Town would contribute $0.25 for each ride provided to elderly citizens by the taxi company, making the total cost of each ride $0.50.

The Town of Exeter felt certain that this arrangement would be most cost-effective in the long run, particularly because the Town did not have to incur the expense of setting up a transportation system. The cost to the Town of employing a dispatcher, drivers, and maintaining a van was calculated to be greater than splitting the cost with the elderly in order to pay a private taxi company. It was also felt by the Town's decision-makers that a demand responsive taxi system could provide more flexible and efficient service than a one-van fixed route system. Additionally, the taxi service would not limit the Town to established routes.

Over the years, the Town has contracted with several taxi companies. The taxi company that signs a contract with the Town does so on an annual basis. The current taxi company has provided service to the Town for the past several years and, in fact, is the only taxi company operating in the Town of Exeter at the present time. Because there is only one local taxi company, the service has not been bid out annually in the past few years. The taxi company which currently provides service operates with two cabs and provides service within the boundaries of the Town of Exeter. Residents who request service outside of the Town limits pay an increased fare to the taxi company. The primary services provided by the taxi company are through the Town's transportation program.

## DOCUMENTATION OF COST DIFFERENCES

One-way tickets are sold to senior citizens (62 and over) and the general public at a cost of $0.85. These tickets can be purchased at the Town's Senior Center, or mailed if a self-addressed envelope is sent to the Senior Center. There is a purchasing limit of 12 tickets per month, unless special permission is granted by the Director of the program for unusual circumstances, and purchased tickets are non-refundable. The ticket colors are changed every year, and they are valid for one calendar year. There have been some problems with purchased tickets not being used within the period for which they were bought.

Service hours are from 9:00 a.m. to 8:00 p.m., Monday through Sunday. Service is available through this program only within the Exeter Town limits. There is no advance call-in time requirement, but transportation services earlier or later than the scheduled time can be accommodated if advance call-in is done to arrange for the special time.

The administrative cost of the program is very low. Senior volunteers sell tickets three days a week, and monitor the index card system to keep track of the number of tickets that have been purchased by citizens to ensure that the 12 ticket per month limit is not exceeded. All other administrative functions necessary to operate the transportation system are handled

by the Director of the Recreation Department, who is responsible for the transportation program. A total of $205 was spent in 1986 for the printing of transportation tickets used in the program.

A total of 11,000 tickets are sold annually. Of these, 10,000 are allocated for senior citizens and 1,000 for the general public. The general public ridership is low, however. A total of 11,000 tickets were sold in 1986, but only 7,756 were redeemed by the taxi company. To date in 1987, 7,368 tickets have been sold, and only 5,433 have been used. The taxi company presents a monthly bill to the Town of Exeter, along with the ticket stubs. For every ticket presented to the Town, the taxi company is reimbursed a total of $2.75. The breakdown of funding for each ride ticket is as follows:

| | |
|---|---|
| Town of Exeter | - $0.95 |
| Cooperative Alliance for Seacoast Transportation | - $0.95 |
| Elderly and General Public Fare | - $0.85 |
| **Total Cost Per Ride** | **- $2.75** |

The cost of providing the transportation program in 1986 was $30,250. Because the number of tickets is limited to 11,000 annually, the Town of Exeter knows the exact cost of providing transportation during the year. The program has never operated in the red. The 1986 funding allocation for providing transportation service was as follows:

| | |
|---|---|
| Town of Exeter | - $10,450 |
| Cooperative Alliance for Seacoast Transportation | - 10,450 |
| Fare Revenue | - 9,350 |
| **Total** | **- $30,250** |

## OVERALL RATING OF THE SERVICE

The Town of Exeter is very happy with the arrangement of contracting with a private taxi company to provide service to primarily senior citizens. It is felt by the Town leaders that no service could be more cost-effective than the one they currently have. It was expressed that competition might improve the service provided, but that is not felt to be an option because there is only one taxi company operating in the Town. When the program began, the Town leaders did not want to provide the service to the general public. It was viewed as an essential service only for the elderly. However, the decision to utilize some Federal funding necessitated general

public service provision. General public ridership is actually lower than the tickets that are allotted for it. The elderly in the Town of Exeter represent approximately 25 percent of the population and, therefore, the general view by citizens with regard to the Town subsidizing transportation service is that is it needed.

## CONCLUSION

For a Town the size of Exeter, New Hampshire, the provision of transportation service by a private operator is viewed as most cost-effective. The Town would have incurred great costs to provide a demand responsive transportation system for the estimated 300 regular users of the service. The cost of paying drivers and dispatchers, and maintaining a vehicle, were felt to be much higher than the annual amount of roughly $10,000 that the Town now spends to provide transportation to all the people that request it. They have not had to turn riders away, and everyone in the Town feels generally happy with the service. The service provided by the taxi company allows for more flexibility in service than a van operated by the Town would have provided. The Town of Exeter would highly recommend their program to any other Town of its size, particularly one that desires to provide transportation primarily to senior citizens.

## DESCRIPTION AND BACKGROUND

The Fort Wayne Transportation Corporation (PTC) has turned to the private sector for operating transit services by hiring contract workers from private employment service agencies.

The Company's union contract covers 67 drivers and protects them from demotion, transfer, and layoff. Due to a particularly high rate of absenteeism (about 30 percent--see Tables 1 and 2), it was found that costs were sky-rocketing as overtime rates had to be paid to the unionized drivers to cover the absentee hours.

Table 1
**EMPLOYEE UNPAID SICK LEAVE HOURS**

| Month | 1986 | 1987 |
|---|---|---|
| January | 408 | 761 |
| February | 592 | 832 |
| March | 16 | 512 |

**Source:** Fort Wayne Transportation Corporation, June 1987

Table 2
**EMPLOYEE SICK LEAVE HOURS**
(January through March 1987)

| Month | 1986 | 1987 |
|---|---|---|
| January | 408 | 761 |
| February | 592 | 832 |
| March | 16 | 512 |

**Source:** Fort Wayne Transportation Corporation, June 1987

To reduce costs, management planned to hire part-time drivers, but failed to persuade the union to approve this action. The other course of action available to the Company was to hire contract employees, which it did in September 1986. Through attrition, system expansion, reduction of overtime, and a high absentee rate among union employees, the Company now utilizes the services of 87 contract employees. It is expected that more contract employees will be hired, with the target being 150 by July.

Another successful venture in using contract labor was in the cleaning of buses. PTC now hires two employees on a contract basis, paying them $5.70 per hour. Previously, unionized employees doing the same job were being paid $14.22 per hour. These union workers are not being used in other more productive jobs within PTC. In a 40-hour work week, these savings amount to $681 (or $35,412 per year).

PTC serves a metropolitan area with a population of 380,000, operating 56 routes (17 all day and 39 on flexis). The transit system has been losing about ten percent of its ridership annually (see Table 3), while cost per passenger has been growing rapidly. In an effort to reduce operating costs, re-capture ridership, and streamline the organization, PTC has identified six areas for re-vamping. It is expected that efforts in these areas--employee effectiveness, ridership, reduction of operating costs, promoting public transport, capital grants, and insurance--would generate savings of about $1 million. Management plans to utilize the savings for programs to increase ridership, such as implementing additional service.

Table 3
**PTC ANNUAL RIDERSHIP**

| Year | Ridership | Year | Ridership |
|---|---|---|---|
| 1975 | 2,908,909 | 1981 | 3,705,281 |
| 1976 | 3,139,036 | 1982 | 3,237,631 |
| 1977 | 3,365,144 | 1983 | 2,683,154 |
| 1978 | 3,607,772 | 1984 | 2,197,281 |
| 1979 | 3,910,829 | 1985 | 1,914,787 |
| 1980 | 4,087,851 | 1986 | 1,868,596 |

**Source:** Fort Wayne Transportation Corporation, June 1987

## OTHER FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

The decision to utilize privately-contracted employees to provide transit service and to clean vehicles came about when management attempted to reduce costs via improvement in employee effectiveness by adopting a twin-pronged approach. The first approach was to handle employee discipline in a constant manner, and the second was to re-assess the labor contract. Management planned to include in the new labor contract six major points, as follows:

1. Hiring of part-time employees;
2. Creation of a small bus division;
3. Elimination of a penalty time;
4. Cross-training of maintenance personnel
5. A review of the sick leave policy; and
6. Encouragement of shared cost of employee health care benefits.

PTC decided to contract with an employment service for contract drivers as a result of a dispute with the labor union over the hiring of part-time drivers. Local 682 of the Amalgamated Transit Union criticized the privatization program of PTC and brought the matter up for arbitration. In his decision on June 10, 1987, the arbitrator ruled against the union, stating that PTC did not violate its collective bargaining agreement with Local 682 by contracting out driving or service work to non-bargaining unit employees.

## DOCUMENTATION OF COST DIFFERENCES

The privatization program's success can be gauged from Table 4, which shows the monthly ridership from January to March for the years 1985, 1986, and 1987. There has been an increase in ridership of about 32 percent in the first quarter of this year, compared to the previous two years. Table 5 gives a statistical summary of the first quarters of 1986 and 1987. It can be seen here that operating cost per mile has decreased from $0.2769 to $0.2571, while operating cost per passenger has also dropped from $0.2163 to $0.2157. The average fare and revenue figures show a reduction for 1986 to 1987, due to the action of PTC management to reduce fares from $0.57 to $0.50.

Table 4
PTC MONTHLY RIDERSHIP

| Month | 1985 | 1986 | % Change | 1987 |
|---|---|---|---|---|
| January | 162,515 | 154,430 | 11.3 | 171,925 |
| February | 151,602 | 146,096 | 22.9 | 179,640 |
| March | 172,978 | 157,346 | 26.1 | 198,427 |
| April | 172,066 | 157,361 | 32.4 | 208,464 |

**Source:** Fort Wayne Transportation Corporation, June 1987

Table 5
PTC STATISTICAL SUMMARY

| | 1987 Jan-Mar | % Change | 1986 Jan-Mar |
|---|---|---|---|
| **Miles Operated** | | | |
| Passenger Miles | 456,572 | 28.4 | 355,567 |
| Charter | 0 | -- | 2,117 |
| Demand Responsive | 4,728 | -- | 0 |
| **Total Miles Operated** | **461,300** | **28.9** | **357,684** |
| **Passengers** | | | |
| Revenue | 433,284 | 16.0 | 373,384 |
| Charter | 0 | -- | 2,727 |
| Demand Responsive | 4,701 | -- | 0 |
| Transfers | 106,541 | 30.2 | 81,821 |
| Special (ARC) | 5,466 | -- | 0 |
| **Total Passengers** | **549,992** | **20.1** | **457,932** |
| **Performance Statistics** | | | |
| Passengers Per Mile | 1.192 | - 6.9 | 1.280 |
| Operating Cost Per Mile | 2.571 | - 7.1 | 2.769 |
| Revenue Per Mile | 0.350 | -39.3 | 0.577 |
| Average Fare | 0.294 | -34.5 | 0.451 |
| Subsidy Per Passenger | 1.863 | - 8.8 | 1.712 |
| Operating Cost Per Passenger | 2.157 | - 0.2 | 2.163 |
| **Revenue Breakdown** | | | |
| Farebox Revenue | $ 108,962 | - 8.3 | $118,918 |
| Passes (weekly) | 0 | -- | 1,170 |
| Passes (monthly) | 17,655 | -47.9 | 33,941 |
| Ten-Ride Cards | 23,118 | -41.9 | 39,844 |
| Tickets to Ride | 4,586 | 65.6 | 2,768 |
| Demand Responsive | 7,198 | -26.3 | 9,778 |
| **Total Passenger Revenue** | **$ 161,231** | **-21.7** | **$206,419** |
| **Total Operating Costs** | **$1,186,231** | **19.7** | **$990,435** |

**Source:** Fort Wayne Transportation Corporation, June 1987

This step was taken to counter the annual decline in ridership which was believed to stem from the rise in fares. A look back at the 32 percent ridership increase is proof of the need to reduce fares. It should also be noted that, while ridership in the first quarter of 1987 went up by 20.1 percent compared to the first quarter in 1986, operating costs for the same period only rose by 19.7 percent.

PTC has utilized 13,388 hours of contract employees' time from January to March 1987, which means a savings of $95,189. Should this same number of hours be applied for the next three quarters, this program would save PTC $380,756 for this calendar year. However, management plans are to double the number of contract employees by the end of July. Contract employees will also be used to operate new routes. These employees will be asked to work the hours which arise due to vacation and sick leave taken by unionized employees. These factors show that the number of hours to be worked by contracted employees for the next three quarters will go up. A conservative estimate would be double the number of hours worked in the first quarter. This means the savings which could accrue would be in the range of $650,000.

## OVERALL RATING OF SERVICE

The privatization program of PTC has been welcomed by members of the Board of the Company and community leaders. Editorials supporting this have also appeared in the local press. The increase in ridership, changes in schedules and routes, introduction of new routes, and the reduction in operating costs are being looked upon very favorably by the Fort Wayne community.

The decision to use contract labor paves the way for an expansion of the privatization program of PTC. Efforts implemented and planned for 1987, utilizing contract labor which is estimated to save $825,412, will not be carried on to the future.

The success of the program to hire contract labor has resulted in management looking at the cost of maintenance. It has been estimated that maintenance costs could be reduced by as much as $0.10 per mile should maintenance be contracted out. Based on 1.4 million miles, savings of $140,000 could be attained. The Company is starting on this project by requesting bids for maintenance on the 28 new small buses.

PTC management also implemented various other programs to reduce costs. Among them were:

- Buying diesel fuel in bulk at $0.435 cents per gallon, compared to buying as-needed at up to $0.60 per gallon, thereby saving about $120,000 per year; and

- Buying 28 small buses instead of seven 45-seat buses, which reduces maintenance and fuel costs.

## CONCLUSION

PTC was able to hire contract employees at lower rates than the salaries paid to its unionized employees. Three different employment service agencies were selected on a low-bid basis when the program was started, but to safe-guard PTC from an eventuality that one of the agencies ceases to provide services, management has decided to utilize the services of many agencies which will supply no more than 40 employees each. These employees are used as drivers and for cleaning of vehicles. The use of private employment agencies has reduced labor costs. A union wage rate of $10.64 per hour increases to $12.94 per hour when penalty costs are included. A fringe benefit package of $5.80 results in wages of $18.74 per hour per union employee, compared to $8.50 per hour for contract labor plus an initial training expense of $3.13 per hour per contract employee. This enables a savings of $7.11 per hour.

The program of hiring contract labor has contributed to PTC being able to reduce its operating costs. The reduced labor rates have also allowed the company to initiate new services at almost break-even cost.

## DESCRIPTION AND BACKGROUND

The Hub Area Transit Authority (HATA) is made up of four member jurisdictions in north-central California. HATA operates a combination of fixed routes, rural route deviation, and demand responsive service which is contracted to DAVE Systems. In 1979, both management and operation of the service was contracted to DAVE Systems. In 1982, for the first time, the HATA board hired a transit manager to oversee and monitor the subcontracted operations, which modified the DAVE Systems contract to provide operations only.

The member jurisdictions include the Counties of Sutter and Yuba, and the Cities of Marysville and Yuba City. The total service area population is estimated to be about 70,000. The service area includes several unincorporated areas and a few small rural areas outside of Marysville and Yuba City. The HATA service area is very low density, with two major circulation barriers--two rivers that run through the Cities of Marysville and Yuba City--one having only one bridge to provide access, and the other having only two bridges to provide regional access. The City of Marysville is land-locked by the two rivers. These unique circulation barriers, combined with low density, cause transit operations to be less efficient due to extra non-revenue mileage, and should be considered when the productivity standards are presented later in this report.

HATA had an unusual beginning. The Authority was formed under the California Joint Powers Agreement Law, but as a result of a lawsuit filed against the jurisdictions. The lawsuit was filed by the California Rural Legal Assistance organization over the interpretation of the California Transportation Development Act (TDA). The TDA established a Local Transportation Fund with money generated from a one-forth cent allocation of the State's six percent sales tax. The Local Transportation Fund is returned to jurisdictions based on population, and is to be used for streets, road improvements, expansions, and public transportation. A portion of the money is to be used to meet "unmet transit need" that can be "reasonably met," and funding for public transit has a higher priority than funding for streets and roads.

In 1978, the California Rural Legal Assistance Organization claimed that there was unmet need in the Counties that could be reasonably met because the funding was available. HATA was formed in 1975 and operated a subsidized elderly and handicapped taxi service through a local cab company until 1979 when the lawsuit settlement forced expansion. In 1979, HATA expanded to meet unmet general public transportation needs.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

HATA was not formed out of a participatory process of regional governments. The fact that it was formed as a result of a lawsuit meant that no jurisdiction particularly wanted to operate the system. It was not viewed as a desirable government service to create and add government staff to administer and operate. Therefore, the decision to use a private operator was made from the start of HATA service in 1979. In fact, until 1982, the management as well as the operation of HATA was contracted out to a private operator. In 1982, the HATA board approved one full-time administrative position, and one full-time secretarial position. The entire operation and maintenance of HATA has been contracted to a private operator since service began.

When HATA was originally formed, the service area was classified as rural. The service area now is classified as both rural and urban and, therefore, receives Section 9 and Section 18 funding from UMTA. The majority of the funding, however, comes from the Local Transportation Fund. Table 1.1 indicates the actual revenue and percentage to total revenue for FY87.

The first bid process in 1979 resulted in a contract with a private operator to operate and maintain HATA vehicles. The vehicles have been obtained with UMTA capital grants and with State and local funding. All vehicles have always been under the ownership of HATA. HATA has not re-bid the contract since 1979, and the controversy over the productivity of HATA's six fixed routes resulted in a study of transit alternatives in the area. A bid process will occur in the next fiscal year because HATA is going to move from a fixed route and demand responsive system to a total demand responsive system. The major change in system operation, combined with direction from UMTA in the past few years to re-bid the contract, has resulted in the need for HATA to develop an RFP by September 1987. The contract is monitored by the administrative staff of HATA.

Table 1.1
HATA REVENUE SOURCES -- FISCAL YEAR 1987

| Source | Amount | Percent |
|---|---|---|
| Passenger Fares | $108,895 | 11.4% |
| Auxillary Transportation Revenue | 15,135 | 1.6% |
| Interest | 5,046 | 0.5% |
| TDA Local Transportation Funds | 500,000 | 52.5% |
| UMTA Section 5 | 303,560 | 31.8% |
| UMTA Section 18 | 20,000 | 2.1% |
| **TOTAL** | **$952,636** | **99.9%** |

**Source:** Hub Area Transit Authority, July 1987

**Note:** Auxillary Transportation Funds include advertising revenues, reimbursements from local governments for HATA assistance during a flood crisis in 1986, and other miscellaneous revenues.

## DOCUMENTATION OF COST DIFFERENCES

The HATA system operates with a fleet of 20 vehicles, 19 of which are lift-equipped. Currently, there are six fixed routes which operate Monday through Friday from 6:45 a.m. until 6:30 p.m. The fare is $0.75, with a reduced fare of $0.35 for senior citizens and handicapped individuals. There are currently about 500 rides per day on the fixed route system. HATA also operates a demand responsive service Monday through Friday, from 7:00 a.m. until 7:00 p.m., and on Saturday and Sunday from 9:00 a.m. until 3:00 p.m. The fare is $1.50 per ride and $0.75 for elderly and handicapped. HATA operates about a 50/50 split between these two service types. There are also a few rural fixed routes (with deviation), a three-day-a-week service to Sacramento, and a daily service to and from the Beale Air Force Base. The largest destination in the service area is Yuba College, a local community college. The largest group using the system is comprised of senior citizens and disabled adults.

Table 1.2 presents operating and performance data for FY87. There was a total operating expense of $914,135, which includes the cost of HATA administration. There are several items, including rent, which are paid as part of HATA administration costs, which are truly operational costs. HATA and the private operator with whom they contract currently share the same

facility. The private operator does not charge a rental amount in the contract. Instead, HATA pays the rental amount to reduce the contractual amount.

Table 1.2
**HATA OPERATING AND PERFORMANCE DATA**

| Fiscal Year 1987 | |
|---|---|
| Service Population | 70,000 |
| Ridership | 176,259 |
| Vehicle Hours | 35,970 |
| Vehicle Miles | 550,000 |
| Operating Expense (including Admin.) | $914,135 |
| Cost/Vehicle Hour | $25.41 |
| Cost/Vehicle Mile | $ 1.66 |
| Cost/Passenger | $ 5.18 |
| Passengers/Vehicle Hour | 4.9 |
| Passengers/Vehicle Mile | .32 |
| Number of Vehicles | 20 |
| Farebox Revenue | $108,895 |

**Source:** Hub Area Transit Authority, July 1987

The cost per vehicle hour in FY87 was $25.41, and the cost per vehicle mile was $1.66. These costs led the HATA board to decide on a change to a 100 percent demand responsive system. The $5.18 cost per passenger is a result of low ridership, but the unique circulation barriers and low density also contribute to the lower productivity data. The operational staff of 40 is made up of 12 full-time staff, and 38 part-time staff employed by the private operator. Labor represents approximately 70 percent of the private operator's cost of operation and maintenance.

Although there is no public operator data to compare this data with, because HATA has always contracted service, it is believed to be less costly than establishing another layer of bureaucracy to operate the system. A study was done in 1983 by a consultant which verified that the contractual agreement was, in fact, less costly than operating the system through a newly formed public operator. Comparisons of costs in similar sized jurisdictions were used as the basis of this analysis.

## OVERALL RATING OF SERVICE

Both the interviews and a review of news articles revealed that there is not substantial political support for public transportation in the area. The issue is not with the private operator's contract, but rather with the nature of the fixed route transit system which is viewed by some to be an "unreasonable" service to operate due to low ridership. Surveys indicate that roughly 93 percent of HATA riders are truly transit dependent, with no alternatives to the public transportation system.

There is political support for the use of a private operator for three basic reasons. First, it is viewed as being less costly to the governments that make up HATA. Second, the HATA board did not want to deal with the labor issues that would be involved in developing a publicly-operated transportation system. Finally, the HATA board did not want more public employees on the payroll, especially for a service that was not viewed as necessary. It is the requirement of the TDA Local Transportation Fund that money be spent on public transportation, which caused the creation of HATA, and not a perceived need for the service on the part of government. The opinion among riders is that the current service is needed, and that it is far superior to the service that had previously been provided by a small local cab operator.

## CONCLUSIONS

The study of HATA differs from others in this series of case studies because HATA was formed as a result of a lawsuit and was never previously operated by a public entity. A private operator was contracted with because local governments perceived a private operator to be less costly from the very start, even without any record of public operation as a comparison. The major factor in the decision to use a private operator from the conception of service was the high cost of labor, and the UMTA 13(c) labor protection requirements that were felt to be impossible to overcome. HATA is an example of an area that did not want transit, but when forced to provide it, followed a philosophical preference for the use of a private operator. In this regard, local officials seem to share a common belief found among other rural government officials--that the private sector can do a better and more cost-efficient job in public transit than government.

## DESCRIPTION AND BACKGROUND

The Lexington Transit Authority (LexTran) provides service over 22 routes during the week in Fayette County. The regular route service is oriented toward the Urban Service Area in Lexington, where 161,080 people (or 78.9 percent of the County population) live. The earliest scheduled service starts at 4:00 a.m., and Saturday service is operated from 9:45 a.m. to 6:00 p.m. over six fixed bus routes. Adults pay $0.50 on the regular routes, while senior citizens and handicapped persons who are certified and have a LexTran identification card pay $0.25 per ride.

The Authority also is responsible for service to low density areas, which is provided by a taxi feeder service (DART). These trips are scheduled through the LexTran information services. The taxi picks up the passengers at their homes and takes them to the nearest shopping center at a fare of $0.60, with transfers at no charge. In July 1984, service to the rural area of the County was initiated using taxis. These trips are brokered to the taxi company which is reimbursed on a cost per mile basis. The fare for this service is $1.25 plus $0.25 per mile after the first three miles.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

Faced with four major challenges--rising cost of transit services, decline in ridership, pressure to provide additional service, and reduced funding for capital and operating assistance--LexTran undertook two studies to seek solutions: 1) Alternative Services and Financing for LexTran, and 2) A Paratransit Implementation Plan. The study recommendations resulted in two distinct choices--curtailment of service or subcontracting. The Board had to make a choice on Route 5 (Walnut), Routes 9 and 9A (Jefferson/ Rosemont), Route 16 (Camelot), and Route 21C (Crosstown), all of which were suffering from huge deficits per passenger.

The decision was to implement dial-a-ride taxi service for the Walnut Route and a decision was also reached by the Board to subcontract out service on the other three routes. LexTran implemented a contract with United Transportation Company on August 25, 1986 to undertake fixed route service on these three routes.

## DOCUMENTATION OF COST DIFFERENCES

LexTran concluded in its study that contracting out service in the Jefferson/Rosemont, Camelot, and Crosstown routes would result in savings of about $118,735 annually. The breakdown of savings is shown below:

| | LexTran | Subcontractor |
|---|---|---|
| Jefferson/Rosemont: | | |
| Route Revenue/Cost Ratio | 20.48% | 50.00% |
| Deficit Per Passenger | $1.12 | $0.35 |
| Camelot: | | |
| Route Revenue/Cost Ratio | 12.71% | 45.70% |
| Deficit Per Passenger | $3.06 | $0.50 |
| Crosstown: | | |
| Route Revenue/Cost Ratio | 16.70% | 34.99% |
| Deficit Per Passenger | $2.07 | $0.77 |

Table 1 shows an analysis of the fixed route contracted service from August 1986 to April 1987. The deficit per rider decreased from $1.92 to $1.41 on the Jefferson/Rosemont route; changed from $1.52 to $1.54 on the Camelot route; and increased by $0.28 to $2.35 on the Crosstown route. Overall, the deficit per rider has been reduced, from $2.19 to $1.69, while the annual deficit has been reduced by $209,281 on the three routes.

## OVERALL RATING OF THE SERVICE

A major issue which arose due to the contracting out of service on the three routes was a claim by Local 639 of the Amalgamated Transit Union that the action of the Authority was in violation of the Section 13(c) agreement. The issue was brought before an arbitrator who decided that the contracting out of the three routes was not in violation of the collective bargaining agreement with the union. The arbitrator did not rule on the violation of the Section 13(c) agreement, as it was felt that the procedures mandated under the agreement had not been followed.

LexTran officials and the United Transportation Company are quite satisfied with the service. Both parties have benefitted--the public sector in terms of cost savings, and the private sector in terms of expanded business.

Table 1

**ANALYSIS OF FIXED ROUTE CONTRACTED SERVICE**

(August 1986 through April 1987)

| Route | Daily Riders | Daily Revenue | Daily Cost | Daily Deficit | Deficit Per Rider | Average Fare |
|---|---|---|---|---|---|---|
| **9A Rosemont:** | | | | | | |
| LexTran (FY 1986) | 345 | $106 | $ 767 | $ 661 | $1.92 | $0.31 |
| United Transportation (Aug-Apr) | 155 | $ 57 | $ 209 | $ 220 | $1.41 | $0.36 |
| **Camelot:** | | | | | | |
| LexTran (FY 1986) | 131 | $ 58 | $ 458 | $ 400 | $3.06 | $0.44 |
| United Transportation (Aug-Apr) | 96 | $ 35 | $ 143 | $ 149 | $1.54 | $0.36 |
| **Crosstown:** | | | | | | |
| LexTran (FY 1986) | 165 | $ 68 | $ 409 | $ 341 | $2.07 | $0.41 |
| United Transportation (Aug-Apr) | 84 | $ 45 | $ 194 | $ 197 | $2.35 | $0.53 |
| **3-Route Total:** | | | | | | |
| LexTran (FY 1986) | 641 | $232 | $1,634 | $1,402 | $2.19 | $0.36 |
| United Transportation | 335 | $136 | $ 546 | $ 565 | $1.69 | $0.41 |
| **Difference** | 306 | $ 96 | $1,088 | $ 837 | $0.50 | ($0.04) |

| Route | Annual Riders | Annual Revenue | Annual Cost | Annual Deficit | Deficit Per Rider | Average Fare |
|---|---|---|---|---|---|---|
| **9A Rosemont:** | | | | | | |
| LexTran (FY 1986) | 86,250 | $26,500 | $191,750 | $165,250 | $1.92 | $0.31 |
| United Transportation (to date) | 38,793 | $14,136 | $ 52,361 | $ 54,884 | $1.41 | $0.36 |
| **Camelot:** | | | | | | |
| LexTran (FY 1986) | 32,750 | $14,500 | $114,613 | $100,113 | $3.06 | $0.44 |
| United Transportation (to date) | 24,104 | $ 8,739 | $ 35,679 | $ 37,142 | $1.54 | $0.36 |
| **Crosstown:** | | | | | | |
| LexTran (FY 1986) | 41,251 | $17,000 | $102,250 | $ 85,250 | $2.07 | $0.41 |
| United Transportation (to date) | 20,943 | $11,127 | $ 48,471 | $ 49,305 | $2.35 | $0.53 |
| **3-Route Total:** | | | | | | |
| LexTran (FY 1986) | 160,250 | $58,000 | $408,613 | $350,613 | $2.19 | $0.36 |
| United Transportation | 83,840 | $34,002 | $136,511 | $141,331 | $1.69 | $0.41 |
| **Difference** | 76,410 | $23,998 | $272,102 | $209,281 | -- | ($0.04) |

**Source:** LexTran, October 1987

## CONCLUSION

The contracting out of the fixed route service was undertaken with a view to provide service, rather than the alternative of curtailing services. There was an urgent need for the Authority to reduce costs, and this effort yielded the desired result. The contractor has had to keep good records of its costs and revenue, and the company's activities have been closely monitored by LexTran to ensure that no service disruptions or service quality reductions occur. The financial results show that privatization of the three fixed route services helped in reducing the costs. The Section 13(c) issue still has not been resolved, and it can be observed to be an obstacle in the efforts of the Authority to privatize its operations to achieve the end result of reducing costs.

## DESCRIPTION AND BACKGROUND

The Monmouth County Transportation System operates both general and specialized paratransit services using a mix of direct County operations and private carriers. The system provides shared-ride taxi, fixed routes, and demand responsive transportation for medical, educational, employment, shopping, nutritional, and recreational purposes. All demand responsive services and ride-sharing taxis are intended for senior citizens and handicapped persons.

In addition to the paratransit services provided by the County, Monmouth County is also served by New Jersey Transit Corporation which operates a passenger rail service connecting New York City with the Jersey shore, delivering over 13,000 passengers daily. Also, New Jersey Transit and two other privately-owned bus companies transport over 10,000 passengers to, from, and within Monmouth County daily.

Monmouth County is a suburban and rural County in central New Jersey stretching from about 30 miles south of Newark to the Jersey shore. The area contains diverse land usage and density, ranging from urbanized areas to small suburban towns, to rural farm areas. The County has a population of over 525,000 with an area of only 471 square miles; however, over 30 percent of the area is considered rural and eligible for UMTA Section 18 funding.

Paratransit service operations began in the County in 1976, with the formation of the Special Citizen Area Transportation (SCAT) designed for transportation of senior citizens, the disabled, and the rural general public. The primary service was food, shopping, and non-emergency medical transportation. Other human service agencies also operated their own vehicles, some of which also received UMTA funding. In 1980, the County initiated ride-sharing and a wheelchair accessible public fixed route bus service, both with private providers and using Section 18 funding.

In 1984, the State of New Jersey began dispersing funds from the Casino Revenue program for all counties in the State for the provision of transportation for senior citizens and disabled residents. The new allocation of funding allowed Monmouth County to plan and implement expansion. In

April 1985, the Monmouth County Office of Transportation was created to coordinate, manage and operate all paratransit services of the County. Since the creation of the Office of Transportation, a mixture of private contracts and direct County operations has been used successfully.

Funding sources for the Monmouth County Office of Transportation for Fiscal Years 1985, 1986, and 1987 are listed in Table 1.1. For comparison, it also lists total ridership and cost per trip for all transportation services.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

The use of private carriers was planned in the early stages of coordinated paratransit services. In 1979, the Community Services Council of Monmouth County issued a report, entitled Coordinated Human Services Transportation, strongly urging the consolidation of paratransit services of the County and using private providers where cost-savings could be made possible. With the first Section 18 capital and operating assistance application for a fixed route and shared-ride taxi service in 1980, plans were made and ultimately carried out to contract with locally-based private transportation.

With the receipt of casino revenues, Monmouth County was able to consolidate and expand its services. In Fiscal Year 1986, the Office of Transportation expanded the shared-ride taxi services in the urban portion of Monmouth County to include six additional regions. It was believed that the locally-based carriers could perform the demand responsive service at a lower cost than the in-house SCAT service.

Before being considered the private providers had to meet specific requirements. Bidders are required to: provide at least three radio-equipped vehicles; have drivers available for the service area; have a scheduler/dispatcher who could group transportation reservation requests into vehicle runs; provide insurance at a level equal to that required by the Office of Transportation on its own vehicles; provide for the collection of fares set by the Office; and to ensure that drivers provide assistance to passengers when necessary. Shared-ride taxi operators in urban areas are required to maintain at least one wheelchair lift-equipped vehicle. In rural areas, SCAT continues to transport wheelchair passengers who cannot use a taxi sedan.

Table 1.1
**OPERATIONS FUNDING SOURCES**

| Source | FY 1985 | | FY 1986 | | FY 1987 | |
|---|---|---|---|---|---|---|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Section 18 | $ 95,277.24 | 15.3 | $ 63,900.47 | 9.1 | $ 83,849.95 | 9.0 |
| Title III/County | $407,948.00 | 65.7 | $348,487.00 | 49.7 | $448,609.28 | 48.2 |
| Casino Revenue | $117,560.74 | 19.0 | $288,722.76 | 41.2 | $398,809.89 | 42.8 |
| **Total** | **$620,785.98** | **100.0** | **$701,110.23** | **100.0** | **$931,269.02** | **100.0** |
| Total Ridership | 223,818 | | 291,127 | | 320,875 | |
| Cost Per Trip | $ 2.77 | | $ 2.41 | | $2.90 | |

**Source:** Monmouth County Office on Transportation, September 1987

**Note:** Cost per trip combines demand responsive and fixed route services.

## DOCUMENTATION OF COST DIFFERENCES

Since the initiation of private contracting for demand responsive services in 1980, the County-operated SCAT services have consistently operated at a lower cost per hour than the private providers (see Tables 1.2 and 1.3). However, the contractors show definite higher productivity than the SCAT program. In Fiscal Year 1986, the County operated at a cost of $14.51 per hour, compared with $14.50, $16.00, $17.00, and $17.50 per hour. The County can operate at lower costs per hour due to economies-of-scale for insurance and fuel costs which are 20 percent lower than that of the taxi companies.

However, the taxi companies are more cost-effective, based on a cost per passenger basis. As can be seen in Tables 1.2 and 1.3, the SCAT program is considerably more expensive on a per passenger basis than the private providers. Even the rural vendors--Gratton and Hill's Taxi--have lower costs than SCAT, although SCAT operates in both urban and rural areas.

One of the primary reasons SCAT has higher costs per passenger is because of deadhead time. Monmouth County's SCAT program costs include hours that are not generating ridership. Also, during times of unusually low demand such as inclement weather, costs continue to build for SCAT. With taxi companies, deadhead costs and profits are built into the bid and down-time is not charged to the Office of Transportation.

## OVERALL RATING OF THE SERVICE

Service in Monmouth County has both increased and improved drastically during the 1980's with the use of Casino Revenues and more productive private providers. From Fiscal Year 1985 to Fiscal Year 1987, shared-ride taxi service has increased from 1,500 to almost 70,000 rides. Today, almost all of Monmouth County is covered by shared-ride taxi service. Additionally, all fixed routes currently operating that have been initiated since 1980 either augment and/or fill in gaps left by New Jersey Transit Corporation and private bus carriers in the area's transportation network.

Table 1.4 presents all services listed by funding source. The table gives ridership and notes whether the route is contracted out or run by the County.

Table 1.2
**COMPARATIVE COSTS OF MONMOUTH COUNTY DEMAND RESPONSIVE SERVICES**
(Fiscal Year 1987)

| Item | County SCAT | Gratton Bus | Hill's Taxi | Yellow Cab (Long Branch) | Yellow Cab (Red Bank) |
|---|---|---|---|---|---|
| Total Cost | $161,488 | $ 52,643 | $ 34,207 | $ 37,283 | $ 67,079 |
| Total Ridership | 22,584 | 10,247 | 7,226 | 21,021 | 19,675 |
| Total Hours | 10,413 | 3,009 | 2,012 | 2,330 | 4,192 |
| Cost/Passenger | $ 7.15 | $ 5.14 | $ 4.73 | $ 4.77 | $ 3.41 |
| Cost/Hour | $15.51 | $17.50 | $17.00 | $16.00 | $16.00 |



Table 1.3
**COMPARATIVE COSTS OF MONMOUTH COUNTY DEMAND RESPONSIVE SERVICES**
(Fiscal Year 1986)

| Item | County SCAT | Gratton Bus | Hill's Taxi | Yellow Cab (Long Branch) | Yellow Cab (Red Bank) |
|---|---|---|---|---|---|
| Total Cost | $147,181 | $ 61,067 | $ 27,271 | $ 37,283 | $ 23,855 |
| Total Ridership | 15,133 | 10,781 | 5,848 | 9,828 | 7,613 |
| Total Hours | 10,140 | 3,592 | 1,579 | 2,571 | 1,403 |
| Cost/Passenger | $ 9.73 | $ 5.66 | $ 4.66 | $ 3.79 | $ 3.13 |
| Cost/Hour | $14.51 | $17.00 | $16.00 | $14.50 | $17.00 |

**Source:** (Tables 1.2 and 1.3) Monmouth County Office of Transportation, September, 1987

**Note:** (Tables 1.2 and 1.3) Gratton and Hill's Taxi both serve rural areas.

Table 1.4

**PASSENGER TRIPS BY FUNDING SOURCE AND SERVICE**

(Fiscal Year 1987)

| Funding Source | Total | Operator |
|---|---|---|
| **Casino Revenue:** | | |
| Demand Responsive Medical | 4,656 | Public |
| Demand Responsive Educational/ Employee/Recreation | 15,060 | Public |
| Shared-Ride Taxi | 53,150 | Private |
| Marlboro-Howell Fixed Route | 10,416 | Private |
| Bayshore Shuttle | 22,157 | Public |
| Hospital Dialysis | 5,329 | Private |
| ARC | 8,068 | Public |
| **Total--Casino Revenue** | **118,836** | |
| **Title III:** | | |
| Shopping/Nutrition | 187,142 | Public |
| Medical/Recreation | 7,208 | Public |
| **Total--Title III** | **194,350** | |
| **Section 18:** | | |
| Shared Ride Taxi | 6,369 | Private |
| Marlboro-Howell | 1,130 | Private |
| **Total--Section 18** | **7,499** | |
| **Grand Total** | **320,685** | |

**Source:** Monmouth County Office of Transportation, September 1987

## CONCLUSION

The Monmouth County Office of Transportation feels that a balance of in-house operations and contracted services maximizes the cost-efficiency and service quality of all County-sponsored transportation services.

The retention of direct County operations is believed to keep the bidding more competitive. Bidders not only sense competitiveness with other bidders, but also face the threat of County operations. This will tend to prevent providers from bidding low initially and later raising the charges after the County has become dependent on the provider. Also, there are some service areas that use less deadhead time through in-house services than a private vendor due to the geographic locations of the trips.

Private vendors offer many other advantages in addition to a lower cost per passenger. First of all, in Monmouth County, new services could be quickly implemented with low start-up costs by merely tapping into existing resources of local taxi companies. A locally-based private operator can also provide services during weekends and nights, which for the County would pose a much more difficult problem. It is also believed that using private vendors is an effective use of local paratransit resources. Much of the resources used by the private vendors are simply "excess capacity" of the private firm, meaning that the firm's resources are being used more fully and efficiently.

## DESCRIPTION AND BACKGROUND

Beginning in 1985, the Ottumwa Transit Authority (OTA) took over all direct operations of fixed route bus services to the City of Ottumwa, Iowa. All administration and operations are now carried out by OTA, which is a municipal agency. Only maintenance and housing of vehicles are contracted out to the private sector. Formerly, all services were contracted out to a private transit provider with government oversight by OTA.

The service area of the OTA's fixed route services is strictly confined to the City limits. Ottumwa--the largest trade center within a 70-mile radius and county seat--has a population of 27,381 (US Census Bureau, 1980), with a population density of 1,825 persons per square mile. A substantial part of the population is elderly with a community-wide ratio of 25 percent. Eleven percent of the City's total population has an income below the poverty level. Throughout the service area, 13.7 percent of the households do not have access to an automobile. Table 1 gives detailed descriptive statistics of the population served by OTA.

OTA operates four regularly scheduled fixed routes with a fleet of six buses, which operate six days per week with routes oriented toward the Ottumwa central business district. Service begins at 6:20 a.m. Monday through Friday, and 8:20 a.m. on Saturday. Transit services are provided through 6:00 p.m. Monday through Saturday. During off-peak demand hours (10:20 a.m. through 2:00 p.m. on weekdays and all day Saturday), routes are alternated, using only two buses.

OTA operates with very little UMTA assistance. The Authority has reduced its use of UMTA funding, from 21.9 percent of total funding in FY 1985, to 10.4 percent in FY 1986, to 14.8 percent in FY 1987 (see Table 2). The proportion of Federal assistance has been reduced since OTA has taken over all operations without the use of a private carrier. Generally, OTA has been cautious about Federal or State funding. Sincere efforts have been made to utilize Federal assistance for special expenses, such as shelters. OTA has made a conscious effort to not become dependent on Federal assistance for its general operational expenses. The largest portion of OTA funding comes from a local city property tax. The next largest source comes from bus fare revenue. Table 2 shows the total revenue, the sources and percentages for the operation of OTA's fixed route services for FY's 1985, 1986, and 1987.

Table 1
OTA STATISTICAL DATA

| | |
|---|---|
| **Population Characteristics:** | |
| Total Population | 27,381 |
| Persons/Square Mile | 1,825 |
| Persons 60 Years and Over | 6,791 |
| Percent of Population 60 Years and Over | 24.8% |
| Persons Under 18 Years | 6,765 |
| Percent of Population Under 18 Years | 24.7% |
| Total Number of Families | 7,626 |
| **Economic Characteristics:** | |
| Persons 60 Years and Over Below Poverty Level | 786 |
| Percent of Persons 60 Years and Over Below Poverty Level | 11.8% |
| Number of Families Below Poverty Level | 454 |
| Percent of Families Below Poverty Level | 6.0% |
| **Mobility Characteristics:** | |
| Persons 16 to 64 Years Old | 16,184 |
| --with public transit disability | 281 |
| --public transit disabled with work disability | 231 |
| Persons 65 and Over | 4,815 |
| --with public transit disability | 731 |
| Workers 16 Years and Over | 10,685 |
| --mean travel time to work | 14.2 min. |
| --who do not work outside the home | 150 |
| **Households With Automobiles:** | |
| Households with No Automobiles | 13.7% |
| Households with 1 Automobile | 37.9% |
| Households with 2 or More Automobiles | 48.9% |

**Source:** Transit Development Plan, Ottumwa Transit Authority, 1987

Table 2
**OTA FUNDING INFORMATION**

| Source | Fiscal Year 1987 | | Fiscal Year 1986 | | Fiscal Year 1985 | |
|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent |
| UMTA | $ 54,068 | 14.8 | $ 35,658 | 10.4 | $ 87,541 | 21.9 |
| Iowa DOT | $ 32,796 | 9.0 | $ 51,087 | 14.9 | $ 37,493 | 9.4 |
| City Property Tax | $193,767 | 53.1 | $175,496 | 51.3 | $169,309 | 42.4 |
| Fares and Subscription | $ 80,000 | 21.9 | $ 74,528 | 21.8 | $ 87,769 | 22.0 |
| Other | 0 | 1.1 | $ 5,428 | 1.6 | $ 17,329 | 4.3 |
| **Total** | **$364,631** | **99.9** | **$342,197** | **100.0** | **$399,357** | **100.0** |

**Source:** Ottumwa Transit Authority, July 1987

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

Prior to 1972, all fixed route services were administered and operated by the local privately-owned utility company with no government subsidies. By the early 1970's the utility company had been losing up to $37,000 annually with little hope for improvement. Recognizing the possibility of losing all fixed route services, the Chamber of Commerce conducted a study of the City's transportation services. It found that, although the majority did not use the bus system, a minority had no transportation alternatives available. The conclusions reached were that fixed route transit services should be maintained by a public (municipal) transit authority designed to meet the needs of the transportation dependent public. In a public referendum, in July 1972, a 75 percent majority approved the establishment of OTA.

Once OTA was established, the private sector was contracted to conduct the operation of fixed route services. Ottumwa Transit Lines (OTL), a private local school bus carrier was awarded a contract using a competitive bid system. Requests for bids were issued annually; however, OTL was awarded the contract each year. It must be noted that OTL never faced any competition for the OTA contract, with the exception of FY 1984.

Private sector involvement in fixed route bus services ended in October 1985, after OTL lost a competitive bid to provide school bus service for the school district. Since school service was the basis of its operations, OTL gave OTA 30 days notice to find a new provider for fixed route services. As a result, OTA purchased the four new buses from OTL, leased two others, and began to administer and operate all fixed route services for the City. As stated earlier, housing and maintenance of vehicles are still contracted out to the private sector.

OTA Board members still maintain an attitude that private sector involvement is the key to providing adequate and cost-effective fixed route transit service. Additionally, it is felt that money is best returned to the local economy through the use of private contractors. Due to the small size of the operation, OTA feels it has been to its advantage to purchase certain services. When OTA was created in 1972, there was a lack of professional transit expertise to operate independently. Also, it was considered the only politically-acceptable alternative.

In October 1985, OTA had little choice but to take over all direct operations of transit services, given a 30-day timeframe and the reality of losing all fixed route services, due to the private operator's decision to withdraw from the transit business.

Table 3

## OTA PERFORMANCE AND FINANCIAL DATA

| Data Item | | FY 1987 | FY 1986 | FY 1985 | % Change 1985-1987 |
|---|---|---|---|---|---|
| **Basic Measures:** | Ridership | 219,155 | 227,628 | 233,489 | - 6.1 |
| | Revenue Miles | 137,023 | 143,669 | 144,216 | - 5.0 |
| | Vehicle Hours | 10,907 | 11,586 | 11,620 | - 6.1 |
| | Total Expenses | $364,631 | $336,715 | $390,992 | - 6.7 |
| **Performance Indicators:** | Riders Per Hour | 20.09 | 19.60 | 20.00 | + 0.4 |
| | Riders Per Mile | 1.59 | 1.60 | 1.60 | + 0.6 |
| | Miles Per Rider | .60 | .60 | .60 | 0.0 |
| | Miles Per Hour | 12.56 | 12.40 | 12.40 | + 1.0 |
| | Cost Per Rider | 1.47 | 1.48 | 1.67 | - 12.0 |
| | Cost Per Mile | 2.36 | 2.34 | 2.71 | - 13.0 |
| | Cost Per Hour | 29.63 | 29.06 | 33.64 | - 14.0 |
| **Budget Information:** | Revenue: | | | | |
| | - Fares & Subscription | $ 80,000 | $ 74,528 | $ 87,769 | - 9.0 |
| | - City Property Tax | 193,767 | 175,496 | 169,309 | + 15.0 |
| | - Iowa DOT Assistance | 32,796 | 51,087 | 37,493 | - 12.0 |
| | - Federal Assistance | 54,068 | 35,658 | 87,541 | - 38.0 |
| | - Other | 0 | 5,428 | 17,329 | -100.0 |
| | **Total--Revenue** | **$364,631** | **$342,197** | **$399,551** | **- 9.0** |
| | Expenses: | | | | |
| | - Administration | -- | $ 48,393 | $ 56,668 | -- |
| | - Vehicle Maintenance | -- | 32,028 | 26,124 | -- |
| | - Vehicle Operation | -- | 240,969 | 272,650 | -- |
| | - Capital | -- | 15,325 | 34,550 | -- |
| | **Total--Expenses** | **$364,631** | **$336,715** | **$390,992** | **- 7.0** |

**Source:** Ottumwa Transit Authority, July 1987

## DOCUMENTATION OF COST DIFFERENCES

Table 3 shows performance and financial data for OTA in FY's 1985, 1986, and 1987. The shift from the use of a private contractor to direct government operation occurred during the third month of FY 1986. FY 1987 represents the first full 12-month cycle of direct OTA operation and administration.

Table 3 indicates that a 6.1 percent decrease in ridership occurred from FY 1985 to FY 1987, while revenue miles for the same period decreased 5.0 percent. During the same period, vehicle hours were decreased by about 6.1 percent. Total operating cost reduction for the period was about 6.7 percent. Reportedly, these service level reductions were made by consolidating certain route segments that were considered to have relatively low ridership.

The level of service provided, ridership served, and operating cost have all been reduced by about the same levels over the two-year period. Thus, although the performance indicators show favorable trends in some cases (cost-efficiency measures), it must be remembered that OTA also commensurately reduced the service provided and the number of riders served. At the same time, OTA continues to contract for vehicle storage and maintenance believing this to be both socially and economically advantageous.

Ottumwa has taken the opposite approach to contracting (less instead of more), due to the local bus company's overall business reduction in the local market. At the same time, however, the data examined does not show that OTA has yet been able to operate the same service for less cost. Perhaps the best test of this case would be to find new private operators from adjacent markets, such as Des Moines, to solicit competitive bids from in order to make a true comparison.

## OVERALL RATING OF THE SERVICE

Since the 1970's, the quality of the service has improved considerably for the fixed route service. Formerly, the fixed routes were served by poorly maintained buses from the 1950's. The use of these older buses not only caused high maintenance costs for the system, but also reduced ridership because of their appearance and lack of comfort. In 1982, four new buses were purchased by the private provider which, in turn, were sold to OTA in 1985 when direct OTA operation was initiated. OTA also initially leased two other newer buses from a private carrier, but eventually purchased them as well.

The basic service quality of the fixed routes has remained fairly constant over the last five years. Saturday routes that were dropped in the late 1970's because of low ridership and cost considerations were gradually reinstated. Also, OTA has begun handicapped bus service four times per day, arranged with a local human service agency.

## CONCLUSION

The Ottumwa Transit Authority provides an interesting case of reversing from totally private sector contracted operations to only vehicle maintenance and storage by the private sector with government-run operations. Since this changeover has been in place less than two years, proportionate changes that have occurred in light of service level reductions have remained commensurate, rather than showing significantly higher or lower cost and efficiency variations.

The OTA Board still favors private sector operations, even though a willing private operator has not yet come forth since the previous operator terminated the transit portion of its business. OTA could, perhaps, test its position by soliciting bids from a nearby market, such as Des Moines, or looking for new entrepreneural interests in Ottumwa. To date, OTA's in-house operations have experienced cost and efficiency rates that are virtually the same as was the case with the private operator.

## DESCRIPTION AND BACKGROUND

Santa Fe, New Mexico, one of the nation's oldest towns, enjoys a reputation as a unique community due to its architecture and tri-cultural heritage of Indian, Spanish, and Anglo populations. The City, located approximately 60 miles north of New Mexico's largest city--Albuquerque--is the State capital. Employment in the government sector ranks first among the City's work force. Tourism and related activity is the dominant employment of the non-governmental labor force. According to the 1980 Census, the City's population was 48,953; municipal forecasts project population to the years 1990 and 2000 at 58,710 and 70,110 persons, respectively. With a land area of about 48 square miles, the resulting population density is approximately 1,020 persons per square mile.

Traffic and circulation in the Santa Fe area is characterized by a core downtown area with the traditional street grid pattern. The downtown area is home to many of the City's tourist and cultural attractions, and demand for parking along narrow downtown streets in several parking garages is at a premium. Growth in the City is occurring along radial paths following the area's road network, thus creating linear development.

Historically, Santa Fe had been served by fixed route public transportation and taxis, both operated by private for-profit concerns. Fixed route bus service, which at one time operated on multiple routes and on a 24-hour per day basis, ceased in 1966. During the period after 1966 the number of taxis also declined, so that by 1976, there were no full-time taxis operating in Santa Fe.

With a recognized rising demand for energy, increased cost of domestic and foreign energy resources, growing traffic congestion in downtown Santa Fe, and a perception that several population segments faced mobility problems, a renewed interest in public transportation surfaced in 1975. An UMTA planning grant was received by the North Central New Mexico Economic Development District; in December 1975, planning responsibility was transferred to the New Mexico State Highway Department. During 1976, a work outline was developed to prepare a short-range transit development plan. In May 1977, the Mayor of Santa Fe appointed a Public Advisory Committee to oversee development of a plan, provide public input, and recommend an alternative to the Santa Fe City Council.

The Public Advisory Committee developed ten objectives for public transportation which can be grouped into three categories, expressed below in the order of the priority identified by the Committee:

- To provide transportation to the disadvantaged population, including the handicapped, the poor, those without access to an automobile, and to senior citizens;
- To conserve energy by reducing the need to use the automobile and, thereby, reducing the demand for parking and improving air quality; and
- To reduce traffic congestion in the central business district.

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

In February 1979, the State released the Santa Fe Public Transportation Study. The study identified and considered ten alternatives, ranging from fixed route service, to coordination of social service related transportation programs and various combinations of modes within this range of options. The report recommended institution of dial-a-ride service to be operated with six publicly-financed vehicles on a twelve-hour per day, six-day per week basis. Management options were defined, but no specific alternative identified. Equipment was to be purchased under UMTA Section 3, and operating costs were presumed to be financed with UMTA funds as well. It should be pointed out that at the time of the study Santa Fe was not an urbanized area, but planners projected Santa Fe would reach this status as a result of the 1980 Census. The report also noted that a user-side subsidy program was ranked second as an alternative by the Committee. The absence of any existing full-time taxis in Santa Fe, however, resulted in a lack of endorsement by the Committee for this mode of service.

The Committee's recommendations were submitted to City Council in April 1979 according to Council minutes. The report was referred to a subcommittee for further evaluation. During the Council's deliberations, a strong sense emerged that the City should not play a significant role in program management and operation, preferring to utilize a private sector approach is such a strategy could be developed or promoted. Subsequent interviews with the current City Manager suggest a long-time philosophy on the part of the Santa Fe City Council that privatization is a preferred alternative to direct governmental provision across a wide range of city services.

The result of this decision caused planners to reconsider the user-side subsidy option. At approximately the same time, the New Mexico State Highway Department was charged with the administration of Section 18 funds and

a source of capital and operating assistance was thus more readily available. The City, as a non-urbanized area, applied for both operating and capital assistance. UMTA capital funds were proposed for the purpose of purchasing taxis, in part, to facilitate establishment of new firms in the Santa Fe market. The grant agreement contract was signed in April 1980.

Concurrent with the study review and grants process were several independent yet significant actions that would impact transit program development in Santa Fe. During the summer of 1980, a couple from Oklahoma began inquiring of City officials as to the steps to obtain a Certificate of Public Convenience and Necessity to operate a taxi service in Santa Fe. On September 24, 1980, a Certificate was awarded to the couple to begin operation of a full-time taxi service. A second firm applied shortly thereafter. Both firms began service on December 1, 1980, as Twenty-Four Hour Taxi and Capital City Taxi.

Historical records, documents, and interviews with the sole remaining private sector provider from the 1980 start-up period suggest that neither of the two firms were aware of the proposed user-side subsidy program at the time of their application to City Council for a Certificate of Public Convenience and Necessity. Once application was made, however, City officials met with the prospective taxi companies to solicit interest in participating in such a program. When the service concept was originally conceived, it was thought that a bidding process would be used to define provider participation. However, it was determined that any company agreeing to comply with the City's minimum program criteria would be eligible for participation. These criteria include:

- Operation of taxi service on a 24-hour on-call basis within the entire service area.
- Maximum passenger wait-time of 30 minutes.
- Shared-ride service must be provided.
- A maximum of four stops is permitted before any passenger is delivered to their final destination.
- Adherence to user-side subsidy coupon collection procedures and record-keeping pursuant to City policies by the company and its employees.
- Registration with the State Corporation Commission and certification of all drivers.
- Vehicles adherence to pollution control emission standards established by the State Environmental Improvement Agency.
- Adequate insurance on all vehicles pursuant to State Corporation Commission requirements.
- Maintenance of adequate taxi log and accounting procedures.

These requirements were developed by the City and were originally proposed as contractual terms for a formal agreement between the City and the participating firms. The City, however, opted not to institute formal contractual arrangements on the advice of the City Attorney, as such formalities were seen as possibly restrictive to program growth. During this period of program structure development, a third firm--Bustos Dependable Cabs--entered the market. All three firms agreed to the terms and conditions, and on April 27, 1981, the SANTA FE RIDE Program was begun.

SANTA FE RIDE operates like many user-side subsidy programs. Operating procedures of the program were as follows:

- SANTA FE RIDE coupon booklets are distributed via outlets located at City Hall, the Public Library (the main office and one branch location), the State Employment Security Department, and the County Welfare Office.

- Users receive one coupon book containing ten coupons upon registering their name, address, and beginning coupon number at the time of sign-in at the distribution.

- Patrons may use the taxi company of their choice; users sign each coupon which is used for partial payment of the regular taxi fare (Santa Fe uses a concentric zone fare system).

- The coupons are used as vouchers and, in conjunction with the log, constitute the basis of documentation for payment submitted by the company to the City.

- Logs and vouchers are submitted bi-weekly to the City and are reviewed and checked by staff prior to issuance of payment.

When the service began, there was a 66 percent subsidy provided to the user and no limits as to the value of the coupon. Ridership during the initial period of operation exceeded all projections. By January 1982, several changes and controls were inaugurated to insure a more responsive program that would not exceed annual budget allocations.

The principal change involved a reduction in the subsidy from 66 percent to 50 percent, while instituting a $6 maximum on the value of a coupon. Additionally, the three participating taxi firms negotiated an agreement wherein only the largest firm would operate on a 24-hour basis. The other two firms would not have to provide service from 1:00 a.m. to 6:00 a.m. In return, the largest firm has exclusive SANTA FE RIDE rights during the period from 10:00 p.m. to 1:00 a.m. The City also lifted the restriction of allowing a potential user only one coupon book per month. It was noted that many transit dependent riders had need for more than ten coupons per month and that artificial restrictions on use would hinder the program's usefulness. Other changes involved controls on coupon distribution and use aimed at limiting potential misuse of the coupons. The program has continued under these operating procedures to this day.

Responsibility for monitoring the progress and performance of the SANTA FE RIDE Program rests with the City's Public Works Department. Previously, the City's Planning Office was responsible for program oversight. Oversight responsibilities conducted by the City include bi-weekly processing of provider invoices, coupon user verification, performance monitoring and evaluation, grant application and submittal, and marketing. It should be noted that marketing for the program over its six-year history has been limited and very dependent upon word-of-mouth advertising.

## DOCUMENTATION OF COST DIFFERENCES

The number of participating taxi companies in the program has dwindled from the original three firms to a single operating company today. Bustos Dependable Cab, which operated one vehicle, went out of business. The second of the three firms, Twenty-Four Hour Taxi, was purchased in April 1986 by the third firm, Capitol City Cab. Twenty-Four Hour Taxi was subsequently renamed Village Taxi, although the company is managed as a single entity with Capitol City Cab. Currently, Capitol City Cab operates 20 vehicles--eight five-passenger sedans, two station wagons, four vans or mini-vans including a leased lift-equipped vehicle provided by the City, and six London Taxis (a replica type vehicle of an old style English taxi). The entire fleet is rather new by most taxi standards with the oldest vehicle in the fleet a 1982 model van.

Despite the decline in the number of participating firms, SANTA FE RIDE enjoyed early success, and that success and growth has continued throughout the program's history. For example, a recent City study observed SANTA FE RIDE coupon usage and reimbursement over a 21-month period from July 1984 through March 1986. A total of 209,858 coupons were redeemed--a utilization rate of 9,993 tickets per month. Average payment, or user-side subsidy, was $2.27 per redeemed coupon.

A review of the historical trend in subsidy expenditures is indicative of SANTA FE RIDE's growth in usage:

| Year | Subsidy | Increase |
|---|---|---|
| FY 1982-83 | $187,346 | 12% |
| FY 1983-84 | $208,177 | 11% |
| FY 1984-85 | $269,871 | 26% |
| FY 1985-86 | $296,454 | 10% |

SANTA FE RIDE is funded from user revenues, UMTA Section 9 funds, and local appropriations. Since FY 1984-85, subsidy costs have exceeded the amount of available UMTA Section 9 funds allocated for the program and the City share of program costs has risen to approximately 52 percent of the net operating costs for the program for FY 1987-88 (projected). Total estimated operating costs for the program are projected to total $612,000 for FY 1987-88. User revenues of $392,840 are forecast. The net cost of service, $219,276, will be financed from the City ($113,580) and UMTA Section 9 ($105,580). Other than the user-subsidy, the budget only includes an $8,000 outlay to cover coupon and driver log sheet printing expenses.

A 1986 report that updated the 1977 public transportation study provides some detailed operating characteristics associated with the SANTA FE RIDE Program:

| | | |
|---|---|---|
| Average cost (fare) per trip | - | $4.32 |
| Peak day of week | - | Friday |
| Average rides per peak day | - | 439 |
| Peak hour | - | 2:00 p.m. to 3:00 p.m. |
| Percent of rides during peak hour | - | 12% |
| Percent of coupon rides | - | 90% |
| Percent of shared rides | - | 65% |

During a one-week period in May 1986, the State Transportation Department also conducted a special analysis to examine rider use frequency of SANTA FE RIDE. Their analysis revealed the average number of trips per person per week was 2.16, and that 49.2 percent of all users made more than one trip during the sample week. Fifteen percent of users made five trips or more; 3.0 percent made ten trips or more; and five users (0.5 percent) made 15 or more trips per week.

As there was no previous publicly-sponsored transit service in Santa Fe, pre- and post-implementation cost comparisons with SANTA FE RIDE are not possible. However, in gauging the cost-effectiveness of SANTA FE RIDE, it is interesting to note the financial projections provided in the 1979 feasibility study and the 1986 update to this plan. For example, by the fifth year of the proposed dial-a-ride program, originally recommended in the 1979 Santa Fe Public Transportation Study, total operating costs were projected at $835,420; revenues at $92,700; and ridership at 250,000 passenger trips per year. The resulting net cost for this program per passenger would have been $2.98, according to planning estimates. This figure does take into account the projected $692,900 in necessary capital expenditures called for over the five-year period encompassed by the plan. By comparison, SANTA FE RIDE was transporting about 44 percent of the projected dial-a-ride ridership at an average net cost of $2.21 per passenger (based on a 12-week review of invoices in 1984, the presumed fifth year of the original study).

## OVERALL RATING OF THE SERVICE

Interviews with local officials and the participating taxi company management suggest a high overall rating regarding the effectiveness and administrative simplicity of SANTA FE RIDE. Santa Fe officials believe the program provides a basic level of mobility to citizens in the transit dependent category, thus meeting one of the original objectives set forth by the public transportation advisory group in the 1979 study. City officials further indicated that the public was well aware of SANTA FE RIDE, despite limited marketing.

City officials did, however, express two reservations concerning SANTA FE RIDE. The first and foremost concern was the limitation of UMTA operating funds due to the cap and the need for the City to over-match Federal operating funds. While the FY 1987-88 budget limited the over-match, in prior years, the over-match has been as high as $140,000. City officials fear that in the future, one of two actions may be required: 1) a reduction of the subsidy level; or 2) limitations of coupon distribution.

The second concern relates to findings in both the original planning study and the 1986 update that documents a demand for public transportation services that several City planning advisory groups feel cannot be met by SANTA FE RIDE alone. In fact, the 1986 study recommended institution of fixed route bus service, with SANTA FE RIDE limited to non-service hours. Action on this recommendation, however, has not been endorsed by the City Council at this time.

The taxi company was also enthusiastic about SANTA FE RIDE. While the program was not known to the individual at the time of certificate application to the City, the operator cited the existence of SANTA FE RIDE as critical to continued success and viability of his business. The operator did not view record-keeping as burdensome and did not see the reimbursement procedures as contributing negatively to the company's cash flow.

## CONCLUSION

The primary factor responsible for private sector involvement in public transportation service provision in Santa Fe was the staunch beliefs expressed by the Santa Fe City Council relative to private sector services provision in originally evaluating transit options. Once this stand was adopted, the City resolved to pursue taxi contracting, despite the lack of any existing taxi firm. While start-up of two firms was coincidental to the City's development of the user-side subsidy program, the planned initiation of SANTA FE RIDE was instrumental in each company's early economic viability.

A second factor that must be cited is the manner in which the City developed program procedures. While ensuring accountability, an open market entry environment was permitted. These procedures, particularly those allowing for competition, provided an incentive for operators to offer a high quality service in order to capture ridership.

A third significant factor of success has been the ongoing involvement and program oversight responsibility carried out by City staff. Staff served not only in the program monitoring and evaluation role, but also has offered a high level of technical assistance upon request to the three operators.

# TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRI-MET)

Special Needs Transportation
Paratransit Services
Portland, Oregon

## DESCRIPTION AND BACKGROUND

Tri-Met contracts with three private operators to provide demand responsive service in three counties. There are also two fixed routes operated by private operators, but they represent only a fraction of the private contracts to operate Tri-Met service. The majority of transportation that Tri-Met contractually provides through private operators is the demand responsive service. The contracted service covers both urbanized and rural areas in three counties, including the greater Portland area.

The Tri-Met Transportation District serves a three-county area made up of Washington, Clackamus, and Multnomah Counties. The service area population is estimated to be 1,087,700. The actual District service area is slightly less than the area of all three counties combined. A few years ago the Transportation District lines were reduced to eliminate some of the more rural areas of the counties from the overall service area.

The Tri-Met Transportation District operates fixed-route service with a fleet of over 500 vehicles. A new light rail system--MAX--began operation two years ago and has been very successful.

The City of Portland is located in Multnomah County, which is the highest density area in the Tri-Met District. The Columbia River flows through the middle of the Transportation District, which is a major circulation barrier because of the bridges that are necessary to cross within the Transportation District. The Tri-Met District was formed by the State legislature in 1969, but the history of public transportation dates back as far as the 1930's. Portland had street cars up until the late 1950's when the last street car was removed from service and various other private operators provided transportation service.

Tri-Met receives very little UMTA operating assistance. In fact, it represents less than six percent of the total operating budget. The largest source of revenue is received from a payroll tax and from a tax on cigarettes. The revenue generated from the $0.01 per pack of cigarettes is used for elderly and handicapped transportation. Table 1.1 shows the total revenue sources, and percentages, for operation of the Tri-Met system in FY87.

Table 1.1
**TRI-MET REVENUE -- FISCAL YEAR 1987**

| Source | Amount | Percent |
|---|---|---|
| Passenger Revenues | $19,000,000 | 24.5% |
| Tax Revenue | 49,688,000 | 62.2% |
| Other Operating Grants | 696,000 | 0.8% |
| Federal Operating Assistance | 4,488,000 | 5.8% |
| Other Revenue | 3,543,000 | 4.6% |
| **TOTAL** | **$77,415,000** | **99.9%** |

**Source:** Tri-Met, July 1987

## FACTORS WHICH LEAD TO PRIVATE SECTOR INVOLVEMENT

In 1975, Tri-Met applied for an UMTA demonstration grant to provide elderly and handicapped transportation service in the city of Portland. The demonstration grant was awarded, and between 1976 and 1979, demand responsive elderly and handicapped service, called LIFT, was operated by Tri-Met in Portland with UMTA operating funds. At the same time, Tri-Met contracted with private operators to provide demand responsive elderly and handicapped service in areas outside of the City of Portland. The elderly and handicapped LIFT program was operated by Tri-Met a fourth year using local funding.

In 1980, a decision was made by the Tri-Met board to cease operation of the LIFT program. This decision was based on the high cost of the program, which was presented to the board in a study of cost comparison of the LIFT program and the private taxi operators providing elderly and handicapped service in the Tri-Met District. Table 1.2 illustrates a cost comparison of the two services, as well as a service criteria rating that was compiled from passenger surveys. The cost per average trip was roughly $2 less on the privately operated system than on the LIFT system. The major factors contributing to the cost difference between LIFT and the private operator were the high costs of labor and dispatching. The union wage paid by Tri-Met to operate LIFT, and work rules assuring eight hours of work per day per person, made flexibility in scheduling shifts to improve productivity difficult.

Table 1.2
**COMPARISON OF SPECIAL NEEDS TRANSPORTATION ALTERNATIVES**

| Criteria and Measures | Alternatives | |
|---|---|---|
| | 1978 LIFT (Current System) | 1978 Taxi |
| **Cost** | | |
| Cost/Trip | $ 8.92 | $6.67 (exclusive ride)<br>$5.67 (estimated for shared-ride) |
| Cost/Vehicle Mile | $ 1.78 | $1.00 |
| Cost/Vehicle Hour (10/78) | $22.48 | |
| **Level Of Service** | | |
| Coverage, Time | 7:00 a.m.--7:00 p.m., M-F | 24 hours/day, 7 days/week |
| Coverage, Space | 1 vehicle/8 square miles | 1 vehicle/square mile (estimate) |
| Scheduling Convenience | Difficult; 2-5 day adv. reservation | Excellent; demand responsive |
| Reliability | Fair | Good |
| Accessibility | Excellent | Good |
| Comfort Of Ride | Fair | Good |
| Driver Escort/Friendliness | Excellent | Good |
| Trip Time (average) | 22 minutes | |
| Travel Speed (average) | 12 mph | 20 mph |
| Passenger Fare | $0--agency; $0.50--general | Same as LIFT |
| Agency Fare | $3.00 | $3.00 |
| **Impact on Handicapped & Elderly** | | |
| Potential Riders/Day | 450 | 1,000 (estimate) |
| Trip Purposes That Can Be Efficiently Served | Group trips (e.g., shopping and recreation tours) | Individualized trips (e.g., medical and personal business) |
| **Cost Recovery Ratio** | 22% | 30% |
| **Feasibility** | | |
| Administrative Ease | Complex | Little difficulty |
| Union/Management Impact | Significant | None |
| **Community Impact** | Significant | Less than LIFT |

**Source:** UMTA/TSC Project Evaluation Services; The LIFT: Special Needs Transportation in Portland, Oregon; Service and Methods Demonstration Program; June 1978

The Tri-Met board made the decision to cease internal operation of LIFT, but to continue elderly and handicapped service by contracting with private operators to provide the service. There was a union grievance over the use of private operators, but this was considered a new type of service because the 1976 to 1980 period of Tri-Met's operation of LIFT was a demonstration, and the board won approval to contract the elderly and handicapped service with private operators. Tri-Met has used private operators to provide the elderly and handicapped service since 1980.

## DOCUMENTATION OF COST DIFFERENCES

Tri-Met competitively bids the elderly and handicapped service, and each contract is reviewed on an annual basis. Currently, there are three different operators of service. In Clackamus County, the elderly and handicapped private operator is an ambulance company that has a demand responsive transportation division. In Washington County, service is provided by a cab company; and in Multnomah County, service is provided by a private non-profit transportation company. Private providers are required by Tri-Met to carry $1 million in liability insurance.

The 83 vehicles used by the private operators are purchased by Tri-Met with Federal capital funds, with the exception of 13 vehicles that were purchased with 100 percent local funding, and seven vehicles that were purchased with 16(b)(2) funding. The service hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday. The general public fare for service is $0.50.

Agencies also contract with the private operators to provide subscription service to their clients, and the agencies are billed by Tri-Met for service that is provided.

Table 1.3 shows the FY87 ridership and operating data for demand responsive elderly and handicapped service provided by private operators. The cost per passenger has remained approximately the same, at $5.72, since the 1978 study of cost differences between LIFT and private operators. The LIFT cost per passenger in 1978 was $8.92, considerably higher than the current $5.72 cost. The FY87 cost per vehicle hour of $17.55 and cost per vehicle mile of $1.29 are 28 percent and 38 percent lower, respectively, than LIFT, and are even lower than the 1978 LIFT costs. The overall cost of operating the elderly and handicapped service through private operators is more cost-efficient than when Tri-Met operated the service between 1976 and 1980. In addition, ridership has increased since the operation was contracted out to a private operator.

Table 1.3
**TRI-MET DEMAND RESPONSIVE SERVICE OPERATING DATA**
(All Service Provided by Private Operators)

| Fiscal Year 1987 | |
|---|---|
| Service Population | 1,087,700 |
| Ridership | 433,259 |
| Labor Cost | $1,330,882 |
| Cost/Passenger | $ 5.72 |
| Cost/Vehicle Mile | $ 1.29 |
| Cost/Vehicle Hour | $17.55 |
| Passengers/Vehicle Hours | 3.13 |
| Annual Operating Cost | $2,558,476 |
| Number of Employees | 108 |
| Number of Vehicles | 83 |
| Farebox Revenue | $73,201 |

**Source:** Carter Goble Associates, Inc., July 1987

Table 1.4 indicates system ride percentage by trip type. The majority of rides are contracted with agencies, followed by general public ridership on the elderly and handicapped service. The two fixed routes operated by private operators account for only four percent of the contracted service.

Table 1.4
**SYSTEM RIDE PERCENTAGE**

| | |
|---|---|
| Agency | 55% |
| General Passenger | 28% |
| Section 18 Rural | 8% |
| Fixed Route | 4% |
| Volunteer Program | 4% |

**Source:** Tri-Met, July 1987

There are two full-time Tri-Met staff assigned to monitor contracts with private operators. There is a formalized complaint process that allows Tri-Met to keep informed of any problems or issues that may arise with the paratransit service operated by private contractors. The two full-time staff also receive some assistance from other Tri-Met staff, such as legal assistance for review of contracts and some clerical assistance.

## OVERALL RATING OF SERVICE

From those interviewed, it was clear that there was widespread support for the system's use of the private sector. The private operators also feel that the bid process is open and fair to all operators interested in bidding on the service. Although service has increased since 1980 when all elderly and handicapped service was contracted to private operators, there is some mixed feeling on the part of Tri-Met staff on the improvements to service quality. There were fewer complaints when Tri-Met operated the service, but that may be attributed to the fact there was much less service.

The amount of service currently provided may result in longer wait-time or scheduling difficulties. There is simply more service to coordinate now than there was in 1980, and this may result in lower quality to those who use the service. The fact that Tri-Met made a change in 1980 also upset some elderly and handicapped riders. The issue was not the use of a private operator, but rather that riders were used to the service they had and had to deal with change when the system was switched over.

According to Tri-Met staff, the overall quality issue is one that can be dictated by the system management. The current position of Tri-Met is to meet as much transit need as possible, which may at times result in a slightly lower quality than if the priority was solely on-time performance and passenger convenience. There is a heavy demand for the demand responsive elderly and handicapped service, and Tri-Met feels the priority should be to meet as much of the need as possible. The overall assessment by Tri-Met is that the private operators providing elderly and handicapped service are currently doing so to the best of their ability. Ridership surveys also indicate that the majority of the riders are happy with the service they receive.

## CONCLUSIONS

Tri-Met made a decision to use private operators in the provision of demand responsive elderly and handicapped service because it was known to be less expensive than operating the service internally. This flexibility in decision-making is necessary for Tri-Met to provide the most cost-efficient service. Management can still maintain control over the quality of service by setting the policy on service and monitoring the private operators' performance.

The UMTA 13(c) labor warranty was felt to be the major stumbling block in the use of private operators. The public will support the use of private operators if it is clearly demonstrated that, by using a private operator, service will be more cost-efficient. It is necessary for Tri-Met and other transportation districts to clearly identify costs of operation in order to make comparisons of public versus private service. Tri-Met staff believes that with clarity of the cost of operating service, transportation districts will be in a stronger position to contract out services to private operators. In other words, the perceived benefit of tax or cost-savings will tend to win out over issues of service quality in the eyes of the general public.

# FACT SHEETS

# BI-STATE CALL-A-RIDE

Bi-State Development Agency
707 North 1st Street
St. Louis, Missouri 63102

Stephanie Wilson Gore
(314) 982-1444

## SYSTEM SIZE AND ENVIRONMENT

Bi-State Call-A-Ride serves the St. Louis metropolitan area where fixed route services are limited or do not exist. Currently, the service area covers 100 square miles in the "West County Area" and 99 square miles in the "North County Area" of St. Louis County, Missouri. Sixteen vans and 22 employees are involved in the service. The combined population of the two service areas is approximately 325,000.

## PRIVATE SECTOR ELEMENT

Both the northern and western service areas are contracted separately to private transit providers through annual competitive bidding. Plans exist to expand the service to the entire St. Louis metropolitan area, merging the artificially separated service areas, and to use only one dial-a-ride provider. Currently, the program is monitored by the Bi-State Development Agency (BSDA), a public agency created by the governors of the States of Missouri and Illinois.

## BACKGROUND AND ACHIEVEMENTS

In September 1985, the Bi-State Call-A-Ride service was initiated in the West County service area under a competitively-bid contractor with oversight by the BSDA. The North County service area began services under identical terms in May 1986. Consequently, neither service had ever been government-operated, but used contractors from the beginning.

The dial-a-ride currently provides demand responsive door-to-door service for the general public. Passengers may request rides up to five days in advance, or a minimum of 24 hours in advance. Riders may also opt for a subscription of transit services. Fares are $1.50 for adults; and $0.75 for children, senior citizens, and handicapped.

The service currently provides a total of approximately 46,000 passenger trips per month. In June 1987, the cost of the service was $9.11 per passenger trip in the North County area. The cost for the West County area was lower, at $8.34 per passenger trip.

Bi-State Call-A-Ride receives funding from local, State, and Federal sources. Because the service is a part of the BSDA, a precise breakdown of the sources is not readily available; however, the following are sources which contribute to the budget: local municipal funds, St. Louis County, the Departments of Transportation of both Illinois and Missouri, and UMTA.

JOHNSON COUNTY COMMUTER RIDE
9601 Alden Road
Lenexa, Kansas 66215

Steve Feigenbaum
(913) 782-2640

## SYSTEM SIZE AND ENVIRONMENT

The service area for the Johnson County Commuter Ride (JCCR) system is 75 square miles, with a population of approximately 300,000. Johnson County is located in northeast Kansas about ten miles southwest of Kansas City, Missouri. The area is a mixture of rural and suburban districts. JCCR provides two transit services--fixed route and demand responsive. The service area is Johnson County, but passengers may be dropped off in Kansas City. However, JCCR is not allowed to pick up passengers in Kansas City or in any other location outside of Johnson County. The system operates with 50 employees, 21 buses, and 12 vans.

## PRIVATE SECTOR ELEMENT

All service operations--fixed route and demand responsive for the elderly and handicapped--are contracted out through competitive bidding to private companies. The contracted services are overseen by the Johnson County Public Works Department.

## BACKGROUND AND ACHIEVEMENTS

Fixed route services began in Johnson County in the 1950's through an act of the United States Congress with the creation of the Kansas City Transit Authority (KCTA). KCTA served the entire Kansas City metropolitan area with representatives of all areas serving on its Board. Although providing its own services today, Johnson County still maintains one seat on the KCTA Board.

In February 1981, fixed route services in Johnson County were contracted out to private transit carriers. County officials felt there was a lack of control over transportation services in Johnson County, and believed that KCTA failed to respond to the dynamic demographic and transportation demand changes in the County. It was also felt that by using private providers, the most cost-efficient transit system could be created.

After the privatization of fixed route services in 1981, the system was upgraded and enlarged. When private carriers took over system operations, the old routes and schedules were initially maintained. However, immediate steps were taken to improve the system. The route structure at that time, which was over 20 years old, had been created by KCTA when Johnson County's population was only 100,000--a large portion of which commuted to Kansas City to work. Today, the County's population is over 300,000, and over 70 percent of this population works within Johnson County.

With Johnson County control and the use of private contractors, the entire route structure and schedules were changed. Two additional routes were added in January 1986, and one was added in February 1987. New modern buses replaced the old and poorly maintained KCTA buses. New performance, cleanliness, and maintenance standards were developed and adhered to. After upgrading the system, marketing and promotion of the new transit system was made.

After beginning services with local private contractors, the County switched to a national transit management company in 1986. A competitive bidding process was used to select the current operator. Most recently, the County has started handling competitive procurements for area health and human service agencies as well. In the latest procurement, the same national company which operates the fixed route service was awarded the bid for a mental health agency's client transport.

As a result of the preceding factors, ridership has been increased considerably. For the first seven months of 1987, ridership increased by 19.4 percent--from 164,236 to 196,123--over the same period in 1986. It is estimated that 325,000 passengers will have riden the fixed route buses by the end of 1987, compared to 287,768 passenger trips in 1986. The cost per passenger in 1986 was $4.88, and the cost per revenue hour was $43.95.

The second transportation service of Johnson County is the demand responsive call-a-ride for the elderly and handicapped. This service was first initiated in January 1981, and was contracted out to private companies through competitive bidding. The service began with eight vehicles--vans and station wagons--and has grown to 12 vehicles today. The demand responsive service has experienced tremendous growth in the recent past years, mainly attributed to increased publicity of the service's availability to the elderly and handicapped. In 1986, 42,425 trips were made at a cost of $6.70 per passenger trip. Trip purposes are broken down as follows: 58.8 percent medical/dental, 34.5 percent work trips, 4.3 percent shopping, and 2.4 percent other trip needs.

Johnson County has relied very little on Federal funding for its transit services. In FY 1986, Section 18 funding represented only about 1.7 percent of the total budget for the fixed route service. Only 8.7 percent of the demand responsive budget came from Section 9 funds.

**TUOLUMNE COUNTY TRANSIT**
2 South Green Street
Sonora, California 95370

Ted Hoffman, Transportation Officer
(209) 533-5601

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## SYSTEM SIZE AND ENVIRONMENT

Tuolumne County Transit provides fixed route and demand responsive service for the major communities of the County. Tuolumne County is a rural county, stretching from about 80 miles east of San Francisco to the foothills of the Sierra Nevada mountains. Much of Yosemite National Park is located in the eastern portion of the County. However, most services are concentrated in the western side where most incorporated communities lie. Tuolumne County has a low population density of 15.4 persons per square mile. The County has a total population of 33,920 within 2,209 square miles. The Tuolumne County Transit System is small, involving five employees, two vehicles dedicated to four fixed routes, one vehicle for dial-a-ride service, and one back-up vehicle. All vehicles are large 19-passenger vans.

## PRIVATE SECTOR ELEMENT

Both the dial-a-ride and fixed route services have been contracted out to a private carrier since Fiscal Year 1985. The activities and performance of the contractor is monitored by the Transportation Officer of Tuolumne County Transit. In the first two contracts in Fiscal Years 1985 and 1986, payments to the provider were under a fixed fee system. Currently, the contract is a fixed fee to cover administrative costs plus reimbursement for vehicle service miles.

## BACKGROUND AND ACHIEVEMENTS

Both the fixed routes and the demand responsive services were initiated in November 1977 under direct government operations. The fixed routes are designed to string the major communities of Tuolumne County together. Fares are $0.75 for County routes and $0.60 within Sonora, the largest town and County seat. The demand responsive service is a dial-a-ride system designed for transportation of elderly and handicapped for medical appointments only.

Currently, the system operates primarily from State funding, which represents 80 percent of total funding. UMTA sources and fare recovery each represent about ten percent of revenues for the system.

Since privatization, considerable cost reductions have occurred. In the last year of direct County operations (Fiscal Year 1984), the total budget was $199,000. During the first full fiscal year of private operations (1986), the budget had dropped to $132,000, with $113,000 designated for the private carrier. The services provided remained the same, with ridership staying constant at about 32,000 for both fiscal years. This translates to $6.22 per passenger under County operations, and $4.13 per passenger under the private contractor.

It is also felt that the service quality has improved since privatization. The private operator is more knowledgeable and experienced in public transportation services. Additionally, maintenance of vehicles is more thorough.

**WILSON TRANSIT SYSTEM**
Post Office Box 10
Wilson, North Carolina 27893

Charles P. Mitchell, Director
(919) 291-8111

## SYSTEM SIZE AND ENVIRONMENT

The City of Wilson is a small urban county seat located in the rural eastern area of North Carolina. Wilson has a population of about 37,000. Its transit system operates seven fixed route buses, has 15 employees, and contracts with a local taxi company for a fixed route dial-a-ride service.

## PRIVATE SECTOR ELEMENT

A fixed route dial-a-ride service is operated under contract by a local taxi company.

## BACKGROUND AND ACHIEVEMENTS

The Wilson Transit System (WTS) is managed by a national transit management company and utilizes six buses to deliver peak-hour service. Two years ago, the system's route structure was completely re-organized. During this re-organization process, a one and a half mile route that was providing service to a housing project was found to be generating only eight to ten passengers per day. The cost and low ridership of this route was deemed to be cost-inefficient, and an alternative was proposed. The alternative required a shuttle service to move riders to the nearest fixed route bus stop, a stop one-quarter mile from the public housing project.

To implement the selected alternative, a paratransit operator was publicly solicited to provide the shuttle dial-a-ride service. The shuttle service requires that, if a rider requests service, the shuttle ride must be provided within the next hour and coordinated with the hourly schedule of the fixed route bus serving the designated bus stop. A local cab operator was contracted to provide this service for $3 per trip between the housing project site at the end of the route, and $1.25 for other riders along the route and the bus stop. The passengers pays a $0.25 transfer fee to

the fixed route bus. The service is averaging six trips per day, for an average cost of $18 per day. The previous fixed route service cost WTS $34 per day. **This new service method reduced the expenditure by 50 percent.**

This same cost-saving technique has been instituted for the evening run of another WTS fixed route. This route serves a high to moderate income residential area, providing late afternoon return trips for domestic workers. Major cost-savings have resulted. In addition, WTS has used this private dial-a-ride shuttle alternative to extend existing fixed routes instead of increasing WTS' operating and capital costs. This allows route extensions where they were previously cost-prohibitive.

## NOTICE



**DOT-T-90-04**