

the team which is important to the total success of a system and not just a source of funds to construct the system or an adversary of the public;

4. A single credible and authoritative office with which the private development community can deal and who can make or obtain decisions promptly; (emphasized over and over in the discussion);
5. The use of development incentives such as density bonuses, tax-exempt financing, federally-funded financial assistance through UDAG or other programs, exclusive access to stations, favorable lease provisions for transit properties to attract private developer and investor interest in developing to support transit, economic development, and urban design objectives;
6. Commitment to the project and project objectives but maintenance of sufficient flexibility to be able to deal with changing market and financial conditions, with unanticipated site conditions or design requirements, or new opportunities;
7. The use of negotiated development approvals with trade-offs for density bonuses, zoning changes, variances, PUD approvals, public improvements, and air rights transfers. Important public or transit benefits can be development of amenities, contribution to station development or operating costs, of right-of-way easements through private property for station access, or private development of required facilities;
8. The use of general benefit assessment districts to recapture transit benefits and to finance part of the system costs.

In general, the experience reported in New York City provided to be most illustrative of the variety of possibilities of public-private deals linking transit and private development. Most of those present were not aware of the large number or innovative character of the projects in New York which suggests the need for better monitoring and dissemination of reports on such activities than is currently occurring.

At the federal level, policy appears to be in a transition stage with Urban Mass Transportation Administration officials now exploring new financing strategies which reinforce joint public-private ventures that improve transit economics. Chuck Graves advised that UMTA has decided that revenues from leasing real property can be used for capital or operating costs (any purpose authorized by statute). He reported that UMTA has not decided whether UMTA Section 3 discretionary funds and Section 9 formula funds can be used to fund excess land acquisition or infrastructure to support private real estate development.

B. Transportation Management in Large Scale Suburban Developments

William Eager, TDA, Inc.,
Moderator

What Is Transportation Management?

This workshop, a panel of twelve highly qualified speakers, represented a variety of interests and approaches. Included were those representing the private development sector, public officials, and those representing employer associations.

Travel demand has continued to grow, while, at the same time, public funds for construction of capital transportation facilities have been declining. As discussed by the panel, transportation management refers to a variety of responses to this gap between demand and supply. Transportation management is commonly used to cover the activities of ridersharing (carpooling, vanpooling, subscription transit), other programs to encourage transit ridership, and parking management. Also included under this umbrella were private-sector programs to fund and build streets and highways.

The objectives of these transportation management programs include:

Response to governmental regulation.

In some areas local government is mandating that private development projects establish or participate in transportation management programs and/or that they help fund local street and highway improvements.

- * Marketing. In some cases private development projects provide ridersharing or special transit programs as one of the amenities offered in marketing the project.

- * Response to Congestion. In some cases the purpose of the transportation management program is to ease existing roadway congestion. In others, projections of congestion have created limits on the amount of development that may occur. An effective transportation management program may raise the amount of development that can happen within the capacity of the capital transportation facility.

What Is Being Done?

In response to these needs, there have been a variety of programs. Summarizing:

1. Several of the projects provide management, marketing, and outreach activities to encouraging ridesharing.
2. Associations of employers are being formed to bring economies of scale to transportation management programs.
3. The basis for determining the amount of private contribution to highway improvement programs ranges from setting the amount equal to the difference between cost of the construction and the amount of public funds available (the take-it-or-leave-it approach), to a fixed charge per square foot or per daily trip. A variation makes payments equal to the amount of improvement that is required to maintain satisfactory levels of operating service.
4. Some projects directly provide transportation vanpools or transit.
5. At least one association has been instrumental in fostering the development of high occupancy vehicle lanes on highways.

Summary

So far most of the activities have been responses to immediate problems. It is too early in the process to have generated a framework within which to judge the equity, performance, and precedent of these programs. On this latter point, some concern was expressed that the more the private sector indicates willingness to pay to get improvements underway, the more government will pull back. This suggests that there is a need for a set of principles or a framework within which to judge equity.

So far it is difficult to show the economic benefits of some of the transportation management programs. Their value as an alternative available to individual employees at times they need it or to a larger society in times of energy shortage, for example, may be as important as actual day-to-day change in the transportation characteristics.

II. MAKING MORE EFFECTIVE USE OF PRIVATE PROVIDERS

A. Service Contracting

Wendell Cox, Los Angeles County
Transportation Commission,
Moderator

The public transit industry faces two great challenges. First, costs have been insufficiently controlled, rising more than 60 percent ahead of inflation from 1976 to 1982. Second, conventional public transit services have not adequately met the mobility needs of lower demand areas. To maintain service within constrained budgets, public transit authorities have increasingly contracted for service with private providers. The trend began with smaller agencies and has spread now to the largest transit authorities. A variety of services are being contracted, ranging from demand responsive to conventional fixed route.

Because of the importance of this emerging public-private service alliance, the Conference on Transportation Partnerships included service contracting as a primary topic. Experts from both the public and the private sectors participated. A summary of recurring themes follows.

Cost Effectiveness

Comparable service can be provided by private operators for a minimum cost savings of 35 percent. Often, vehicles are supplied by the private providers, reducing capital grant requirements. Cost savings of up to 70 percent and subsidy savings of 97 percent have been documented.

Because private provider costs increase at or below the inflation rate, even greater long-term savings can be anticipated. In some cases, contracted service costs have decreased from one year to the next.

Market Orientation

Conventional public transit services are not well matched to lower demand areas. As a result, suburban jurisdictions have withdrawn from regional transit authorities, removing locally generated subsidies. Private providers offer greater flexibility to provide market-oriented service to lower demand areas.

Competition

Competition induces cost control and market orientation. Private transportation providers operate in a competitive environment.

Conversely, public transit is characterized by monopoly. It began with the private companies which held exclusive service franchises, and continues today as these franchises have passed to public agencies. Monopolies maximize revenues and impose products on the market. Public transit exhibits these characteristics through super inflationary cost increases and services which are poorly matched to suburban markets. The antidote to monopoly is competition.

Survival in a competitive environment requires cost control and sensitivity to the market. Public transit can obtain cost control and market sensitivity through competitively bid service contracting. The benefits to riders and taxpayers are substantial.

The Evolving Public Role

Service contracting focuses public transit policy on the rider. The public transit agency sponsors service, retaining service ownership and full policy control. The privately provided service is an integral part of the public transit system and is monitored to ensure quality and compliance with contract provisions. The services with the poorest fare return should be contracted to private providers so that deficit savings can be maximized.

The essential policy role of the public transit authority is to develop the system, establish fares and ensure service quality, while minimizing public costs. Directly providing all of the service necessitates inordinate attention to the mechanics of service delivery. Service contracting permits the public transit agency to focus more clearly upon its mission of service to the riders and stewardship to taxpayers.

Barriers

There are impediments to service contracting, all of which can be overcome. Transit employee concerns can be addressed by pacing the conversion to contracting. Some have questioned contracting, confusing it with the franchised private transit systems which predated the public takeover. The similarity is a matter of semantics and not of substance. Under contracting, full public control is retained, and no private franchise is granted. Service contracting is a logical next step in urban transport.

Conclusion

Service contracting has resulted in improved cost effectiveness and market sensitivity. As financial and market challenges continue to intensify, it will be utilized even more increasingly.

B. Private Bus Operations

Wendell Cox, Los Angeles County
Transportation Commission,
Moderator

In recent years there has been a pronounced increase in the utilization of private bus operators in public transportation. Contracting services to these operators has better positioned public transit agencies to: