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Strategies for Coping: The Range of Options

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In this paper the organizational options that are emerging for the provision of transit service in large metropolitan areas will be defined. Where possible, reference will be made to existing examples of each option; a detailed appraisal of experiences is presented in the case studies that follow. However, it should be obvious at the outset that there is no single organizational arrangement that will be appropriate for all metropolitan areas. Therefore, a realistic aim for this workshop is to categorize the alternative arrangements and to define the circumstances under which each is likely to be effective.

In the first section of this paper, the pressures on transit operators, which may result in reorganization, are summarized. Two fundamental approaches to reorganization are then introduced: self-directed change and externally directed change. Organizational options within each category are described in the next two sections of the paper.

Organizational change in the transit industry is occurring in response to a variety of pressures that have built up in many large urban areas. These pressures are many and are often strongly interrelated, but three separate types can be identified: financial issues, demographic changes, and increased public scrutiny.

Financial concerns are probably the most prevalent cause of organizational change. For example, budget crises caused by revenue shortfalls or fiscal management problems can lead to either radical internal reorganization (Pittsburgh and Boston) or creation of a new oversight agency to monitor transit authority management. Another type of financial pressure is the desire to build a major capital project such as a rail system. A new agency may be created to pursue the required funding initiative; later the overall organizational structure of transit in the area may be changed (San Diego). Finally, the increasing role of state government in funding transit services may foreshadow a stronger state role in transit planning and management, as exemplified in both New Jersey and Connecticut.

As municipal budgets are strained by competing demands and the transit property becomes more of a drain on the financial resources of a municipality, the municipality may choose to divest itself of the transit agency. This has happened recently in at least two areas where an oversight agency has been created and the transit property's assets transferred to that agency. The transfer of San Diego Transit by the city of San Diego to the Metropolitan Transit Development Board (MTDB) and the recent transfer of Dallas Transit (again by the city) to Dallas Area Rapid Transit (DART) are cases in point. In addition, the city of Des Moines, Iowa, has investigated, but not pursued, sale of the Des Moines transit authority.

Changing demographics highlighted by the shifting balance between the suburbs and the central city have also created pressures on transit organizations. One common manifestation is the suburban perception that the suburban tax base is supporting transit service primarily in (or at least to) the central business district (CBD). Changes in the funding/service equation were instrumental in the creation of "superagencies" [the Regional Transit Board (RTB) in Minneapolis–St. Paul, the Regional Transportation Authority (RTA) in Chicago, and the Los Angeles County Transportation Commission] to deal more equitably with the suburbs. In other cases these pressures led to suburban withdrawals from the transit system and proposals for suburban rail services to enhance suburban development.

Financial, management, and operational problems with the existing system can be the subject of intense public scrutiny and result in in-depth media coverage. This level of scrutiny may be intensified if there is a local perception that the existing transit authority is not sufficiently responsive to the concerns of the public. Unresponsiveness may be perceived in service design, cost control, or funding arrangements. The resulting media attention can bring political forces into play. Sometimes this leads to legislation aimed at correcting the problems of the transit agency. Such legislation can be intended to cause internal change (Boston's management rights legislation) or creation of a new oversight and planning agency (as was the case in Minneapolis–St. Paul).

HISTORY OF ORGANIZATIONAL CHANGE

Just as there is a range of pressures on a transit organization, there are significant differences among existing transit organizational structures and their organizational response to these pressures. Nor is organizational change new to the transit industry: three recent generations of restructuring can be identified.

First-generation restructuring occurred during the late 1960s and early 1970s when private operators went out of business or were assumed by regional transit agencies created to provide regionwide transit service [the Southern California Rapid Transit District (SCRTD), the Chicago Transit Authority (CTA), and New Jersey Transit].

Second-generation restructuring involved the creation of regional funding and oversight agencies. This happened in the mid-1970s and stemmed mostly from declining ridership, increasing costs, and the need to exercise budgetary control over increasingly independent operating agencies. Some eventually became operators of service (RTA) or acquired operating agencies (MTDB, DART).

The third generation of reorganization, currently under way, focuses not only on fiscal control and service coordination but also on the ability to choose the appropriate service provider, increase taxing and creative funding authority, and build major capital systems.

TYPES OF CHANGE

Although there are many organizational options, there is a fundamental difference between organizational changes that are self-imposed and changes that are mandated by outside entities.

Some agencies have taken the initiative in redesigning themselves or redirecting their mission; such initiatives are typified by adoption of (whether called this or not) a strategic planning emphasis. This type of change is generally triggered by a need to show strong action in response to external perceptions (on the part of the media, politicians, riders, the general public) or as a result of a new management team assessing the state of the organization. Both the Metropolitan Transit Authority (MTA) in New York and the RTA in Chicago provide good examples of self-directed change of this type. Self-directed change may also be implemented to take advantage of new opportunities or when an agency makes a significant transition in focus; for example, the shift from rail construction to system operation in Washington, D.C.

Typically such self-directed change results in little, if any, change to the institutional setting in which the agency operates. Instead it refocuses the agency's activity within these constraints to reduce the pressures the organization faces. In some cases this type of internally generated change may be a last-ditch effort to avert external intervention. The critical issue is the effectiveness of self-directed change given the organizational constraints within which it must be implemented.

Externally directed change has generally occurred in response to fiscal, ridership, or control issues. Usually directed by the state legislature, this type of change has its genesis at the local level, from which local concerns, usually expressed as reform legislation, are carried to the state level, where the original intent may be radically changed.

Any, or all, of the pressures cited earlier may lead to externally directed change; however, the suburbs versus central city issue is often central. This issue can stem either from resource allocation problems or from ridership-based service allocation policies that may be perceived as underserving the suburbs. In addition, the regional transit authority, usually based in the central city, is sometimes perceived as having little knowledge of, or sensitivity to, how to provide service for the outlying areas within the authority's jurisdiction. Thus, although these outlying areas may not be unserved, resource allocation priorities leave them underserved. Detroit is an example of an area where, as a result of these pressures, reorganization has been actively debated but has not yet materialized.

Self-Directed Change: Redesigning the Transit Agency of the 1990s

Although there is a good deal of interest in considering alternative organizational arrangements for transit, there are still far more examples of conventional, large, public-sector transit agencies that have an effective monopoly on transit operations and planning within their service areas than there are of other types of agencies. Nonetheless, many, if not all, of these "conventional" transit agencies have been affected to some extent by the pressures facing the transit industry. Most self-directed changes have a flavor of strategic management and planning, but several distinct strategies have been adopted by different agencies to increase efficiency, improve effectiveness, and refocus attention on areas of traditional strength. Each of these strategies is discussed.

Increasing Efficiency

Many transit organizations have received strong criticism because of their perceived chronic inability to control costs and increase productivity. The critical question here is to what extent costs can be controlled and productivity increased given the inherent limitations of the existing public monopoly organizational structure for service provision.

Perhaps the most interesting attempt to increase efficiency was the management rights legislation passed by the commonwealth of Massachusetts in 1981, which returned to Massachusetts Bay Transportation Authority (MBTA) management many "rights" that they had been unable to exercise because of negotiated labor contracts. These included such far-reaching rights as hiring, without restriction, part-time employees; assigning overtime; eliminating the cost of living allowance in the operator's contract; and contracting for goods and services. This landmark legislation was enacted in the wake of a series of negative newspaper articles on the high cost and low efficiency of MBTA service at a time when the system was shut down because of inadequate funding. Since its passage, the legislation has successfully withstood extensive court challenge and has been used by MBTA management to achieve substantial cost savings—recently estimated at a cumulative total of $118 million over 5 years.

Clearly in this case the change was only possible through legislative action, and thus it cannot strictly be defined as self-directed; but the important point is that significant impacts were possible in this case without any fundamental changes in organizational structure. Attempts have been made to emulate this management rights legislation, but no comparable legislation has been successfully implemented elsewhere, which raises serious questions about this approach as a general strategy for increasing efficiency.

A perhaps more generally applicable approach to increasing efficiency is the one adopted by Port Authority Transit (PAT) in Pittsburgh in response to similar concerns about inefficiency and inadequate financing to maintain the system. A multifaceted approach was taken to counter negative public perceptions of PAT including:

- Incorporating limited management rights into state law;
- Improving financial stability and requiring a balanced budget;
- Increasing predictability of government funding;
- Undertaking organizational efficiencies;
- Adopting performance standards;
- Improving public image through marketing, employee morale initiatives, and employee development;
- Upgrading capital and equipment;
- Committing to a strategic planning process with annual updates; and
- Decentralizing control of garages so that each has greater autonomy.

The increase in financial pressure on all transit organizations dictates that any strategic plan have significant components dealing with increasing efficiency and controlling costs. However, there remains the critical question of how effective these initiatives will be without more fundamental changes.

Improving Effectiveness

Although all agencies face pressures to control costs and increase efficiency, many agencies also face pressures to provide better service to the diverse markets within their service areas. Two distinct approaches can be envisaged, both within the constraints of existing organizational structure: the first is to refocus attention on providing a wider range of services better tuned to market needs; the second is to select those markets that cannot be efficiently served by the agency and withdraw from them, leaving them to alternative providers. These two strategies are well exemplified in the Seattle and Washington, D.C., regions, respectively.

Seattle Metro is a prototypical market-driven agency that has restructured its organization to be more responsive to the population it serves. For example, it has taken over the ridesharing brokerage role in the Seattle region, and it is actively engaged in outreach in order to better understand the needs of its population and design services accordingly. Some involvement in land use and development issues is also a part of the "full-service" agency concept exemplified by Seattle Metro.

On the other hand, the Washington Metropolitan Area Transit Authority (WMATA) has been shifting its focus to rail operations and complementary bus operations as the transition from rail construction to system operation has progressed. Suburban jurisdictions have been the initiators of the reduced WMATA role in bus operations, but WMATA has taken a cooperative approach to the emergence of suburban bus operators. By selectively withdrawing from these high-cost, low-productivity suburban services, WMATA can keep costs down and the potential for suburbs–central city friction, evident in other metropolitan areas such as Detroit, can be reduced if not eliminated.

Both the Seattle and Washington experiences are covered in considerably more detail in the accompanying case studies.

Refocusing Attention on Areas of Traditional Strength

If the WMATA strategy can be viewed as concentrating resources on markets that large transit authorities have traditionally been able to serve well, some other large transit organizations have followed a similar plan. This type of strategy is just the opposite of Seattle Metro's approach of extending the domain of the organization to provide a wider range of services. When an agency refocuses attention on areas of traditional strength, there is an explicit or implicit assumption that other organizations that are better suited to serve the remaining markets will fill the gap. Such refocusing will generally stress traditional transit markets and internal management improvements including the types of action described earlier in this section as improving efficiency.

One example of this is Portland Tri-Met whose development paralleled Seattle's until the early 1980s—both were viewed as "premier" transit agencies providing reliable, efficient, and responsive service. Tri-Met embarked on a set of quite radical changes including building the Banfield light rail line, restructuring the grid bus network into a timed-transfer system, and instituting a "self-service" fare system. Collectively, the inevitable problems accompanying such significant changes led to a negative shift in the attitude of the press toward this transit authority. Now Tri-Met has retrenched somewhat, focusing on operating the new light rail line effectively and improving both the efficiency and effectiveness of its other services.

Here again the fundamental question is how successful these actions can be in alleviating the pressures facing agencies.

Externally Directed Change

There are an increasing number of metropolitan areas that have adopted a different strategy for changing the transit organization—redesigning the agency for the transit operator.

A primary objective of most of these changes is to separate the responsibility for policy making from that for operations management. Such separation is a logical precursor to thinking more broadly about the appropriate role of transit and the best vehicle for achieving specific policy objectives. Interestingly, separation of policy from operations is more commonplace in Canada than in the United States. Throughout Canada, policy boards set policy standards (for example, fare recovery ratio), and the transit agency management boards implement them (for example, fare level and structure).

In the United States the MTA in New York and the Metropolitan Transportation Commission (MTC) in the San Francisco Bay Area are among the relatively few good examples of separate policy boards that coordinate multiple transit providers. In the case of the MTA, transit service is provided principally by the New York City Transit Authority and other subsidiary agencies; in the case of the MTC, transit service is provided by a set of independent agencies. Nonetheless, both of these metropolitan agencies perform the overall policy setting and coordinating roles. Within this class of externally directed change three different models can be identified: cooperative change, second- and third-generation reorganization, and the takeover model. Each of these is described with the use of examples.

Cooperative Model

Under this model there is separation of the policy-making functions from the operating agency, but the reorganization plan has the active participation of the operating agency as well as the municipality—hence the name of the model. To give a better idea of how this model works, two metropolitan areas that have adopted it, San Diego and Phoenix, are briefly discussed.

In San Diego the MTDB was created by the California State Legislature in 1975 to plan, construct, and operate mass transit guideway systems and to perform near-term planning and programming. MTDB became the overall coordinating agency for the area, establishing policy, contracting with transit operators, planning, designing and constructing the light rail line, and taking responsibility for short-range planning and financing for bus and rail.

MTDB owns the assets of San Diego Transit Corporation (the major bus operator) and San Diego Trolley, Inc. San Diego Transit used to be an independent operating agency owned by the city of San Diego, but its assets were transferred to MTDB in a cooperative action by MTDB and the city. The "corporate subsidiary" structure has led to creation of a central decision-making network on major policies and decreases some of the conflicts inherent in the "separate agency" approach.

Separation of development functions from day-to-day transit operations is seen by MTDB as more efficient, because significant management attention and energies are required for each. There are both advantages and disadvantages associated with this separation of policy from operations. Among the advantages are that it

- Allows significant attention to be given to mid- and long-range planning,
- Allows transit management to focus on the operations management task,
- Allows lobbying for operating and capital funds on an areawide basis, and
- Sharpens operating and policy decisions by promoting constructive competition among multiple operating agencies.

On the other hand, the following disadvantages can be cited:

- May create delays due to multiple governing boards (this has also been mentioned in the case of RTB),
- Risks duplication of work,
- Requires cooperation of top management in all agencies, and
- May appear to result in inequities for a specific operator even if a decision is in the best interests of the region.

The Phoenix Regional Public Transit Authority (RPTA) was formed as a result of a 1985 referendum to create local funding (subject to referendum approval), plan routes, and contract for service, but not to deal with fare-setting or labor issues. RPTA is a voluntary association of elected officials (mayors or county supervisors) of local governments. Consultants are working for RPTA on a regional transit system plan that features a rail transit system that could be developed largely with regional funds. Although RPTA currently contracts with the city of Phoenix transit department to manage bus service and prepare technical plans, the joint intent is eventually to phase out the city of Phoenix transit department and permanently transfer its functions to the RPTA.

In both San Diego and Phoenix, new organizations were created because of a need for a multijurisdictional effort to raise revenues and make decisions on major capital or operational improvements, or both. Given the existence of the new organizations, acquisition of the operating agencies and their responsibilities for bus operations can follow.

Dallas provides a third example of this pattern. DART was initially set up to provide for, not operate, the transit system. Thus its first efforts were to contract out express services, and its first contract for service was let in August 1984. Recently, DART acquired the city-owned Dallas Transit System (DTS); under a no-cash agreement, DART assumed all DTS assets, grants, and contracts. The expressed reasons for the cooperative transfer of DTS to DART were to gain control over administrative and service costs, to ease implementation of service efficiencies, and to improve the quality of service provided by DTS.

Second- and Third-Generation Reorganization

The second model for externally directed change deals with the continuing evolution of regionwide policy-making and fund-allocating agencies in response to the pressures discussed earlier. Two different examples of this type of evolution exist in the Los Angeles and Chicago metropolitan regions.

The Los Angeles County Transportation Commission (LACTC) provides an example of second-generation reorganization. The LACTC was established by the California State Legislature in 1976 as an overall funding and coordinating agency for public transit and highways in Los Angeles County and was given broad, although somewhat nonspecific, powers. Some of these powers conflict with powers given in earlier state law to the regional transit operator, the Southern California Rapid Transit District (SCRTD). The major focus of LACTC since its establishment has been creation of a stable local funding base for transit (through passage of a ½-cent sales tax), coordination of municipal and regional transit services, and design and construction of a light rail system.

In the past year, adverse publicity on management and budget problems at the SCRTD and perceived conflict and lack of coordination between SCRTD's Metro Rail construction activities and LACTC's light rail program prompted reorganization legislation at the state level aimed at consolidating the functions of the two agencies. Although ultimately vetoed by the governor for a variety of reasons, largely unrelated to transit, the bill gained support at the outset because of local dissatisfaction (further fueled by negative press reports) with SCRTD's efficiency, safety, and responsiveness to the public and suburban jurisdictions. The proposed reorganization floundered, in part, because of lack of consensus on issues such as suburban city representation and political differences on labor-related aspects of the legislation.

As described in the preceding paper by Theodore Weigle, the Regional Transit Authority (RTA) was originally established to set policy, coordinate suburban operations, and allocate funds within the six-county greater Chicago region. The RTA used its authority to acquire and operate transit service in the suburbs with mixed success. Because of financial problems, in 1983 the legislature reasserted the policy role of RTA and also strengthened its oversight responsibility by creating three subsidiaries, including the Chicago Transit Authority, for transit operations in the region.

Takeover Model

In the final model for externally directed change, a new oversight and policy-setting agency is established over the existing transit operator. As opposed to the cooperative models presented earlier, this takeover scenario typically emerges from conflict and dissatisfaction with the existing transit agency. The classic example of this is found in the Minneapolis–St. Paul metropolitan area where the Regional Transit Development Board (RTB) was created in 1984 by the Minnesota State Legislature. The RTB was created for the following reasons:

- The central cities had a decreasing percentage of the area's population, yet the sentiment was that the central area retained a disproportionate share of transit service;
- Funding crises of the transit operator, Metropolitan Transit Commission (MTC), led to the perception that MTC would have difficulty planning for, or funding, non-MTC services and making decisions about transit service for areas not well served by MTC; and
- Some suburban jurisdictions were expressing interest in "opting out" of the regional funding and service provision framework and taking transit planning and provision issues under more direct control.

RTB was set up to allocate funds, plan service, and contract for the operation of service with public and private providers. The intent was for MTC to retain operation of most central area services, although RTB also had the option of contracting these out.

To date, five cities have opted out and several others are considering doing so. Some perceive that MTC has retained true control of transit in the area in part because of the lengthy planning process undertaken by RTB. Those who expected quick, decisive action to improve transit have been disappointed. The Minneapolis experience is reviewed in more depth in the case study by Joel Alter.

Minneapolis has been through the takeover process, and Detroit has been actively engaged in considering externally directed reorganization. The central concerns that militate for change in Detroit are imbalance in funding and decision-making powers between the suburbs and the central city and transit authority management's perceived inability to deal with both funding and management issues. Although no action has been taken to date by the Michigan State Legislature, the Detroit situation typifies local and legislative efforts at organization that are becoming more prevalent in areas where there is a perceived need to change the existing transit monopoly.

CONCLUSION

In this paper the strategies currently being followed in different urban areas to respond to the pressures on transit agencies have been briefly described. The strategies range from self-directed changes, including those that are focused on improving efficiency, improving effectiveness, and reasserting traditional markets, to externally directed changes, including cooperative action, second- and third-generation reorganization, and the takeover model.

Discussion of experience with these strategies, presented in the case studies and workshop reports, is a first step in the evaluation of the effectiveness of each strategy. Although the best strategy is bound to be a function of local conditions and specific pressures, it is important to clarify the strengths and weaknesses of each option for informed local decision making.

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