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## The Costly Triumph of Ideology

By JONATHAN E. D. RICHMOND

CAMBRIDGE, MASS.--When ideology, rather than economics, determines the model by which public transit services are supplied, it is the passenger, as well as the public purse, who loses out.

In blocking privatization, California Democrats have preserved the Metropolitan Transportation Authority's poor service and management structure. Meanwhile, uncritical belief in the private sector and contempt for anything publicly run have prevented Republicans from considering ways the public sector could be made more responsive and efficient. As a result, the privatization debate has bypassed the potential for learning from the achievements of smaller-scale operations, such as in Long Beach and Santa Monica, which are tightly managed and at similar costs to privatized operators like Foothill Transit.

Improving service quality and efficiency is not necessarily a matter of "private versus public" but of designing effective lines of management and responsibility in either sort of organization. A climate of meaningful introspection and redesign is unlikely to be promoted, however, when argument revolves around the two predetermined and seemingly obvious ideologically driven alternatives of privatizing or simply staying the same.

In Colorado in the late 1980s, the state legislature mandated, without any hard analysis, that 20% of Denver's bus services be privately contracted. Nobody really knows whether the initial privatization experiment saved money, because the pro-privatization Denver Regional Transportation District and the anti-privatization union each commissioned studies that "proved" their opposing beliefs. In the end, it didn't really matter what the studies said.

Colorado Republicans had the majority again in 1999, when they mandated that privatization increase to 35% of services. They wanted to achieve savings by taking them out of drivers' pay packets. With a tightening labor market, however, incoming private operators found it hard to recruit staff at low wages and even more of a battle to retain them. In the most notorious case, an out-of-town firm, TCT Services, offered a starting hourly rate of \$6.50 in advertisements that stated "no experience necessary." Constant cancellations led to customer outrage, and the operator left town.

In San Diego, the Metropolitan Transit Development Board has focused on cost-cutting and put bus services out for bid whenever the opportunity has arisen. The public-sector San Diego Transit has been allowed to bid to operate service, and the risk of gradual erosion of operations to private companies has led its bus drivers' union to

agree to much lower wages than for those that do not have to be won through bidding. The maximum rate for a San Diego Transit contract-service driver is \$6.50, compared with \$16.88 for a driver of non-contract buses. The low pay has kept drivers on the welfare rolls and led to union claims of hardship.

Las Vegas has the most successful example of a private transit operation nationwide. The system has never been publicly owned and, therefore, avoided much of the conflict associated with a change of hands. But the innovative management of the private operator, coupled with its close partnership relationship with the Regional Transportation Commission, has been critical to cementing its success. In Las Vegas, as in the other cases, however, low wages and consequent low retention rates are part of the deal, with management very conscious of the need to keep pay low to win contracts.

The Foothill Transit experiment in Los Angeles has also stressed saving money through the payroll. The wages and benefits paid by Foothill's private operators have been markedly below those at the MTA, cementing union concerns that privatization spells the end to one of the few remaining opportunities for blue-collar workers to earn themselves a decent living.

Foothill has nonetheless earned a reputation for providing high-quality service at lower cost than the MTA, leading to calls to both expand the existing Foothill Transit Zone in the San Gabriel Valley and create a new one for the San Fernando Valley. The emphasis in these efforts was on extending the contracting model developed at Foothill to harness competitive pressures to provide more and better service at lower cost than was possible at the bureaucratic and mismanaged MTA.

California SB 1101 was two years in the making and reflected a union reaction to the threat represented by such developments. The legislation was superficially about providing protection to MTA employees in the event of the transfer of bus services to new or expanded zones, but its complex and restrictive requirements were clearly intended to block zone formation altogether. The bill's constraints have already caused Foothill to withdraw its interest in expanding its own zone.

Legislators ignored the sheaf of letters and city council resolutions sent by potential zone communities opposed to the legislation. Transit-zone promoter Richard Alarcon adopted the union view after unions threw their support to his opponent in a state Senate election race. Other Democrats in Sacramento also repeated union rhetoric rather than engage the issues.

Gov. Gray Davis vetoed the bill (then SB 372) in 1999, but a prolonged strike by the MTA's unions drastically changed the circumstances. The strike revolved around issues of preservation of middle-income jobs and lifestyles. L.A. Mayor Richard Riordan's call for breaking the MTA into smaller zones to weaken the unions only strengthened union resolve to prevent this from happening. With union promises that his signature would lead to the strike's resolution, Davis signed SB 1101 on Sept. 30, 2000.

The great shame is that ideology has kept all the parties away from the kind of innovative reflection that could bring about real progress. Democrats have been too unwilling to detach themselves from their union sponsors to consider the needs for mobility of low-income constituents, which demand organizational change. With Democratic control in Sacramento, a balance could have been struck between the need to protect labor and to promote more responsive and efficient transit service for constituents. The power of special-interest politics, however, canceled out the mental processes that might have led to a happy compromise and led to a bill that cynically blunts prospects for creative change.

For now, there are two major themes to consider. Nationally, it is critical to review the practical problems, as well as the ethics, of achieving cost reductions through the institution of poverty wages or substandard benefits. High labor turnover and discontent have resulted from such endeavors, producing work environments that are neither

desirable nor sustainable, particularly in the light of tight labor markets. Many of the best private companies across all industries choose to pay more than they absolutely must to secure a stable and loyal work force; the low pay of the private bus industry is not so much reflective of "market rates" (it is below market rates for a stable, long-term work force) as of the system of competitive bidding. Several private operators, including both of Foothill's contractors, would favor specification of minimum-pay standards. San Diego has already made a move in this direction with its new "responsible wage policy," and this is the right approach to take in Los Angeles and elsewhere. Taking the focus off cutting pay to the bare minimum would shift attention to issues of maximizing management efficiency, as well as stabilizing turnover and calming union opposition.

Second, more attention must be placed on applying the best attributes of both successful private enterprise and the high-quality small public bus operators to reforming dysfunctional public operators. This is especially important in Los Angeles, where SB 1101 stands in the way of transferring services to completely new organizations. Increasing autonomy and accountability could be given to local operating divisions, for example. Ultimately, the potential exists for splitting the MTA into smaller, wholly owned operating companies headed by lean management teams with sharply defined lines of responsibility. These mini-companies could compete to provide the best performance.

Most important, a retreat from the senseless ideological warfare over "public versus private" or "pro-labor versus anti-labor" would allow the real management issues obscured by such discourse to be addressed. Moving away from an approach to doing-down workers might also lead to bringing in labor as a partner, although success in this arena would depend on a mature attitude on the part of the unions, as well as management, an attitude that has yet to develop.

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Jonathan E. D. Richmond's "The Private Provision of Public Transport" Will Be Released Monday by Harvard's Taubman Center for State and Local Government