

## 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: