Privatization of Urban Transit: A Different Perspective

ALAN BLACK

Although urban mass transportation began in the private sector, the public sector had taken over most U.S. transit systems by 1980. The Reagan administration reversed this trend by making privatization of transit a major policy approach. This policy has been controversial; it has been opposed by many transit officials, some members of Congress, and especially labor unions. There are numerous opportunities for private enterprise to become involved in mass transit, and the process has taken place increasingly in recent years. Privatization gets many favorable reviews: it is claimed that private firms are more economic, efficient, productive, flexible, and innovative in providing transit service. The emphasis has been on cost savings because transit operating costs have risen greatly in recent decades. There is ample evidence that private firms often achieve lower costs. There has been little study of the reasons for the cost savings. The existence of unions may be the significant factor, rather than whether the enterprise is public or private. The limited data available show that nonunion private workers receive much less compensation than public workers. Unionized private workers fall in between. The welfare of transit workers should be a matter of public concern. One important issue is whether private firms are exploiting their employees. This topic deserves further study because transit workers should not shoulder an undue burden for reducing the subsidies for transit service.

Privatization of urban transit was one of the major changes in transportation policy initiated during the 1980s. Most reports of experiences with privatization have emphasized the cost savings achieved when public transit authorities contract with private companies to replace services they formerly operated themselves. There has been relatively little study of the reasons for the economies, but there is growing evidence that they arise because most private firms use nonunion labor and offer lower wages and benefits. Privatization is therefore examined from the perspective of the impact on transit workers.

BACKGROUND

Urban mass transportation in this country originated wholly in the private sector. All of the early means of transit of the 19th century—the omnibus, the horsecar, the cablecar, the electric streetcar, and the elevated railway—were built, owned, and operated by private companies. Entrepreneurs took the risks; some failed but many made large profits. At first, there was intense competition, but over time stronger companies bought out weaker ones, and monopolies emerged in many cities.

Urban Planning Program, University of Kansas, Lawrence, Kans. 66045.

Public involvement in urban transit began with the construction of subways, which required huge capital investments. The first subways in Boston and New York were built with public funds, and long-term leases were given to private companies to operate them. The first municipal government to operate mass transit service was San Francisco, which in 1912 formed the San Francisco Municipal Railway to build two tunnels and operate streetcar routes in the western part of the city (*1*). Soon after, the street railways in Seattle and Detroit became publicly operated. New York built an independent subway system that was publicly owned and operated from the start. Private transit companies were not popular at the time because they had been involved in many scandals exposed by crusading journalists.

The usual reaction of government to cases of private corruption was to regulate the private firms more strictly, rather than to take them over. By 1940, only 20 transit systems in the country (2 percent of the total) were publicly owned (*2*). New York City bought out two private companies that year and made the whole subway system public. A few other large cities did likewise: Cleveland created a public transit system in 1942, Chicago in 1946, and Boston the following year.

During the 1950s, transit ridership fell precipitously, and many private companies began to lose money. When they raised fares, patronage declined further, leading to another fare hike, and a vicious cycle ensued. Eventually many companies went out of business, and hundreds of smaller cities lost all transit service. In some larger cities, where transit was considered essential, private firms were taken over by government or given subsidies to keep them going, although often at a reduced scale.

The Urban Mass Transportation Act of 1964 introduced federal grants for capital investment in transit, and they could be used to buy out private companies. All remaining large private transit firms, plus many smaller ones, went into public ownership during the 1960s and 1970s. By 1983, there were 599 publicly owned systems, representing 58 percent of all systems in the country. They owned 93 percent of the vehicles, operated 95 percent of the vehicle-miles, and carried 95 percent of the passenger trips (*2*).

The Urban Mass Transportation Act included two protections for private enterprise. Section 3(e) restricted the use of federal funds "for the operation of mass transportation facilities or equipment in competition with, or supplementary to, the service provided by an existing mass transportation company." Section 8(e) required that federally aided transportation plans and programs "shall encourage to the maximum extent feasible the participation of private enterprise." There were some efforts to avoid negative impacts on private

taxi companies, but otherwise little was made of these provisions.

In most metropolitan areas, all transit services were brought under one public transit authority. Most planners considered this desirable, as it permitted comprehensive planning and better coordination of services. Federal programs encouraged this: Federal aid had to go to public bodies (except for services for elderly and handicapped), and proposed changes had to fit into a metropolitan transportation plan.

However, the transit agencies were monopolies that could be indifferent to changing demand and hostile to competition. For example, the Washington Metropolitan Area Transit Authority refused to provide service to the new town of Reston, Virginia, claiming the route would not be cost-effective. In 1968, some Reston residents formed a commuter club and hired a private company to run express buses to downtown Washington (*3*).

The Reagan administration greatly revamped transportation policies. According to Smerk, "Mass transit is often viewed by the White House and the U.S. Department of Transportation as a particularly good example of wasteful allocation of resources by the public sector" (*1*,p.87). The administration repeatedly tried to terminate federal operating subsidies for transit. Congress resisted and the subsidies continued, but at lower levels. The budget of the Urban Mass Transportation Administration (UMTA) declined steadily during the 1980s.

The administration espoused a policy of privatizing urban transit, even though historically most private firms had left the business voluntarily. In 1984, UMTA issued a policy that "charged localities with the responsibility of demonstrating that they were *actively* encouraging private firms to participate in the provision of new and restructured local services. Unless UMTA was satisfied on this score, localities would not be able to obtain or retain matching funds for these services" (*4*,p.9). In 1986, UMTA published guidelines requiring applicants for transit aid to submit documentation of their privatization efforts, including analysis of whether existing public services could be provided by private operators.

This policy has been opposed by many transit officials, some members of Congress, and especially labor unions. Hence, in the words of Teal, privatization has "produced the most intense controversy of any federal transit policy initiative of the past twenty years" (*5*,p.10).

LABOR UNIONS

An account of the role of labor unions in the transit industry is appropriate. The industry has been highly organized since early in this century. The largest national union of transit workers, now called the Amalgamated Transit Union, was formed in 1892. A second major union, the Transport Workers Union, was created in 1934 and has jurisdiction in New York, Philadelphia, and a few other large cities. More than 95 percent of public transit systems in the country have unions (*6*).

In the last 25 years, the unions have obtained substantial increases in wages and benefits. Although many locals prefer arbitration as the means of resolving contract disputes, strikes do occur. They cause great disruption in large cities that are transit dependent (as happened in New York City in 1966 and 1980). Because of Section 13(c) of the Urban Mass Transportation Act (the labor protection clause), locals must sign off on applications for federal transit aid made by their employers. Allegedly this clause gives unions great power in bargaining with transit authorities, although this is a subject of debate. However, there is no doubt that the strength of the unions is a major reason why operating costs have risen sharply.

Work rules are important and may be elaborately specified in labor contracts. Transit workers usually receive premium payments for unattractive assignments. Because the demand for transit service is concentrated in two peak periods a day, it would be advantageous for management to put many operators on split shifts, with an unpaid break in the middle of the day. Workers find this schedule objectionable, so most contracts include premium payments based on the spread from first reporting to leaving for the day. Typical are the rules at the Massachusetts Bay Transportation Authority (MBTA): if the spread exceeds 10 hours, time-and-a-half is paid for the 11th and 12th hours, and double time for the 13th hour. A spread beyond 13 hours is prohibited.

Transit workers often have guaranteed minimum pay. In many cases, they are guaranteed at least 8 hours' pay for any day in which they must report for work. These guarantees originated as a way to dissuade management from using part-time workers. In the past decade, most public transit agencies have secured the right to hire part-time workers who do not receive the guarantees. However, this trend has not produced the anticipated cost savings for two reasons: (a) many contracts limit the number of part-timers to some small percentage of full-time workers, and (b) often management has made concessions in wages to get the right to hire part-timers (*7*).

Many transit workers routinely receive overtime pay, and some of them regard it as a prerequisite of seniority. The difficulty of scheduling transit service creates this situation. Often there are short pieces of work late in the day, and it is more economical to pay overtime than to put on another operator. This is one reason why unions are opposed to part-time workers.

Most public transit workers receive generous fringe benefits of the usual types: health insurance, pensions, sick leave, holidays, and vacations. The cost of fringe benefits can amount to 50 percent of the direct wage bill. Absenteeism has been a chronic problem in the industry, and sick pay is a major expense. Vacations start at a modest level, but workers with 20 years' experience may be entitled to 5 or 6 weeks off a year.

It is a matter of opinion whether union workers deserve these rewards. There has been some public reaction against them. In 1980, the Massachusetts legislature passed the *Management Rights Act*, which overrode key provisions of contracts between the MBTA and its unions. Among other things, the law prohibited cost-of-living adjustments in wages and authorized contracting with private firms and hiring part-time employees.

The justification for work rules is disputed. Schwieterman, a proponent of privatization, charged that "the most extreme examples of featherbedding, which have long disappeared from other sectors of the transportation industry, remain in-

tact in the U.S. transit industry" (*8*,p.1). But Barnum, an expert on transit labor, stated, "There have been few reports of extensive 'featherbedding' in the transit industry, as is alleged to occur on the railroads. There is little opportunity for such practices in bus systems. . . . Little featherbedding has been alleged on the rapid rail lines either" (*6*).

The unions have strenuously fought privatization. Teal stated, "It is a rare transit agency that can engage in service contracting without a major struggle with its labor force" (*9*,p.34). Although Section 13(c) protects job rights of existing transit workers, it does not cover newly created jobs. If a private firm gets a contract from a public agency, it is free to hire nonunion workers. The unions may find themselves with a shrinking portion of the transit labor force if private companies get more and more of the business.

OPPORTUNITIES FOR PRIVATE ENTERPRISE

There are numerous opportunities for private firms in urban transit. Actually they never totally left transit; many companies have continued to function in the field in various capacities, but they have remained in the background and have gotten little notice. The transit authorities have created the impression that all mass transit is public, which is not correct.

In some places, private firms supply all transit service under contract to public bodies. There are four private professional management firms that specialize in this business; they run 20 to 25 percent of the publicly owned systems. This includes some sizable operations; private companies provide all bus service in Honolulu, Phoenix, and Westchester County, New York.

More commonly, transit authorities contract with private companies for only part of their service or for certain specific functions. Smerk (*1*) described the following opportunities for the private sector:

1. Use of private firms to perform support activities, such as building and vehicle maintenance, vehicle cleaning, printing of schedules, advertising, and accounting.
2. Provision of demand-responsive transit, such as dial-a-ride or shared taxi. According to a national survey conducted in 1985, one-third of all demand-responsive services are contracted to private firms (*10*). Often these services are supplied by taxi companies, which have the most experience in providing door-to-door service. A majority of special services for the elderly and handicapped are run by private firms. Some transit agencies have replaced fixed routes that had low ridership with demand-responsive service provided by private carriers. Examples are routes in low-density areas and evening and weekend service.
3. Long commuter runs from residential areas to the central business district. Several private railroads continue to operate commuter trains under contract to public agencies, but the most common examples are express buses that run only in the peak period and peak direction. Private firms offer such services in Boston, New York, Chicago, Houston, Los Angeles, and several other cities. Often these routes tap high- or upper-middle-income areas and have high fares. Some of these services are subsidized, but some are not; this form of transit can be profitable (*11*). Some transit authorities welcome it because it skims off part of peak-period demand. The marginal cost of peak-period service is high because extra equipment and personnel are needed for a few hours a day and remain idle otherwise.
4. Joint development at transit stations. This idea is not new—it was done in some early subways—but it has received attention in recent years as a way of increasing income for transit agencies. An example from Atlanta is ReSurgens Plaza, a 27-story office building erected over the Lenox rail station. Passengers leaving trains walk a few feet to elevators that go to any floor of the building. The developer leased air rights from 40 ft above ground upward, plus toeholds for the columns that support the building.
5. Contracting out ordinary fixed routes to private operators. This is the notion that has gotten the most publicity about privatization. The idea is to solicit bids to operate individual routes. Supposedly private firms competing with each other will become more efficient to submit low bids, and the public will benefit from the improved efficiency. This approach has been implemented in many places. Perhaps the largest test is taking place in Denver; in 1988 the state legislature mandated that the Denver Regional Transportation District privatize at least 20 percent of its bus service.

Another scenario occurs in unique situations: A private company provides a specialized transit service as an adjunct of a larger enterprise. In Fort Worth, the Tandy Corporation runs free streetcars between a large parking lot and Tandy Center, a downtown shopping mall. For $7 million, the developer of Harbour Island in Tampa Bay built an automated people-mover that connects with downtown. After 15 years, it will be transferred to the transit authority for $1. Privately financed people-movers are also under construction at the Las Colinas new town near Dallas and in Las Vegas. In these cases, the transit system serves a real estate development from which the private firms benefit. Generally, the transit service itself is not expected to make money.

ARGUMENTS FOR PRIVATIZATION

Proponents of privatization do not claim private enterprise is always superior to public operation. In the past, they note, many private transit companies suffered from bad or corrupt management, and many were monopolies. The real issue is monopoly versus competition. As Teal noted, "Monopoly organization, particularly when combined with dedicated transit subsidies, insulates transit managers from economic or political pressures to stress cost-effectiveness when making service delivery decisions" (*9*,p.34).

When transit authorities have dedicated sources of funding, as many do, they may have little incentive to cut costs (*12*). A transit district that levies a sales tax receives the same amount of money whether or not it is efficient. It is not feasible to pass on cost savings by lowering the tax rate. The tax revenues are earmarked for the transit district and cannot be used for other public purposes. (However, if the agency has a tight budget, it may be highly interested in cost savings.)

Specific claims for privatization of transit are as follows:

1. It lowers the costs of providing transit service. Although a private firm under contract makes a profit, it costs are so much lower that the transit authority spends less money, and the public pays less in taxes. This is the most important argument because the operating costs of public transit systems have soared in recent years, causing many financial crises (*13*).

2. Private firms are more efficient than public agencies. According to former UMTA Administrator Ralph Stanley, "We've taken a look at the economics of running a bus system, and shown beyond a doubt that it's more efficient to be run privately" (*14*,p.12). It is argued that private firms have better management because compensation is more closely related to performance and not limited by rigid pay scales.

3. Private firms have higher productivity than public agencies. There are several measures of productivity in transit, such as vehicle-miles supplied per worker or passengers carried per worker. The recent record of transit has not been good. By most measures, productivity has been stagnant or has actually declined. Even when there have been increases, they have been less than increases in costs (*13*).

4. Private firms are more flexible than public agencies. They can adapt to changing situations better and more quickly. Private companies are less hampered by bureaucratic procedures and more immune to political influence. A private boss can fire a worker who is performing badly, but this may be difficult in a civil service system. A private manager tries to cut out parts of the business that lose money; public officials are reluctant to cut services because of the political risk.

5. Private firms are more innovative, more responsive to changes in demand, more willing to take risks. For example, in New York City, a multitude of private services has emerged spontaneously to fill gaps left by the Transit Authority (*15*). Private entrepreneurs are motivated by the possibility of large profits; public employees do not have this incentive and are more concerned with security. They can suffer harsh penalties for being wrong, so it is wisest to follow the rules and maintain the status quo.

These arguments are based on the virtues of competition, and some people have questioned the extent to which privatization produces competition. Because the public sector has long dominated urban transit, there are relatively few private firms equipped to supply bus service to the general public. Sometimes there have been no responses to a call for bids, or only a single response.

Hence, competitive bidding may not occur; many contracts are negotiated. Although the majority of contracts are for 1 year, often contracts are renewed without seeking new bids. It is alleged that some firms "low-ball" their first bids, meaning they offer an initial price below what they would have to charge in the long run to be profitable (*4*). In this way, they establish market position and can raise prices later.

However, it is argued that free entry to the market poses the threat of potential competition, which forces a monopoly to act in a competitive manner. Morlok stated that "there need not be overt competition between prospective service producers to provide the pressure necessary to keep costs low. All that is necessary is the possibility that another firm could enter the market if the present producer became inefficient" (*16*,p.56).

COMPARISON OF PUBLIC AND PRIVATE COSTS

There have been many studies comparing the costs of transit services operated by public agencies and private companies. It is difficult to make fair comparisons because so many factors vary. As Teal noted, "Only in the case where a private operator replaces or is a substitute for public agency operation of an entire public transportation service can any precision be attached to cost savings" (*9*,p.32). This case is rare; many comparisons involve different cities or different routes. Although the costs of private firms are known from contracts, it is much harder to determine public agency costs for individual routes that are only part of a system. Often, these are estimated from cost allocation models that involve considerable uncertainty.

There are systematic biases that can mask the comparison of public versus private. Costs tend to be lower in small cities than in large metropolitan areas, partly because wage rates are lower. Generally unit costs are lower for small systems than large ones; there do not appear to be economies of scale in bus operation (*16*). The private operations are small to medium-sized; all of the large systems in the country are public.

Teal has probably collected the most data on comparative costs. In one paper, he concluded that "private sector contracting can produce cost savings of 15 to 60 percent" (*9*,p.28). For all-day, fixed-route bus systems, he found that private contractors achieved savings ranging from 22 to 54 percent. For commuter bus services, private contractors had cost advantages ranging from 25 to 58 percent. For demand-responsive service for the general public, the cost savings were around 50 percent, with one exception.

Later, Teal conducted a national mail survey of public transit sponsors which yielded more than 800 responses (*10*). About 35 percent of the agencies contracted for at least part of their service. The survey revealed small differences between average public and private costs; for small systems (up to 50 vehicles), private costs were less than 10 percent lower. For medium-sized systems, cost advantages of private firms ranged from 9 to 23 percent.

Morlok reviewed several studies and concluded that "those cases in which competitive bidding was used resulted in private firms being able to produce the transit service at a lower cost—typically about 50 percent less—than the public regional authority could" (*16*,p.56). He noted that some private firms with noncompetitive contracts were more expensive than public agencies.

In New York City, six private companies operate local bus service, primarily in Queens. Researchers at Columbia University studied these firms and compared them with the TA. They found that "The private companies as a group are consistently more efficient and more cost-effective than the NYCTA. In 1984, operating cost per vehicle-mile for the privates was 76 percent of the TA level, while the privates obtained 74 percent more vehicle-miles per employee hour" (*17*,p.562).

Rosenbloom has done extensive research on transportation services for the elderly and handicapped, an area in which private firms have been active for many years. She found that cost per trip spans a wide range both for private and public providers and there is considerable overlap (*18*).

WHY PRIVATE COSTS ARE LOWER

Thus there is considerable evidence that private firms can supply transit services at lower cost than public agencies. Whether this outcome is desirable, as advocates of privatization see it, depends on why private costs are lower. There has been little research designed to probe the reasons why private firms have lower costs and to measure their impacts.

Critics of privatization have suggested that the cost comparisons are specious. Sclar et al. (*4*) argued that there is a bias because the fully allocated costs of a public system are compared with the incremental costs of a private firm for operating one or a few routes. The public costs include overhead, administration, planning, etc., whereas the private costs do not.

Another argument is that private firms lower the quality of service. Teal noted that, "the fact that negative experiences do occur gives credence to the belief of many transit managers that service quality can be a problem in contracting" (*9*,p.35). Hence the public agency should carefully specify quality standards in contracts and monitor performance of private firms. This extra effort means that the private firms' costs are not the full costs of contracting.

These points are valid, but they cannot explain all of the large cost differences reported. Undoubtedly, some private companies do manage better than public agencies. Here are some examples: (a) private firms use smaller vehicles (minibuses and vans) that are sufficient for low demand, whereas a transit authority may have only full-sized buses available; (b) the privates spend less on spare parts (federal aid makes it attractive for public agencies to stock parts); (c) the privates schedule their workforce more efficiently, paying less overtime and keeping fewer operators on standby; and (d) private firms use part-time workers much more than public agencies.

It appears that many private firms have lower overhead. In part, this is because they tend to be small enterprises, and evidence suggests there are diseconomies of scale in bus systems. It is often alleged that public agencies are swollen bureaucracies with redundant staff, and it may be true. Whatever the reason, private companies seem to have fewer employees who are not engaged in the actual delivery of transportation services.

Political interference raises costs in some public transit systems. In particular, proposals to reduce service often generate neighborhood protests that reach the ears of elected officials. Transit authority boards of directors are frequently political appointees who are sensitive to such reactions. In addition, there are patronage jobs at some transit agencies.

However, the major reason why private costs are lower is that the workers receive less income. Transit service is labor-intensive; nationally, labor costs (including fringe benefits) made up 72 percent of operating costs in 1988 (*2*). Despite publicity about energy costs, they account for less than 10 percent of operating costs. The main way to reduce total costs is to cut labor costs. As Rosenbloom noted, "Some of the current cost advantages enjoyed by private providers are simply a result of lower labor costs and not more efficient management or production" (*18*,p.44).

The private companies achieve lower labor costs mainly because they use nonunion labor, pay lower wages, and offer fewer benefits. For example, bus drivers for the Kansas City Area Transportation Authority, who have a union, get a top scale of $13.07 per hour. In nearby Johnson County, Kansas, where a private firm supplies the service and there is no union, the maximum wage is $7.00 an hour. According to a Florida union official, private firms "can hire people easily for half the price that they pay our people" (*14*,p.68).

The presence or absence of unions may be the significant factor, rather than whether the enterprise is public or private. What is needed to clarify the issue is a 2×2 table comparing union versus nonunion as well as public versus private. Because almost all public transit agencies have unions, the cell for public, nonunion systems would be virtually empty.

That workers at some private transit companies do have unions is especially true of older companies that escaped the transition to public ownership. The spread of transit unions occurred in the era when the transit industry was mostly in the private sector. But today, private company locals are small and weak compared to those at large public transit authorities. A union that can severely disrupt the daily travel pattern of a major metropolis is to be feared; one that controls a minor bus service has little clout.

Although there has been no national comparison of transit labor costs, there is one relevant study. Peterson et al. (*19*) collected data on transit worker compensation in eight metropolitan areas (Boston, Chicago, Detroit, Houston, Los Angeles, New York, Seattle, and Washington). This sample was not systematic, but these areas contained 35 percent of public bus operators in the country and 95 percent of rail operators. The study showed that on the average, the compensation level (wages plus fringe benefits) for unionized bus drivers at private companies was 21 percent less than for public agency bus drivers. Compensation for nonunionized bus drivers at private companies was 45 percent lower than for drivers at public systems.

In the Boston area, 16 private companies as well as the MBTA offer bus service. In 1988, the maximum hourly wage for an MBTA bus driver was $14.63. Nine private companies with unions paid drivers an average top wage of $10.00 per hour. The average for seven private companies without unions was $8.79.

Lower labor costs stem from differences in fringe benefits and work rules as well as hourly wage rates. Herzenberg (*20*) did a detailed cost analysis of 12 MBTA bus routes that were considered good candidates for privatization. She concluded that the MBTA could save about $12,000 a day by contracting with private firms to provide drivers and maintenance (this is equivalent to at least $3 million a year). The total was broken down as follows: $2,000 to $4,000 from the difference in basic wage rates, $3,700 from fringe benefits, $1,400 from work rules, and $3,000 to $4,000 from maintenance labor costs.

The New York case mentioned earlier is interesting because all of the private companies were unionized and their wage rates were close to what the transit authority paid. Even so, the private firms had much lower labor costs, largely because of work rules; they did not pay penalties for split shifts, resulting in a 30 percent saving in operator costs (*17*).

THE IMPACT ON TRANSIT WORKERS

Most writers on privatization realize that cost reductions result from lower wages and using nonunion workers, but many see

no objection to this. Some argue that the private company workers are satisfied because they might not have jobs otherwise, and there are compensating advantages. Morlok (*16*) suggested several reasons why employees of small private firms might be content with their situation:

1. "Workers seem willing to trade off the increased recognition of their work and importance of their position in a smaller firm for somewhat lower wages."
2. "There is probably less chance of a labor-management agreement in small firms specifying regulations that lead to some workers being paid for time during which no work is performed. In a small firm, there tends to be a lack of anonymity among workers, and workers in jobs that require a full effort would be aware and resentful of other workers with an easy job or nothing to do."
3. "Firms that are successful in keeping wages low seem to choose their workers carefully. Often they try to hire persons who want to work part time only and who are not the main breadwinners for their families."

With regard to the last point, a study of part-time operators at public transit agencies found that the majority would prefer full-time work (*7*). It was expected that most part-timers would be college students, retirees, or mothers of young children who wanted permanent part-time work. Instead, most were people unable to find any full-time jobs. The supply of part-time workers responded to the economic cycle; it went up when the unemployment rate was high, and down when it was low. Possibly, private firms do better at recruiting people who truly want part-time work, but it is not proven.

Others believe that unionized transit workers are overpaid and get extravagant benefits. Transit operators are semiskilled blue-collar workers; there are no education requirements and their training is brief. However, they bear a sizable responsibility for public safety and their work is not easy. It is difficult to determine fair wages by comparing with other occupations. Peterson et al. (*19*) found that in the eight metropolitan areas they studied, on the average public bus drivers received compensation 5 percent greater than public elementary school teachers, but 20 percent less than police officers.

Some investigators have pointed disparagingly to the high absenteeism record of public transit workers. Fielding (*21*) claimed that private transit companies have less absenteeism, and this is a major reason for their lower costs. Most transit labor contracts impose a waiting period before workers receive any sick pay, and then they must submit a doctor's confirmation. It is common for transit workers to take unpaid days off; this procedure is positively correlated with the availability of overtime (*22*).

Absenteeism stems at least in part from occupational health hazards. In a review of numerous studies, Long and Perry found that, "transit operators appear to be more susceptible to health disorders such as hypertension, gastrointestinal disorders, nervous disorders, and back problems than a variety of occupational groups" (*22*,p.257). Major factors contributing to stress are exposure to violence, dealing with difficult passengers, and pressure to keep to schedule in congested traffic.

Some regard privatization as a way to break the power of transit unions and force concessions. Schwieterman and Schofer recommended that "government should use the presence of the private sector as a basis for strengthening its bargaining position with organized labor and contract carriers. Efforts to modernize work rules, eliminate featherbedding, allow split-shifts and other cost containment measures should be intensified" (*23*,p.36).

Transit privatization has also occurred in Britain, which deregulated all local bus services outside Greater London in 1986. According to Gomez-Ibanez and Meyer, "The clearest losers from deregulation so far have been unionized local bus workers since they have suffered reductions in both their wage and premium rates and in the levels of total employment" (*24*,p.93).

Some believe the situation is temporary; eventually employees of private transit firms will form unions and their wages will go up. This process is uncertain. Teal commented, "the prospects for organizing the employees of the private contractor are not particularly bright, as a policy of competitive procurement of services will favor private companies with low-to-moderate wages" (*5*,p.11). That is, companies that pay higher wages won't get much business.

The transit unions have indeed secured substantial wage increases and other benefits for their members in the past 25 years. It is debatable whether these benefits should be curtailed. It may seem appealing to achieve efficiency by eliminating work rules that invoke penalties for split shifts. But split shifts are unpleasant; there may be a span of 13 hours between first reporting to work and finally leaving for the day. It is reasonable that some financial compensation be given for working under undesirable conditions.

The welfare of transit workers should be a matter of public concern. For one thing, there are increasing proportions of blacks, Hispanics, and women in the transit labor force. The issues about privatization involve ethics and equity, not just efficiency and economy. One important issue is whether private firms are taking advantage of their employees.

This topic deserves more research. There should be a comprehensive comparison of public and private transit operators with regard to basic wage rates, fringe benefits, work rules (including premium payments), and use of part-time workers. Also needed is investigation of the quality of work life for employees of private transit firms. Evidence on this could come from surveys and interviews, but also from data on attrition, absenteeism, on-the-job injuries, grievances, and attempts to organize unions.

CONCLUSIONS

There are advantages in encouraging private firms to enter the transit business. In some cases, they do operate services more efficiently, probably because they are less affected by bureaucratic and political constraints. There is no compelling reason why public transit authorities should be monopolies, although they should be given the opportunity to coordinate private services with their own operations. The existence of private competitors should stimulate transit authorities to improve their marketing and management. Some of the cost-saving measures used by private companies could be adopted by public agencies.

The reason for the cost savings reported for private firms needs more thorough study. The savings may have been

achieved largely at the expense of transit workers. Herzenberg framed the issue well: "Policy makers deciding whether or not to subcontract private operators to provide drivers and maintenance services should understand that, in doing so, they are implying that the wages and working conditions for MBTA drivers are less reasonable than those for private company drivers" (*20*,p.130).

The role of labor unions is an important aspect of privatization that has been neglected. A policy on privatization implies a position on unions. Those who favor collective bargaining should be skeptical about privatization. Those who think unions have achieved too much power should find privatization agreeable. In either case, the existence of unions is a fact of life that transit policy makers cannot ignore.

More important is the question whether privatization leads to exploitation of transit workers. Transit subsidies are often justified on the grounds that they redistribute income to the disadvantaged. Privatization shifts some of the burden for this from the general taxpaying public to those individuals who are employed in the transit industry (and who themselves may be poor, female, or minority).

There is reason to fear that private firms exploit their workers by paying them less than the public authorities and offering less desirable working conditions. This topic deserves further research. If it is true, and privatization is to continue, then legislators should consider arranging some protection for the employees of private transit companies.

REFERENCES

1. G. M. Smerk. Urban Mass Transportation: From Private to Public to Privatization. *Transportation Journal*, Vol. 26, No. 1, Fall 1986, pp. 83–91.
2. *Transit Fact Book.* American Public Transit Association, Washington, D.C., annual.
3. R. F. Kirby et al. *Para-Transit: Neglected Options for Urban Mobility.* The Urban Institute, Washington, D.C., 1974.
4. E. D. Sclar, K. H. Schaeffer, and R. Brandwein. *The Emperor's New Clothes: Transit Privatization and Public Policy.* Economic Policy Institute, Washington, D.C., 1989.
5. R. F. Teal. Transportation Privatization: Experience and Issues. *Urban Resources*, Vol. 4, No. 1, 1987, pp. 7–12.
6. D. T. Barnum. *From Private to Public: Labor Relations in Urban Mass Transit.* College of Business Administration, Texas Technical University, Lubbock, Tex., 1977.
7. K. M. Chomitz, G. Giuliano, and C. A. Lave. *Fiscal and Organizational Impacts of Part-Time Labor in Public Transit.* UMTA, U.S. Department of Transportation, 1985.
8. J. P. Schwieterman. Labor Costs in Urban Mass Transit: A Case for Regulatory Reform. In *Transportation Research Record 1012*, TRB, National Research Council, Washington, D.C., 1985, pp. 1–7.
9. R. F. Teal. Transit Service Contracting: Experiences and Issues. In *Transportation Research Record 1036*, TRB, National Research Council, Washington, D.C., 1985, pp. 28–36.
10. R. F. Teal. Public Transit Service Contracting: A Status Report. *Transportation Quarterly*, Vol. 42, No. 2, April 1988, pp. 207–222.
11. E. K. Morlok and P. A. Viton. Feasibility of Profitable Transit Service in Radial Urban Corridors. In *Transportation Research Record 980*, TRB, National Research Council, Washington, D.C., 1984, pp. 46–54.
12. J. Pucher. Effects of Subsidies on Transit Costs. *Transportation Quarterly*, Vol. 36, No. 4. Oct. 1982, pp. 549–562.
13. D. H. Pickrell. Sources of Rising Operating Deficits in Urban Bus Transit. In *Transportation Research Record 915*, TRB, National Research Council, Washington, D.C., 1983, pp. 18–24.
14. A. Ryan. Public vs. Private: Testing Buses in Miami. *Mass Transit*, Vol. 14, No. 1/2, Jan.-Feb. 1987, pp. 12, 68.
15. S. Grava, E. Sclar, and C. Downs. *The Potentials and Problems of Private Sector Transportation Services: Activities in the New York Region.* UMTA, U.S. Department of Transportation 1987.
16. E. K. Morlok. Economics of Private Operator Service. In *Transportation Research Record 980*, TRB, National Research Council, Washington, D.C., 1984, pp. 55–59.
17. C. Downs. Private and Public Local Bus Services Compared: The Case of New York City. *Transportation Quarterly*, Vol. 42, No. 4, Oct. 1988, pp. 553–570.
18. S. Rosenbloom. Role of the Private Sector in the Delivery of Transportation Services to the Elderly and Handicapped in the United States. In *Transportation Research Record 1170*, TRB, National Research Council, Washington, D.C., 1988, pp. 39–45.
19. G. E. Peterson, W. G. Davis, Jr., and C. Walker. *Total Compensation of Mass Transit Employees in Large Metropolitan Areas.* The Urban Institute, Washington, D.C., 1986.
20. A. Y. Herzenberg. *Who Should Run Boston's Buses?* M.S. thesis, Massachusetts Institute of Technology, Cambridge, 1982.
21. G. F. Fielding. *Managing Public Transit Strategically: A Comprehensive Approach to Strengthening Service and Monitoring Performance.* Jossey-Bass Publishers, San Francisco, 1987.
22. L. Long and J. L. Perry. Economic and Occupational Causes of Transit Operator Absenteeism: A Review of Research. *Transport Reviews*, Vol. 5, No. 3, 1985, pp. 247–267.
23. J. P. Schwieterman and J. L. Schofer. Effects of Competition from the Private Sector on the Efficiency of Mass Transit: A Case Study. In *Transportation Research Record 980*, TRB, National Research Council, Washington, D.C., 1984, pp. 31–37.
24. J. A. Gomez-Ibanez and J. R. Meyer. *Deregulating Urban Bus Service: Britain's Early Experience and the Lessons for the United States.* UMTA, U.S. Department of Transportation, 1987.

Publication of this paper sponsored by Committee on Public Transportation Planning and Development.