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Evaluation of the Market-Driven Approach Taken by the Municipality of Metropolitan Seattle

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In 1985, the Municipality of Metropolitan Seattle (Metro) began a major change in the way it planned and delivered transportation services. Some believe that the "new Metro" employs innovative techniques adapted from the private sector that will radically alter the ability of the organization to improve transportation in the Seattle area. Others think that the market-driven approach is nothing more than rhetoric describing what Metro has always done. The truth is probably somewhere in between. Three issues emerge in the assessment of how close Metro is (or will be) to one of these polar descriptions:

1. Restructuring the organization introduces problems that inhibit the effective accomplishment of organizational goals;
2. More extensive use of market research and other analytical tools requires acceptance and understanding by staff, management, and policy makers; and
3. Integration of fixed-route bus service with other ridesharing modes requires changes in attitudes of staff, methods to measure success, and a commitment by management and policy makers to promote other modes.

Experience with the changes at Metro, from their inception to the present time, is chronicled and evaluated in this paper. The material presented here is based on the author's knowledge of the agency as a full-time employee through the fall of 1983, his continuing contacts with the agency as a contractor, interviews with 20 Metro staff members at all levels in the

organization (in addition to conversations with bus drivers while riding the bus), and discussions with several people outside the agency. The opinions presented here are based on those of people inside and outside the agency, but the author assumes full responsibility for the interpretation of those opinions.

PROBLEM

Change in an organization generally occurs as the result of a perception that some problem exists. The initial reason for Metro's considering a different approach to providing public transportation services was a leveling of (or a slight decline in) transit ridership. Like many transit agencies in the 1970s, Metro enjoyed fast growth in transit ridership. The reasons were many: Two oil crises, resulting in short supplies of gasoline and rapidly rising fuel costs, made transit an attractive option. The Seattle economy's rebound from a slump (caused, in part, by a sharp reduction in Boeing employment) meant many new jobs for the area, increased congestion, and increased demand for travel. Restrictions on downtown parking and construction of new freeways helped make the bus attractive to downtown commuters. Metro's innovations with part-time drivers, large-capacity articulated buses, and a large system of park-and-ride lots increased use of the system. It was difficult for Metro to provide service fast enough to keep up with the demand.

In 1980, the rapid ridership increase ended abruptly. Gasoline prices stabilized, area employment declined in conjunction with a nationwide recession, and bus fares had to be raised to keep up with increasing operating costs. As can be seen in Figure 1, transit ridership responded in predictable ways to these changes. It was thought, however, that when gasoline prices resumed their rise and the recession ended, ridership would pick up again. Plans were under way to build a transit tunnel through the Seattle central business district (CBD). The tunnel, 1.2 mile long, was designed to accommodate a large proportion of the buses going through the CBD and to deal, at least partly, with the expected increase in ridership.

The increase in ridership did not materialize. Metro staff and officials began to realize that the transit market had changed. Employment growth was no longer concentrated in the Seattle CBD. Lower interest rates resulted in a boom in new car purchases. People wanted to use their cars, and the new trips that were being generated were not easily served by transit.

Metro and public officials recognized early that traditional fixed-route bus service could not, by itself, resolve the growing congestion problem. Other forms of ridesharing, such as vanpools and carpools, would have to contribute. The Seattle-King County Commuter Pool has been administered by the city of Seattle since the mid-1970s. The program was funded through the Federal Aid Urban System allocation to the city of Seattle, King County, and

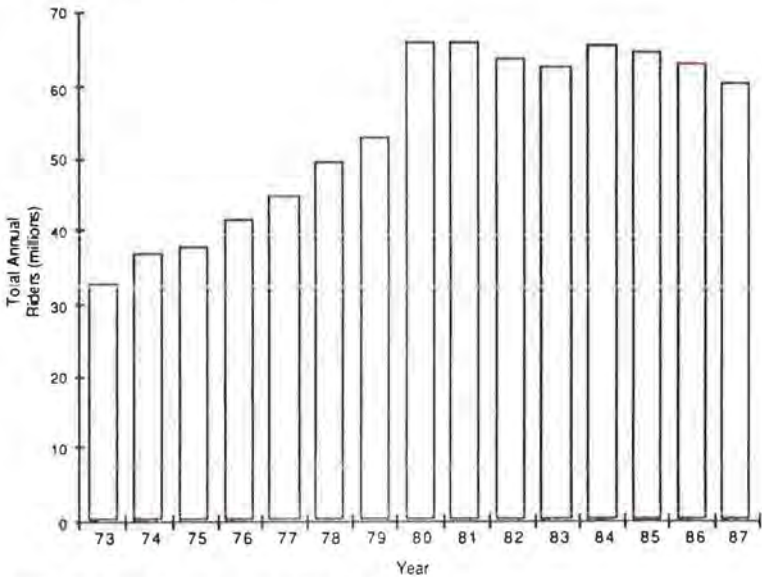


FIGURE 1 Metro transit ridership.

suburban jurisdictions. The advantages of merging transit and ridesharing activities to serve all public transportation needs from a single source were widely recognized. Metro could provide a more stable funding base for Commuter Pool activities, and integrated transportation planning would be enhanced. The Commuter Pool combined with Metro in April 1984.

Because Metro recognized that the market was changing and that transportation services had to include modes other than fixed-route bus service, the organization was in a good position to respond to the new conditions. However, after several years of this new form of operation, things had not improved. Ridership was flat, congestion in the area was growing rapidly, and the organization was having difficulty in truly integrating transit and ridesharing. There was a lack of good information to guide planning on the market. The lack of coordination among activities was especially noticeable in marketing and planning. Because Metro, by this time, was in the preliminary stages of constructing the bus tunnel, a major capital investment, it was especially important to understand what was happening and to respond to it.

NEW APPROACH

The new approach has two basic elements. The first element was a shift in emphasis to a market-driven one. Instead of concentrating solely on the efficient delivery of a relatively fixed set of services, Metro would invest

energy and finances in understanding the market and offering an appropriate selection of products from a wide range of services. The second element was reorganization of part of Metro to better integrate transit and ridesharing activities and to facilitate the use of market information in the planning and delivery of services. It was thought that a reorganization was required to accomplish the shift to a market-driven emphasis, and, at least in Metro's case, it is difficult to separate the two elements of the new approach.

The change was initiated after months of consideration by a management team devoted to the effort. Two organizational philosophies were considered. One was a structured-competition approach that involved supplying different kinds of transportation services that might overlap and seeing which one survived. The other was the market-driven approach that relied on research and evaluation to determine what people wanted and to provide services that met those desires. The latter won out.

To pursue the market-driven approach, organizational changes were required. Metro had previously been organized along modal lines. Transit and ridesharing were separate. Ridesharing was often viewed as competing with transit. To integrate services, the organization was restructured along functional lines. Figure 2 shows the organizational structure before and after the change. Two directorates headed by superintendents were established. This added a layer of organization that had not existed before. One directorate was called the Operations Directorate and included base operations, vehicle maintenance, facilities maintenance, bus scheduling, and safety and training. Those activities had previously been headed by a superintendent, and that part of the organization was not changed.

The other directorate combined what had been the planning, marketing, commuter pool, and customer service divisions into one group. This group, known as the Public Transportation Development Directorate, was divided into four divisions: capital planning and development, research and market strategy, sales and customer services, and service planning and market development.

Responsibilities were assigned to each of the divisions to balance the load as much as possible and to combine functions that could enhance each other. For instance, market development was included in service planning so that new markets could be developed in ways that were compatible with the kinds of service that could be provided. Long-range planning was included in the capital planning group to provide continuity in the capital program. Sales and promotions were part of customer service so that all kinds of interactions with the customer were in the same division. Research and market strategy was a new group combining all of the existing research and evaluation efforts in one division designed to enhance the ability to develop useful market information.

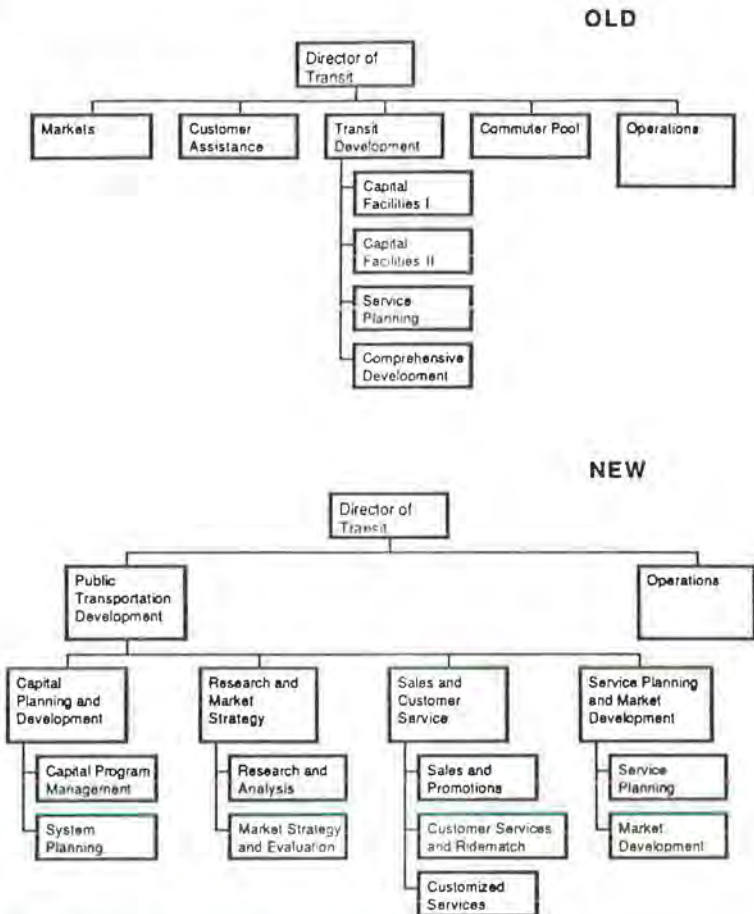


FIGURE 2 Organizational structures.

During reorganization, and for months afterwards, emphasis on the market-driven approach was continually reinforced. Numerous seminars, lectures, meetings, and publications were part of management and staff orientation. Considerable energy was devoted to developing a common understanding of Metro's philosophy.

SUCSESSES

Since the reorganization, Metro has neither had major success in increasing transit ridership nor shown a radical impact on vehicle occupancy in the region. However, some things have gone quite well and provide hope that the big "wins" may come later.

The research group has provided quality information about the market that has never been available before. It has demonstrated its ability to evaluate programs that can be used to guide Metro's strategic planning. The potential for useful support of Metro's marketing and planning efforts is there. However, centralization and expansion of research activities have raised issues that are discussed later in this paper.

Even though funding is limited and there has not been sufficient time to convert market information to a range of new products, there have been some new products attributable directly to the new approach. Research showed that one of the major barriers to people's participation in vanpools and carpools was the fear that they would be unable to leave work during an emergency. Metro is experimenting with a program to provide guaranteed taxi trips to transit patrons and vanpool participants in the event of an emergency. This program should alleviate some of the fear and attract more riders to these modes.

Metro has divided its service into districts. District teams have been formed across divisions and directorates to deal with problems unique to the districts. Teams include representatives from all divisions and have proven to be useful in identifying problems and opportunities.

The Eastside Action Plan (EAP) is the first example of a combined transit and ridesharing service change. The EAP deals with a part of Metro's service area around Bellevue, an important activity center to the east of Seattle. Because of the dispersion of residences and employment sites on the east side, it was imperative to involve ridesharing activities and the planning of fixed-route transit services in solutions to the problems. The EAP involved the whole range of transportation alternatives.

The market development group has earned recognition as an important part of Metro's activities. As discussed in a later section of this paper, its "proactive" entrepreneurial stance on land use and development regulation is not entirely consistent with a purely market-driven approach. However, it has established the legitimacy of this kind of activity in Metro and is widely supported.

Even though big wins are not obvious for the market-driven approach, things might have been worse without the new approach. The transit tunnel project has been disruptive of traffic and shopping activity in the downtown area. There has been negative public reaction to the project. However, because of Metro's attention to the problems the tunnel has engendered, the negative reaction has not been as strong as it probably would have been otherwise.

The lack of obvious improvement in transit ridership and ridesharing can be explained partly by inhibitions due to the current economic environment. Gasoline prices have been low, new employment has located in difficult-to-serve places (for both transit and ridesharing), and Metro's resources to

provide new services have been limited. It is possible that ridership would have declined without current efforts and that congestion would be even more of a problem than it is without the continuing efforts of Metro.

PROBLEMS IN IMPLEMENTATION

No matter how well planned and managed, any organizational change will have problems. Some of the major problems Metro has faced are covered in this section. Some are peculiar to Metro's circumstances and others would occur anywhere. Because of the attention given to the process of organizational change by Metro's management, it is likely that many potential problems were avoided. This inventory of problems may not include some that would be faced elsewhere.

Restructuring and reorientation take time. Nobody thought that the changes at Metro would occur overnight. Several months were spent preparing for the changes before any change at all was made in the structure. The structural change occurred all at once, and new management and supervisory positions were filled on an interim basis until permanent occupants could be chosen. However, the time it takes to accomplish change was probably not fully appreciated.

In Metro's case, it has taken at least a year for people to get used to the new structure. It takes some time for managers to define the boundaries of their new jurisdictions. Many staff people have new supervisors and managers. Personal and working networks were changed by the radical rearrangement of personnel. After a year and a half, most people have adjusted to their new organizational locations. However, staff people often refer to the previous structure when they describe the current organization. Some, doubtless, would prefer to go back to the "good old days" and their previous work groups.

Even though most people have adjusted to the structural reorganization, many do not believe that the philosophical shift to a market-driven approach has been completely accomplished. Although it is no longer novel, difficult, or threatening to think in terms of the integration of ridesharing and transit, fixed-route transit is still the most prominent service that Metro provides and tends to take precedence. Information provided by the research and market strategy division is just beginning to be useful to some parts of the agency. Most people interviewed for this paper believed that it will take from 3 to 5 years before a real shift in the way Metro operates will have occurred. That is also the time at which they believe the benefits of the market-driven approach will begin to be noticeable.

The reorganization created a new level in the organizational structure. The new level meant one more link in the bureaucracy and one more level of approvals and information transfer. Metro has also taken on a larger number

of activities. People at all levels reported some frustrations with the additional reporting requirements. Although there can be good reasons for keeping everyone informed and obtaining necessary approvals, the process can be perceived as a barrier to getting things done. The additional checks and balances required in a more complex organization are one of the issues Metro has to deal with. However, because Metro has been growing (and aging) continually for the last several years, it is unclear how much the perception of proliferating bureaucracy has to do with the recent organizational change and how much it has to do simply with an ongoing trend toward a more mature organizational structure.

There has been some cynicism about the change among Metro staff. Some cynicism exists in any organization, especially a large public bureaucracy. However, some of the cynicism at Metro can be attributed to the way in which the market-driven approach was implemented. Many staff members believe that they always were sensitive to the market and that the current new philosophy is simply rhetoric describing what they always did. However, even though some cynicism is expressed, there have been shifts in the way people perceive their jobs. For some people, the new approach has completely revitalized their feelings about work. The cynicism is not so much about the basic ideas in the market-driven approach as it is about claims that it can radically change the situation and solve all of the transportation problems of the region.

The research and market strategy division is universally recognized as producing new and valuable information. However, most people believe that the division has not reached its potential. Several factors contribute to this perception. First, many of the new people in the division (hired for their expertise in research and analysis) are also new to transportation, and it will take some time for them to understand the issues and develop relevant contacts within and outside Metro. Second, because of the centralization of the research function in one division, there are natural barriers to communication that must be overcome. Even though the improvement in the quality of research is widely recognized, the research group cannot always be as responsive as other divisions wish. Third, for reasons not easily controlled, the research group is separated physically from many of the people it needs to deal with in service planning, market development, capital planning, and long-range planning. The physical separation has added to communication difficulties. Fourth, it takes time to see the results of research. It takes a while to get a research program started. Then there is a delay before research results can be turned into action. It takes even more time for the actions to achieve measurable results. Because there have been few obvious successes that can be attributed to the use of research and evaluation data, it is natural that people have some skepticism about their usefulness. Metro has gone a long way toward resolving these issues, but they will remain issues to be dealt with.

Some people believe that Metro has gone overboard in its emphasis on attracting new customers. They believe that there has been a tendency to emphasize understanding the market instead of paying attention to the product. Metro has a reputation for providing a good product, fixed-route transit service. Some people are concerned that the new approach diverts energy and resources from continuing to serve transit users well. A balance between the two emphases is necessary.

Some people from agencies outside Metro report confusion about Metro's new organization and new approach. Although Metro has attempted to communicate what it is doing to people outside the agency, it may take some time for new relationships to form and for new patterns of interaction to develop. Some of the confusion may be because more people at Metro are involved with outside agencies and interactions may appear to be less coordinated than when the outside people dealt with fewer Metro staff.

Some of the problems in implementation are due to limited funding. The downtown transit tunnel project has drained funds and energy that might otherwise have gone into Metro's market-driven approach. The reorganization helped to create more efficiency and eliminate redundancy in marketing and planning efforts, but Metro is trying to do a lot more than it used to. The net result is a financial squeeze that can be felt by everybody. Some positions have been eliminated. The research budget is never large enough to fulfill requests. The ability to supply new services and products is hampered by funding restrictions. Ridesharing activities often take second place when crises in transit service occur. One of Metro's challenges is to foster wins in an environment that is financially restrictive.

ACTIVITIES OUTSIDE THE MARKET-DRIVEN APPROACH

The application of the market-driven approach in private industry is clear. A company finds the product mix that is most attractive to the market, lets people know it has the products, and provides them as efficiently as possible within constraints required to make a profit. The application of this approach to the public sector is not quite so clear. Metro's experiences reflect a combination of applying aspects of the market-driven approach and dealing with the realities of being a public agency.

One of the reasons that public transportation agencies exist is to provide mobility to people who would not have it otherwise. One of the objectives set for Metro is to provide service to the transit dependent. No matter what else Metro does, a certain amount of "policy" service will always be required. The provision of this service may conflict with the mix of services that would be provided by a purely market-driven organization.

It is difficult for Metro to compete with the single-occupant automobile. No public transportation mode can provide what people really want, which is

door-to-door service whenever they want it. However, the cost of this kind of service for everybody is prohibitive. The voting public supports organizations like Metro that provide service that, as individuals, they perceive to be second best. For financial, environmental, and political reasons, the Puget Sound area has adopted a policy against building new freeways. King County voters have strongly supported the continuation of Metro's provision of transit services by increasing the sales tax as recently as 1981. Residents of the region have been supportive of the construction of park-and-ride lots and high-occupancy-vehicle (HOV) lanes to facilitate transit and ridesharing.

In short, Metro has support to create an environment that encourages transit and ridesharing. Metro recognizes this objective and has adopted an entrepreneurial approach to influence land use decisions and supporting policies and decisions that will create a market. This is not a purely market-driven approach. However, it is appropriate for a public agency to pursue policies and engage in activities that have public support and are for the public good, even though individual members of the public may actually desire services that differ from those that result from these policies.

MODIFICATIONS TO INITIAL CONCEPTION

To date, no major modifications to the initial organizational structure have occurred. In addition, the original conception of the market-driven approach has not changed radically. However, some relatively small changes in the organizational structure are under consideration, and a look at these jurisdictional controversies aids understanding of how the approach is being implemented at Metro.

The organizational location of long-range planning has always been in question. The main reason for including it with capital planning is to provide continuity in the capital program. It could also be in the research and market strategy division, because of the importance of market research to forecasting future demand, and because of ties to strategic planning. Another option is for it to be a separate group reporting directly to the transit director and thus more closely tied to the political process. For now, however, it will probably remain where it is in order to keep a grounding in the reality of capital planning.

Commuter service representatives are currently located in the sales and customer services division. Their function is to promote transit and specialized services, such as vanpools, custom bus, and others, to employers. Some consideration has been given to combining this function with the market development group's. The market development group's objective is to create public transportation markets by influencing land use regulations, parking restrictions, development requirements, and district planning and coordination. It is currently combined with service planning. Some people believe that

the functions of the two groups are similar, but there are also enough differences to justify the argument that they should remain separate.

Even though there are advantages to the centralization of research activities in the research and market strategy division, some people argue that at least a portion of the research activities would benefit by being conducted in other divisions. For instance, research intended to discover new transit routes might best be conducted by route planners familiar with certain areas of the region. Although people generally recognize the benefits of having a division devoted solely to research, it is likely that, when appropriate, some research efforts will naturally be dispersed to other divisions.

One of the original projects of the research and market strategy division was to produce an annual document called the Market Strategy Report (MSR). The MSR was intended to use the results of market research and evaluations of programs to map out a strategy for the organization for the next year and as far as 5 years into the future. The first effort did not fulfill the original intent. The result was better described as a document defining management objectives for the next year, and it was not as broad in scope as it was originally conceived to be. The subsequent development of the MSR has been an iterative process, as Metro further defines the function of the document and ties it to the long-range planning effort and the budget process.

One of the objectives of the new approach at Metro was to make ridesharing an integral part of Metro's product mix. Although ridesharing has been integrated to some extent, some people's expectations have not been fulfilled. Ridesharing has not achieved the prominence they expected. One of the main reasons for this is that it is difficult to evaluate ridesharing activities because of the lack of good data on vehicle occupancy over a period of time. As a result, it is difficult to know how to distribute organizational resources. A second reason is that successes in ridesharing are much less newsworthy than successes in fixed-route service. Until Metro finds some way to elevate the benefits of ridesharing alternatives in people's minds, the opening of a transit tunnel will get a lot more attention than the beginning of a new program of transportation coordinators at employment sites. Internally, as well as externally, it will be difficult for people who support ridesharing alternatives to get attention.

FUTURE

People at Metro remain optimistic about the future. They believe that conditions will change to favor both transit and ridesharing. There are mixed feelings about what the downtown bus tunnel will do for transit ridership, but it certainly will not inhibit it. If demand for transportation continues to rise in the region as forecasted, the demand for transit and ridesharing services will

increase. HOV lanes on the freeways in the Puget Sound region will be completed in the early 1990s, providing an extra incentive for commuters to use transit or other Metro services.

Will Metro become an effective agency employing multimodal methods to help solve regional transportation problems? Or will it end up concentrating on fixed-route bus service the success of which is dependent on economic and demographic forces outside its control? The potential exists for Metro to become the first kind of agency.

The problems introduced by restructuring the organization are fading. People are getting used to new positions, and jurisdictional controversies are being resolved. Five years from now, people will be comfortable with the structure; it will be the *modus operandi*. The new structure itself will no longer get in the way of accomplishing organizational goals.

Metro's research arm is respected. As the research staff gains more experience, and if communication issues can be dealt with effectively, Metro will be in a good position to detect and respond to changing markets. However, this will require continued upper management support, adequate budget, and a sensitivity on the part of the research staff to operational considerations.

Metro's emphasis on developing ridesharing markets, through legislation and direct employer contact, is one of the most promising aspects of its current approach. However, before ridesharing can be a prominent part of Metro's product mix, two things must happen: (a) a method of measuring vehicle occupancy must be put in place and (b) Metro must demonstrate its ability to affect vehicle occupancy. Otherwise, Metro will probably continue its primary emphasis on fixed-route service and deal with a market that is limited by the flexibility of that mode.

DISCUSSION QUESTIONS

Metro's experience raises the following questions:

1. Given the difficulties of measuring effectiveness in promoting ridesharing and the financial support required for fixed-route transit, how can ridesharing compete effectively for organizational resources?
2. Does the addition of ridesharing modes to the product mix diminish the attention paid to providing quality fixed-route transit service?
3. Should fixed-route transit and ridesharing modes be integrated, or would both be better off if they were separate?
4. Given the political nature of strategic planning in a public transportation agency, can results of market research really have an influence?
5. How can a centralized research group respond effectively to operational needs?

6. Can an entrepreneurial stance on legislation and other measures affecting land use and vehicle occupancy be compatible with a market-driven approach to providing public transportation services?

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