

CONTRACT MANAGEMENT IN THE TRANSIT INDUSTRY

M. M. Bakr, University of Wisconsin-Parkside
Daniel Robey, Florida International University
Thomas S. Miller, U.S. Marine Corps

During the past decade, there has been a growing trend toward public acquisition of failing private transit companies. Many government agencies and public entities have turned to transit management companies to run the daily operations of their systems. The transit management companies offer a range of services which include assistance in a number of functional areas in transit management. The purpose of the study was to examine the organizational structure, the decision making process and certain attributes of the organization performance for transit systems operated under contract management. The study has focused on 26 transit properties managed by three major contract management companies. The study showed that management companies mesh into three basic types of local organization structures. Each of these types possesses certain characteristics. Each management company was also found to be more associated with a certain type of property and local organization. The organization, often, reflected the company's own operating philosophy and perspective on transit management. Results of the study could also be used to look at the merits of contract management in situations similar to those experienced by the transit industry.

During the last decade, many cities have been faced with the task of taking over ailing bus companies, and developing transit plans to provide continued and improved service to their communities (2,6,8,10,11). Rising costs and declining revenues continue to plague private and publicly owned transit systems. Publicly owned systems, however, are service-oriented rather than profit-dependent and enjoy many financial advantages over a private company. These advantages include the following.

1. Purchase of new buses, facilities, and capital equipment with 80% federal assistance.
2. Operating subsidies can be obtained if necessary.
3. Additional sources of funding from federal grants, state grants, commercial loans and bond issues are available.

4. Fuller utilization of operating revenues because no federal, state, or local taxes, excise taxes, franchise taxes or gross receipt taxes are required.

The major difficulty experienced with public ownership and with the attempt to revive existing transit systems has been the lack of qualified local government personnel with the necessary knowledge and experience in transit operation. The shortage of managerial manpower has been a result of previous years of decline in the transit industry. With the large number of systems being rejuvenated through public ownership and government subsidy, a large demand for qualified transit management personnel has developed. At the same time, the new sphere of operation of a transit system has developed a need for a broader set of managerial skills than used to be available in the transit industry. The operation of a transit system as a public enterprise made it necessary for transit managers to be more responsive to public demands and to the local political system.

Despite the need for qualified managers, many systems found it difficult to support a staff of full-time managers and specialists. The result was that a number of transit systems opted to contract management services. The most significant advantage of contract management is seen as its ability to supply and support the managerial talent needs of local transit systems. This talent is supplied at the local level, and through nonresident technicians and specialists, to help administer the operation of the system. The range of services offered by management companies includes areas of such diversity as the assistance in developing transit policy and plans, and the assistance in the purchase of spare parts and supplies.

Services Offered by Contract Management Companies

The services offered by management companies could be performed by the resident manager, a resident management team, or by the corporate staff (separately or jointly), depending upon the needs of the property.

The resident manager and his team are responsible, in general, for the following services:

1. Policy and Planning: Short range planning, coordination with other planning agencies, development of specifications and bid evaluations of new equipment and services, development and recommendations of new routes, route changes, service frequencies and traffic operations improvement.

2. Finance: Operating budget, financial statements and statistical reports, money control and processing, general accounting, internal audits, payroll, and assistance in preparation of applications for state and federal funds.

3. Marketing and Public Relations: Market research and surveys, promotions and public information, telephone information programs, and advertising.

4. Transportation: Supervision of bus operators, on street supervision, dispatching of equipment and manpower, training program for bus operators, safety programs, development of schedules and cut runs, compilation and analysis of service parameters, preparation of line-up working list for operators, preparation of timetables and route maps, and charter contracts.

5. Maintenance: Garage and plant layout, general shop supervision, equipment repair, building repair, preventive maintenance programs, unit repair, and servicing of vehicles.

6. Personnel and Administration: Employee and labor relations (including union contract negotiations), recruitment, hiring and discharge of employees, insurance and claims, general administration, purchasing of minor equipment and supplies, and computer utilization.

The non-resident staff, through direct service or assistance to the resident management team, provides some of the following services:

1. Planning and Policy: Service and route planning, research and planning, technical studies, and short and long-range planning assistance.

2. Finance: Budget preparation and analysis, fare structures, capital grant applications, fiscal control procedures, accounting methods, fleet purchases and specifications, money processing and control, and audits.

3. Marketing and Public Relations: Promotional techniques, advertising contracts, demonstration projects.

4. Transportation: Leasing contracts, schedule making techniques, special charter, school and contract services, and rapid transit (such as freeway express buses).

5. Maintenance: Maintenance procedures and programs, shop garage layout and design.

6. Personnel and Administration: Labor relations, office management and procedures, stores and purchasing, and management development programs.

Study of Contract Management

The role and influence of contract management became an issue due to their increasing share in transit management, and due to the supporting efforts of the Federal Government in developing mass transportation. The present work was organized as an effort to study a number of local transit organizations, to determine the following.

1. The types of organizations and organizational characteristics which are commonly found in transit management when contract management becomes a part of the local organization.

2. The relationship between management company and the characteristics of property which it tends

to contract. The previous relationship was to be examined in light of the company's own philosophy and perspective on transit management. This objective was to help determine if specialization based upon characteristics of the local property is a prevailing factor in the choice of a management company.

3. The role and contribution of contract management to the decision making process, and to the effectiveness of the system.

Conduct of the Study

An initial survey of a number of transit properties which are managed under contract revealed a variety of organizational arrangements to accommodate the transit system into the existing municipal organization. Interviews with transit managers and municipal officials indicated that because of the newness of transit services to local governments, organizational and procedural arrangements tend to crystallize over a period of time, and are mostly influenced by political initiatives and developments at the local scene.

After examining the organizational structure in a sample of transit properties, a general model was developed for the organization of a transit system when managed under contract. Minor modifications were made to the model after the survey was completed. The organization model is based upon the common features between different transit organizations. Comparison of transit organizations and development of a general model were possible since all transit (bus) systems offer similar service to the commuter and employ, basically, the same level of technology in systems operation and management.

Three basic management levels are commonly found in a transit (bus) organization according to survey. An upper management, a middle management and an operating management. Upper and middle management are existing public entities such as the city council and the public works department, or an authority, board or a commission, specifically created to deal with transit decisions. Under contract management, the general manager is always, and key members of his staff are often, contracted from the management company. The non-resident corporate staff of the management company provide direct assistance to the resident management team. They could also provide consultation and staff assistance to higher management levels in the transit organization.

Considering the general objectives, method of operation and organization structure of a transit system, an overall decision process was constituted and verified in interviews with a sample of transit managers and transit public officials. The decision process includes a fixed set of decisions which are commonly used in the planning, operation and control of a typical transit system. The decisions were categorized by functional area, and decisions commonly requiring more than one step were recognized at three levels of completion (initiation, review and final). Initiation decisions are considered to be those which are necessary to raise an issue or introduce the need for and help formulate a decision. Review decisions are those recommending, advising against or helping modify a decision so that it would be acceptable. Final decisions are those accepting or rejecting a pre-formulated decision. The previous steps are considered to be typical of the decision process in a municipal organization.

The previous work provided the foundation for the development of a survey questionnaire, which was used as the principal instrument in the study. In addition to the survey questionnaire a number of interviews were conducted with transit managers and transit public officials in a sample of properties representing various characteristics of service areas and various management companies. An attempt was also made to develop a profile for each of the three management companies under study. These companies were found to dominate the transit management field. This was accomplished by reviewing the companies' own literature, and by interviewing key operating officers and executives at each company.

Survey Instrument and Method

The survey instrument, organized stepwise, examines the role played by different organizational units, transit managers and public officials in making the decisions required to carry out the managerial duties in a transit system. The decisions are grouped by functional area and are arranged within each group to reveal the decision steps and participants when more than one step is expected. The questionnaire was designed and tested in cooperation with the management of one of the participating systems. An emphasis was placed on making the language of the instrument short, and easily understandable by property managers and transit public officials.

Survey Method

The survey questionnaire was sent to the managers of a number of transit properties that were managed under contract. Since in many cases the decision process was not well developed and documented, transit managers were requested to construct the present table of organization first and then to attempt identifying the organizational units or persons responsible for making various decisions. A sample transit organization chart was forwarded for reference purposes. Available objective performance data such as ridership, cost, revenue and capital improvement, since public takeover, was also requested. In addition, a short questionnaire was directed to the principal public official responsible for the transit system.

A sample of the previous properties was selected for interviews. In these properties, interview questions were directed to the local transit manager and the principal public official responsible for the transit system. The survey questionnaire was used as a basis for the interview, except that in this case, after guaranteeing confidentiality, managers were asked to comment on the quality of communication and cooperation in the decision process. Responses were unstructured and are only used in a qualitative form in this research.

Results of the Survey

Twenty-six transit properties, representing a cross section of those managed under contract, responded to the survey. Most of these properties have been under contract for at least two years. The decision data obtained from the questionnaire was coded and superimposed on the organization chart.

Types of Organization in a Contract Managed System

A close examination of the organization structure of all the properties surveyed revealed three types of transit organizations. They are coded as Types I, II and III. Type I is identified by an upper and middle management which are existing government entities (city council as upper management and public works department as a middle management). Type II is identified by an upper management which is an existing government entity, while middle management is a special government entity (authority, board or commission) created to handle the middle management functions in a transit organization. Type III is found when both upper and middle management are special purpose public entities created to handle transit decisions.

Measurement of Organizational Effectiveness and the Decision Making Process

Effectiveness has to do with the measurement of results in relation to the resources expended to achieve them. The question of organizational effectiveness is a complex and multifaceted one. In the case of public transportation, the basic purpose is to provide transport services to the public at a reasonable cost. Service could be measured in terms of such factors as headways, route miles, bus hours, reliability of bus schedule and adequacy of public information. On the cost side a number of cost factors such as drivers' wages, maintenance and fuel cost constitute the bulk of the operating expenses. Under normal circumstances the previous data would be useful in evaluating the ultimate organizational effectiveness. However, an attempt to use the previous data in evaluating organizational effectiveness ran into many difficulties because of the variance in method of reporting, and the difference between operating circumstances of various properties.

Although most transit managers felt that service and cost performance would provide useful input in determining organizational effectiveness, if the variance in circumstances between properties could be factored out, they, however, had serious reservations about the validity of the approach at the time of the study. Most felt that transit management is still struggling with the help of federal and local subsidies to reverse the declining trend of the past decade, and that the circumstances under which mass transit is being revived have imposed new social responsibilities on the system which in most cases resulted in a higher operating cost. Most transit managers felt that the primary concern should be the quality of organizational performance in terms of "decision making ability" during the present transition period. Transit was conceived by most as being revived in a fairly dynamic environment, constituted by heightened expectations on the part of the commuting public and transit labor, while facing a shrinkage of tax dollars available to support the system. Most of the transit managers interviewed (majority have years of experience in the private transit sector) have indicated that the main problems facing them are the long lines of communication and delays in decision making which are symptomatic of local government, as well as, the vulnerability of their organizations to unjustified political intervention. The same note was echoed by public officials who interface with the transit system and take on the responsibility to expedite the decision process.

Organization Attributes Indices

Focusing on organization structure, the decision making process, as well as, their impact on performance (1,3,4), and considering the special case of a contract managed transit organization, a number of indices were developed to reveal the characteristics of the organization and decision making process. The purpose of the indices was to provide an organization-decision making profile that could be used to evaluate contract management. Emphasis was placed on simplicity of definition, ease of interpretation and on inter-property comparison of these indices. In general, standard measures of organizational characteristics do not exist. A useful attempt at standardization has been made by Price (7). Evidence of persisting difficulty of measurement, however, is still apparent (9, p. 10-26 and 5, p. 686-704).

The organization attribute indices are described in the following.

Organizational Centralization Index (C11).

$$(C11) = \frac{\sum \text{Number of Final Decisions Made at Level (i) X Weight Assigned to Level (i)}}{\text{All Final Decisions Assigned to Level (i)}} \quad (1)$$

All Final Decisions Assigned to Level (i)

Weight Assigned to Level (i) = 1 For the Operating Management Level, = 2 For the next higher level, ... and so on. Maximum i = 5.

This Index reflects the degree to which final decisions are elevated in the organizational hierarchy above the resident manager. The weighting factor of each decision level increases, as the decision is made at a higher level in the organization. This index, therefore, represents the degree of centralization as it is felt by the transit operating manager. It does also reflect the number of levels in the organization.

Upper Management Centralization Index (C12).

$$(C12) = \frac{\text{Number of Final Decisions Made at the Top Level of the Organization}}{\text{Total Number of Final Decisions}} \quad (2)$$

This index reflects the degree of concentration of final decision authority at the top level of the organization.

Operations Autonomy Index (OAI).

$$(OAI) = \frac{\text{Number of Final Decisions Made by Operations Management at the Transit Property}}{\text{Total Number of Final Decisions}} \quad (3)$$

This index reflects the degree of autonomy enjoyed by operating management at the transit property. The resident manager heads the operations management group.

Management Company Autonomy Index (MCAI).

$$(MCAI) = \frac{\text{Number of Final Decisions Made by Operations Management including the Management Company's Home Office}}{\text{Total Number of Final Decisions}} \quad (4)$$

This index reflects the degree of autonomy enjoyed by the management company as a whole, and includes decisions which are made at the transit property and at the management company's home office. This index reflects the degree to which the management company could directly influence the local transit system.

Management Company Participation Index (MCPI).

$$(MCPI) = \frac{\text{Number of All Types of Decisions Made by Operations Management Including the Home Office (Initiative, Review and Final Decisions)}}{\text{Total Number of Final Decisions}} \quad (5)$$

This index reflects the degree of total participation of management company in the management of a local transit system. This index is sensitive to the share of the management company in all types of decisions made (Initiate, Review and Final Decisions). It is also sensitive to the number of intermediate decisions per final decision. The index, therefore, reflects the tendency of transit system's management to take advantage of the available expertise at the management company, and to accept the initiation and review of more decisions by contract management.

Decision Steps (DS).

$$(DS) = \frac{\text{Total Number of All Decisions (Initiate, Review or Final Decisions)}}{\text{Total Number of Final Decisions}} \quad (6)$$

This index reflects the degree of complexity existent in the decision process. Complexity results from the increase in the sources of decision initiation and review steps. A higher value of (DS) would indicate greater steps in decision review, while a lower (DS) would indicate simple review or direct decision making.

While other indices could be devised to identify the organization and decision making characteristics of a transit organization, the previous ones were felt to be the most meaningful in evaluating a transit organization when contract management is included. No attempt was made, at this stage, to take the relative weight of a decision into account.

Statement and Discussion of Results

The previous organization attributes indices were derived for the 26 responding properties. This was accomplished by computing the various number of decisions on a coded decision process for each system. A study of correlation between organization indices and variables was used to examine general relationships for transit organizations. In addition, analysis of variance was conducted to determine the effect of organization type and management company. The previous findings were examined in light of the survey data.

The results obtained from analysis of the data indicated that the type of organization, number of administrative levels and management company are the three major factors which have an influence on the transit organizational performance. The influence of these factors is discussed in the following.

Type of Organization

Three types of organizations have been identified in the organizations surveyed, as have been defined before. The characteristics of these types of organizations are described in Table 1.

Number of Administrative Levels

A study of the correlation between all the organizational variables, Table 4, reveals that the number of administrative levels (LEVELS) has a dominant influence on the transit organization. This was evidenced by the high correlation between (LEVELS) and (CI1), (CI2), (OAI), (MCAI) and (DS).

Organizations having large number of administrative levels, as well as those with only few levels were found to exhibit a higher degree of centralization, than those with an intermediate number of levels. This is evidenced by the significant positive correlation between the number of administrative levels and (CI1), and the significant negative correlation between the number of administrative levels and (CI2).

The high degree of centralization associated with the large number of administrative levels manifests itself by pulling more final decisions to the middle levels of the organization (Middle Management), thus reducing the number of final decisions made by both top and operating management. Organizations having a large number of administrative levels exhibited lower degree of operations management autonomy, lower degree of management company autonomy and a notable increase in the number of intermediate steps to make a final decision.

The high degree of centralization associated with a small number of administrative levels was found to result from a larger proportion of the final decisions being made by upper management. This type of centralization was not correlated with other organization attribute indices. The results, therefore, indicate that in the case of an organization with few administrative levels, top management has a more active role in decision making, since middle management is relatively small in size. The top management involvement, however, did not seem to hamper operating management or management company autonomy.

Management Companies

The interest in the study was focused on the three major contract management companies which dominate the transit contract management market; for anonymity purposes, these companies will be referred to as A, B and C. In general the three companies offer similar management services to cities and municipalities. Typical contract management services have been described before. Operating philosophy and perspective on transit management of each company was determined from various sources. Company's literature was examined at first, this was followed by interviewing company's operating executives and transit officials in systems managed by the company.

Although management companies including the ones surveyed compete actively for management contracts with transit properties of all types and sizes, the analysis of organization attribute data has revealed that each company tends to gravitate towards properties and organizations with certain characteristics. These characteristics were found to mesh well with the operating philosophy and

perspective on transit management of the management company. These findings substantiate the assertion that a major factor in selecting a management company is its conceived ability to mesh with the local organization. Profiles of the three major management companies and characteristics of the properties which they tend to contract are described in Table 2.

Role and Contribution of Contract Management

The analysis of decisions made, or participated in, by contract management in the organizations surveyed has indicated that contract management handles most of the operating and short-term planning, decisions, as well as advise and assist in the handling of long-range planning and financing decisions. The overall quantitative participation of contract management in the decision process has been discussed before, the qualitative influence of contract management has been determined in a sample interview and survey of the transit public officials in the properties under study. In general the survey results revealed enthusiastic support for contract management arrangements. The extremely high contract renewal rate (close to 100%) is indicative of the value of contracted personnel and services. Advantages of contract management considered by public officials as most important include:

- a. Relieving the public entity from the burden of operating problems, leaving them free to concentrate on long-range planning and government responsibilities.
- b. The management company brings to the operation the expertise and know-how accumulated from years of experience, including extensive experience in the negotiation of labor contracts and public takeover.
- c. A management company can supply technical staff support for special situations and as a back up for the resident management team without requiring the retention of these personnel on a full-time basis.
- d. A management company can provide procedures and techniques proven in other operations and the benefits of intra-group exchange of ideas with regard to operating problems common to the industry.
- e. Contract management is also considered by public officials to be more objective in its management and operations approach, than would be appointed public management.

Conclusions

Results of the previous work show that the transit organization and the decision making process are dependent upon the size of the service area. The graduation in service area size tends to be associated with the emergence of three types of organizations, Types I, II and III. At the small service area end of the scale an existing government agency oversees the system, while at the other end of the scale an authority, a commission or a board is created to undertake complete responsibility for the transit system. The organization type, as well as the management company involved in contract management, were found to be associated with exhibited organizational characteristics. This association appears to result in part from the management company selection process, which

Table 1. Organization type and characteristics under contract management.


	TYPE I (GOVT)	TYPE II (GOVT/AUTH)	TYPE III (AUTH)			
ORGANIZATION	Upper and middle management are existing government entities (city council and department of public works as an example).	Upper management is an existing government entity, while middle management is a special government entity, created to handle the middle management functions in the transit organization.	Upper and middle management (when middle management exists) are special public entities, created to handle the upper and middle management functions in the transit organization.			
ROLE OF TRANSIT	Transit is developed to service a limited industrial sector and central business district. Other services include transportation for local schools.		Transit is developed to provide access to a major central business district, industrial parks and shopping centers. Emphasis on the role of transit in providing mobility and access to work and shopping.			
ORGANIZATION AND SERVICE AREA ATTRIBUTES	<p><u>Attributes Common to The Three Types of Organizations:</u></p> <p>The three types of organizations demonstrated similar degrees of autonomy to operating management (OAI) and to the management company as a whole (MCAI). The decision for contract management include mostly routine operating and short range planning decisions. The three types of organizations also exhibited a comparable number of intermediate decision steps in arriving at a final decision (DS).</p> <p><u>Population of Service Area:</u></p> <p>The organization type was found to depend upon the population of the service area. Average population for each of the organization types is given below.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; text-align: center;">247,667</td> <td style="width: 33%; text-align: center;">346,111</td> <td style="width: 33%; text-align: center;">704,545</td> </tr> </table> <p><u>Number of Administrative Levels:</u></p> <p>Number of administrative levels (LEVELS) were found to be higher in organizations Type I and Type II in comparison with Type III.</p> <p><u>Degree of Decision Centralization:</u></p> <p>Organizations Type I and III showed a higher degree of upper management centralization of decision making (C12) than in the case of Type II.</p> <p>Organizations Type I and II showed a higher degree of organizational centralization (C11) in comparison to Type III.</p> <p><u>Management Company Participation:</u></p> <p>A higher degree of management company participation in local transit decisions (MCPI) was found in the case of Type I and Type III organizations, as compared to Type II.</p>			247,667	346,111	704,545
247,667	346,111	704,545				
ORGANIZATION PROFILE	Transit organization is part of the existing municipal organization. Transit services are considered in the same order as other municipal services. Organization has a large number of administrative levels and decisions are more centralized. Transit decisions tend to queue in with other municipal decisions.	Organization Type II is an attempt to recognize the importance of transit services to the community by creating a middle management entity to handle transit decisions. The total organization has a relatively large number of administrative levels. Results show that more decisions are drawn to the middle levels of the organization. As a whole a similar degree of organizational decision centralization, as in Type I, exists, while top management is less involved in decision making. Middle management also reduces the management company involvement in the local transit decisions.	Organization is totally devoted to transit services. Despite the small number of administrative levels, organization is flat at the top and the decision process is participative. It has a low degree of organizational decision centralization, with more decisions centralized at the top level of the organization. This type of organization allows a higher degree of autonomy to operating management and invites more participation of the management company in the decision process.			

Table 2. Management company and associated organizational characteristics.

	COMPANY A	COMPANY B	COMPANY C
OPERATING PHILOSOPHY AND PERSPECTIVE ON TRANSIT MANAGEMENT	Subsidiary of a Large Corporation	Subsidiary of a Diversified Transportation Corporation	Independent Corporation
	Beside the general management services, the company offers contracting properties the opportunity to join a national contract for the purchase of insurance, equipment, replacement parts, fuel and tires.	Operating decisions are generally handled exclusively by the resident management team.	All top managers and many middle managers share the ownership of the company.
	Operating decisions are generally handled by the resident management team. In many cases budget preparation, planning recommendations are studied and prepared at the home office.	Company demonstrated considerable flexibility as to whether other contracted services will be performed by the resident management team, the home office staff or a combination of both.	Company believes in the importance of providing a strong resident management team which meshes with the local organization and receives consulting advice only from the home office.
	Company considers small cities to be more pragmatic in their transit development, by waiting for the demand to materialize before additional services and capital investment are made.	Company advocates the need for operating a transit system on a balanced budget. Large operating subsidies are looked at as a way to turn the public against the system.	High degree of communication between resident managers and between resident managers and the home office staff is encouraged.
	Company views the most effective way to manage a transit system is through a politically independent board of authority which has a taxing power.	Company views the tendency towards increasing the number of administrative levels between operating management and final decision makers as resulting in lengthening the lines of communications, retarding the decision process and making the system less responsive to the needs of the public.	Company encourages city employed transit personnel to further their formal education.
	Company views public management of larger transit systems as a trend due to the tendency to expand the municipal bureaucracy.	Company believes in the importance of having fewer administrative levels between the policy making body and operations management.	
		Company values the importance of a sound demand analysis and marketing program for transit services.	
ORGANIZATION AND SERVICE AREA ATTRIBUTES	<u>Attributes Common to Organizations with a Contract Management:</u>		
	Organizations managed by the three management companies did not show a significant difference in upper management centralization of decision making (CI2), in management company autonomy (MCAI) and in companies' participation in the decision process (MCP1). The same situation was found in the number of intermediate decision steps required for arriving at a final decision (DS).		
	<u>Population of Service Area:</u>		
	Population of the service area which might be considered as an indicator of the transit market was found to vary significantly with the management company. The average service area population for the three companies is given below:		
	143,143	405,500	685,846
	<u>Number of Administrative Levels:</u>		
	The number of administrative levels (LEVELS) was found to be largest with Company A (average of 4.0), smallest with Company C (average of 2.62) and had an intermediate value for Company B (average of 3.33).		
	<u>Degree of Decision Centralization:</u>		
	Organizations associated with Company A were found to exhibit the highest degree of organizational decision centralization (CI1), those associated with Company C were found to have the lowest, while organizations associated with Company B have held an intermediate level.		
	<u>Operations Management Autonomy:</u>		
	Properties managed by Companies B and C exhibited similar degrees of operations management autonomy (OAI), while those managed by Company A had a significantly lower value. This could be partly explained by the closer involvement of the home office in local transit decisions, in the case of Company A.		
ORGANIZATION PROFILE	<ul style="list-style-type: none"> • Hierical • Many administrative levels • Organizational decision centralization • More decisions are handled by the home office. 	➔	<ul style="list-style-type: none"> • Few administrative levels • More decisions made by upper management (decision process is participative) • More decisions are made on the scene, by operating management.

indicates that transit properties tend to contract companies who have a demonstrated experience in interfacing with a similar operating environment.

Considering the national effort by the federal government to revive mass transportation, private management companies seem to be able to fill the gap in the depleted transit management ranks and hence provide opportunity for a greater number of communities to benefit from such federal programs. Contract management in the transit industry represents a good case where private enterprise has been able to interface and play an active role in the bureaucratic government environment. Although it is too early to judge the overall effectiveness of contract management, it is reasonable to conclude that many small communities would have been without transit services had contract management services not been available. The effectiveness of contract management in the long run would depend upon their ability to make the necessary adjustments for the transition from the initial building-up period to the long-term maintenance stage. Judging by the results obtained so far, the chances of making the adjustment seems to be good.

The present study of contract management was to some degree influenced by the present state of development in the transit industry. The lack of comparative objective performance data has limited system evaluation to more subjective measures of performance. Future research should make another attempt at the use of objective performance data in the study of the effectiveness of different types of organizations and management companies. An attempt should also be made to compare contract managed transit systems to those managed by public organizations.

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