

Abridgment

Access to Jobs: A Public Transit Agency's Initiative for Privately Operated Service

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An ongoing Federal Transit Administration (FTA) Entrepreneurial Services Challenge Grant program called "Access to Jobs" is described. FTA presented the Maryland Mass Transit Administration with the 1991 Administrator's Award for Excellence in Service Enhancement in recognition of this local effort to encourage privately operated van and minibus service. This program builds on the principles of a free market: rules and oversight are kept to a minimum, transportation providers and employers are expected to work in their own self-interest, and providers are given financial assistance based on results. Access to Jobs can serve as a regional model for fostering privately operated local service.

At a recent TRB committee meeting on bus transit systems, a committee member proclaimed that the push for private transit is simply an effort to dismantle public transit. The Maryland Mass Transit Administration (MTA) aims to challenge this opinion with a program called "Access to Jobs."

In 1988, MTA was asked by a progressive local transportation provider (Yellow Transportation, Inc.) and the Baltimore Regional Council of Governments to act as the grant sponsor for a Federal Transit Administration (FTA) Entrepreneurial Services Challenge Grant. Although impressed by the proposal, MTA responded that signing off on it would give an unfair advantage to a single provider. As a result, MTA tailored a Baltimore regional program based on the principles of the federal program. In recognition of the Access to Jobs program, FTA awarded MTA its 1991 Administrator's Award for Excellence in Service Enhancement.

In 1990, FTA accorded MTA a \$550,000 3-year grant to prove the feasibility of a regionally managed program. Beyond the FTA funding with its \$150,000 state match, providers will contribute \$125,000 in capital funding. The start has been promising. Yellow Transportation started the first Access to Jobs service, a single van operating between two suburban counties. The sponsoring employer was the financial investment company T. Rowe Price, Inc. Although this service stopped operating after 3 months, MTA gained valuable experience and continues to promote the program to employers. This paper describes the program, identifies its benefits, and points out the lessons learned.

PURPOSE

The combination of the shift of jobs to suburban areas and the high cost of providing transit for these locations resulted

in the creation of this program to foster private transit. The phrase MTA uses to describe this program is, "A customized transit service provided by private operators for suburban employers."

The intent of the program is to create self-sufficient services. Thus, the key determination in awarding grants is the promise of financial success. This emphasis on financial success places far greater importance on marketplace considerations than does traditional public sector service planning.

STRUCTURE

The basic structure of the program encourages providers to submit to MTA proposals to operate commuter van and minibus service in places or at times of the day without existing transit service. Service characteristics are generally decided jointly by sponsoring employers and providers. For accepted proposals, providers will receive monthly payments from MTA equal to roughly a quarter of total service costs.

The program uses a grant-in-aid approach for distributing financial aid. This process permits providers to request funding assistance in much the same way universities obtain research funds. MTA funds proposals judged to have sufficient merit on a first-come, first-served basis. The very essence of the program requires that the initiative remain with providers and sponsoring employers. The competitive procurement process and its tight uniform structure would, in contrast, require detailed planning and considerably more government money.

MTA promotes the program in two ways. One is the enlistment of private operators that are ready, willing, and able to deliver transit services. To date, 11 providers have registered for the program. These providers are included in a "provider list," which spells out key points of interest to employers considering the program. MTA does not restrict any provider from registering. Instead, the provider list gives objective information that enables employers to make their own assessment of registered providers.

The second way MTA promotes the program is through an outreach effort directed at suburban employers. MTA estimates that a typical 35-min one-way trip with a privately operated van service could cost an employee \$6.00/day. Such fares become a major hardship for low-wage workers. However, because certain employers stand to gain greatly by reaching new labor markets, they are the most logical group to buy down transit fares of their own workers. MTA aims to get the message to employers that, compared with parking costs,

the Access to Jobs program can solve their labor shortage problems for a reasonable cost.

To date, MTA has sent program brochures to 800 employers, held group meetings sponsored by private industrial councils and chambers of commerce, promoted the program in the media and in business newsletters, and individually met with over 25 employers.

ADVISORY COMMITTEE

Although MTA is directly responsible for program administration, the innovative structure of the program created a need for an advisory committee to oversee the program and to make recommendations on provider grant applications. Its members consist of representatives from the six jurisdictions of the Baltimore region, the Baltimore Regional Council of Governments, the state Department of Economic and Employment Development, the state Department of Transportation of which MTA is a part, and the Greater Baltimore Committee (a chamber of commerce). In addition, the Maryland Public Service Commission and two transportation management associations participate.

FTA REQUIREMENTS

Because FTA funds the Access to Jobs program, certain federal requirements exist. FTA has been flexible when the requirements became impediments to the program. For example, FTA allowed the grant period to be extended to 2 years when providers and the advisory committee strongly objected to a 1-year period.

The following is a list of FTA requirements related to the Access to Jobs program:

1. Must be open-door service (public can ride);
2. Must be new service (conditional exceptions are possible);
3. Must not compete with preexisting private service;
4. Must not receive other government subsidies;
5. Must be wheelchair-accessible service;
6. MTA must not take title to program vehicles;
7. Capital grants must not exceed 75 percent of vehicle cost;
8. Minimum 25 percent in-kind capital contribution is required;
9. Grants must not exceed 2 years;
10. Providers contributing additional in-kind capital must receive special consideration;
11. Small and minority businesses must receive special consideration;
12. Proposals that can be carried out quickly must receive special consideration; and
13. Providers must submit Section 15 ridership and mileage data.

The requirements helped to define the program. The special considerations have not become an issue because MTA has

yet to be in the situation of making selections between proposals.

APPLICATION PROCESS

Only providers are eligible to submit the two-part application for grants. The first part, a proposer's questionnaire, establishes the provider's interest in the program and consists of information useful to employers in deciding which provider to contract (e.g., insurance coverage, experience, vehicles in fleet, and safety record).

The application requires typical transit service information—routing, schedules, trips, vehicles required, stops, fares, etc. In addition, a provider must project financial data on service cost and revenue for 3 years. These data allow both MTA and the advisory committee to assess the prospects for financial success of the proposed service.

REVIEW OF PROPOSALS

MTA, with the assistance of the advisory committee, reviews and approves grant applications based on three sets of criteria.

The first set is constraints. MTA added several requirements to the FTA requirements. Service must be principally work trip related. This requirement focuses the program on jobs. Providers must obtain Public Service Commission authority to operate, which means that providers meet minimum safety and insurance standards. MTA also stipulates that proposed service cannot compete with existing MTA service and that vehicles operated should be smaller than full-sized transit buses. If service justifies full-sized buses, MTA believes that such service should be integrated into the MTA system.

The second set of criteria is the core of the evaluation process. After meeting the constraints, the proposal is assessed by MTA and the advisory committee for reasonableness and the core evaluation factors. These include whether the fares, ridership projections, revenue projections, schedules, and cost estimates are reasonable.

The third set of criteria consists of special considerations used in considering awards once the first two are judged acceptable. To the FTA list of special considerations, MTA added two factors—3 years or more of experience and coordination with existing public transportation.

To date, MTA has formally reviewed three service proposals. The advisory committee and MTA have approved two of the three routes requested.

BENEFITS TO EMPLOYERS

Employers are key to the success of the Access to Jobs program. If they do not foresee sufficient benefit from sponsoring transit service, the program cannot succeed. Employers stand to gain in several ways from this program.

It is common for low-wage workers to be without automobiles. This lack of personal transportation combines with the shift to low-density suburban employment sites to signal the need for new transit options. If employers experience trouble in recruiting needed workers, they will act. As one

midsized employer frankly put it, "When the lack of public transportation clearly hurts our profitability, we will pay for this kind of service."

Many low-income suburban workers carpool in unreliable old cars. Others walk long distances from existing bus routes in areas that often are without sidewalks and lighting. Access to Jobs can bring new convenience to such workers, which translates into more reliability through reduced absenteeism, less turnover, and reduced retraining.

Starting an Access to Jobs service can involve other financial advantages for employers. Because the employers select and negotiate with the providers, the program should lead to less expensive services. Employers also may benefit from federal subsidies and tax credits for hiring residents of poverty areas and by avoiding the construction of new parking facilities.

BENEFITS TO PROVIDERS

The main financial benefit of the program is the 75 percent capital assistance. This assistance, which comes directly from FTA's support, is distributed based on per-vehicle mileage rates. MTA established two depreciation rates. The rate for automobiles and minivans is \$0.20/mi and, for larger vehicles, \$0.30/mi. These rates take into consideration vehicle costs, including spare vehicles, and sales tax. Costs were divided by average vehicle mileage expectancy. The 25 percent provider match was included to arrive at the per-mile capital reimbursement rates. MTA pays these rates monthly for both revenue and deadhead mileage.

Besides the FTA capital assistance, the program distributes up to \$10,000 in state money for marketing per provider. MTA sees this money as helping to offset the cost of promoting service and carrying on management activities. MTA distributes this money in the same way it distributes the capital assistance portion.

Although MTA informs providers that they are responsible for finding their own business, the program brings employers and providers together through the employer outreach effort. In addition, the program offers other assistance to providers, including help with ridership analysis, service planning, and marketing.

BENEFITS TO TRANSIT AGENCY

MTA sees three basic reasons why a transit agency should consider starting a program similar to Access to Jobs. First, it helps fulfill its mission of increasing public mobility. Second, it provides an inexpensive way to expand service. Third, it provides political benefits.

All transit agencies face some financial constraints. Therefore, when public transit agencies promote inexpensive private transit, public transit dollars will go further. MTA estimates that privately operated van and minibus service costs less than half of what it would cost to operate service itself.

Any government agency needs to be aware of political considerations. The single largest funding source for MTA is the state. Jobs, as well as political power, have shifted to the

suburbs. Common sense requires that suburban legislators need to see services for their constituents. Additionally, it is increasingly important that persons receiving public assistance have access to employment opportunities.

LESSONS LEARNED

The following lessons already have been learned:

1. Employers are key to the expansion of transit to suburban job sites. The low-density nature of suburban employment means that public transit agencies cannot afford to provide traditional service to these areas. As reverse commuting increases, more suburban employers will financially support transit service. However, with little transit experience, most employers are initially shocked by the cost of service. Also, the current recession has reduced the need and the resources to initiate transit activities.

2. Keep the program procedures as simple as possible. To make the accounting process manageable, MTA developed uniform per-mile reimbursement rates. The more a reimbursement formula reflects a provider's actual expenses, the more complex the program becomes. Such complexity can confuse providers and cause accounting problems.

3. Building accountability into the program discourages less-qualified providers. Some providers and many persons interested in becoming providers expect financial assistance before any service is operating. Most of these providers do not register for the program.

4. The advisory committee is extremely useful in the start-up phase and in reviewing applications. However, as policy issues are resolved, its involvement decreases and interest declines. Coordination with the regulatory agency responsible for overseeing private for-hire transportation is essential because overlapping regulatory authority could inhibit program success.

5. Flexibility in program structure is essential. The grant-in-aid structure guarantees that providers will keep the business they develop rather than lose it to other providers through a competitive procurement process.

CONCLUSION

MTA is confident that the Access to Jobs program rests on the sound principle of helping providers and employers do what is in their own best interests, while maintaining a high level of accountability. Although the current economic recession has essentially left it untested, the program is in place to respond immediately. In the meantime, MTA continues marketing the program and is pursuing ways to increase the financial assistance for providers.

Jimmy Yu of FTA's Office of Private Sector Initiatives advised MTA that this program will raise questions that neither FTA nor MTA will initially know how to answer. According to Yu, "Approaches and various aspects of the program will surely need refinement as the program gains experience."