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

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

- Unregulated/Deregulated
- Regulated Competition
- Threatened Competition
- Private Monopoly
- Public Monopoly
- Contracting Out
### Six Organizational Models

<table>
<thead>
<tr>
<th>MODELS</th>
<th>Unregulated</th>
<th>Regulated Competition</th>
<th>Threatened Competition</th>
<th>Private Monopoly</th>
<th>Public Monopoly</th>
<th>Contracting Out</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation</strong></td>
<td>Minimum</td>
<td>Yes</td>
<td>Yes*</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes*</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PU</td>
<td>PR</td>
</tr>
<tr>
<td><strong>Planning</strong></td>
<td>PR</td>
<td>PU &amp; PR</td>
<td>PU &amp; PR</td>
<td>PR &amp; PU</td>
<td>PU</td>
<td>PU</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PU</td>
<td>PR (or PU)</td>
</tr>
<tr>
<td><strong>Operation</strong></td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PU</td>
<td>PR</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PR</td>
<td>PU</td>
<td>PR</td>
</tr>
</tbody>
</table>

* The model is regulated in the form of contracts.

PU: Public Sector; PR: Private Sector
Organizational Models in the US

- Traditional regional public transport authority
- Enhanced public transportation authority
- Split policy and planning/operations entities
A. "Classical" Regional Transit Authority (RTA)

Characteristics:

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

Example: RIPTA (Rhode Island); many others
A. "Classical" Regional Transit Authority (RTA)

Pros:  
- strong coordination and control; clear accountability  
- coherent image: strong public identification  
- low conflict potential  
- known, familiar option  
- low overhead for smaller cities

Cons:  
- little long-range planning, except "monument building"  
- little incentive for efficiency  
- vulnerable to labor and political pressures  
- narrow mandate  
- isolated/remote from customers  
- entrenched/resistant to change
B. Expanded RTA Model

Characteristics:

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

Example: King County Metro
B. Expanded RTA Model

Pros:  
• intervention in land use -- transit demand cycle  
• potential to match service with needs  
• increased market share --> increased public support  
• strong market orientation  
• many "pros" from Alternative "A”

Cons:  
• complex to manage efficiently  
• hard to measure performance  
• priorities may be hard to set  
• vulnerable to labor and political pressures
C. Split Policy/Operations Responsibilities: Single Service Providers

Characteristics:

• policy board responsible for:
  service area definition, capital planning, farebox recovery/revenue goals, performance measures

• single service provider responsible for:
  service provision, marketing, route planning, maintenance, workforce management

Example: Minneapolis/St. Paul
C. Split Policy/Operations Responsibilities: Single Service Providers

Pros:  
- limits political influence on operations
- allows operations staff to focus on service
- encourage longer-range perspective
- clear objectives for service provider
- many "pros" from Alternative "A"

Cons:  
- difficult to define clear separation of roles
- hard to transition into from "A"
- some "cons" from Alternative "A"
D. Split Policy/Operations Responsibilities: Multiple Service Providers

Characteristics:

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

Example: San Diego
D. Split Policy/Operations Responsibilities: Multiple Service Providers

Pros:
• encourages efficient operations
• makes clear distinction between policy and operations role
• all "pros" of Alternative "C"

Cons:
• difficulty of contracting and monitoring
• accountability unclear
• duplication of roles
• transition difficulties between operators
• weakened system image
Transit Industry Structure

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

<table>
<thead>
<tr>
<th>Mode</th>
<th>Directly Operated</th>
<th>Purchased</th>
<th>Total</th>
<th>% Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus</td>
<td>12,681.9</td>
<td>1,383.7</td>
<td>14,065.6</td>
<td>9.8%</td>
</tr>
<tr>
<td>Heavy Rail</td>
<td>4,267.5</td>
<td>0.0</td>
<td>4,267.5</td>
<td>0.0%</td>
</tr>
<tr>
<td>Commuter Rail</td>
<td>2,798.2</td>
<td>205.0</td>
<td>3,003.2</td>
<td>6.8%</td>
</tr>
<tr>
<td>Light Rail</td>
<td>747.6</td>
<td>30.7</td>
<td>778.3</td>
<td>3.9%</td>
</tr>
<tr>
<td>Demand Response</td>
<td>676.2</td>
<td>1,273.2</td>
<td>1,949.4</td>
<td>65.3%</td>
</tr>
<tr>
<td>Other</td>
<td>511.3</td>
<td>71.0</td>
<td>582.3</td>
<td>12.2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>21,682.7</strong></td>
<td><strong>2,963.6</strong></td>
<td><strong>24,646.3</strong></td>
<td><strong>12.0%</strong></td>
</tr>
</tbody>
</table>
Use of Purchased Transit Services

- Dominant for demand-responsive service
- Little or none for urban rail services
- Modest for fixed route bus services
Percent of Transit Systems that Contract for Bus Services

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

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

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

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

Fixed Route Bus Services

• Represents more than 50% of all services in the US
• Could clearly be operated efficiently and effectively by the private sector under contract
• The real potential for significant expansion for the private sector in transit
# Buses Operating Expense (2002: $ million)

(All agencies with Operating Cost > $100 million)

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

Source: National Transit Database Transit Profiles, 2002  
http://www.ntdprogram.com
# BUSES OPERATING EXPENSE
## (2002: $ million)
(All agencies with Operating Cost > $100 million)

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

Source: National Transit Database Transit Profiles, 2002  
http://www.ntdprogram.com
Largest 28 Bus Operators

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

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

Key ingredients for private sector participation:
- service is new and different
- external intervention
- incomplete assimilation of private operators

Direct transit authority operation is highly stable in North America:
- small leverage for central government
- at state/local levels of government organized labor is a powerful force likely to resist change
- confrontational/ideological nature of the debate
Possible Strategies

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