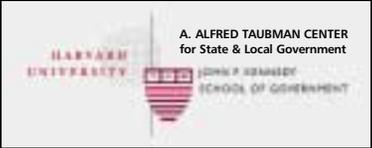
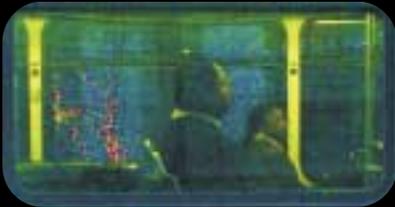


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With an increasing focus on the potential of the private sector to provide public transport services in the United States, this study examines the relationship of politics to economics in motivating government decision-making. Jonathan Richmond conducted more than 100 interviews for seven case studies, and found that ideologically as well as financially-backed, power plays have driven outcomes.

Cases review the experiences in five cities which have debated bus service contracting. They compare the political environments and outcomes in a city such as Denver — where a Republican-dominated legislature mandated that a fixed percentage of service be privatized — and Los Angeles — where expansion of privatization has met resistance from a Democratic-dominated state legislature. Cases additionally explore the political reactions to attempts by private jitney (12-15 seat van) operators to set up shop independently in two cities.



Richmond concludes that customers — typically low-income and without alternatives to taking transit — as well as taxpayers often lose out from the politics governing the private provision of public transport.

Jonathan Richmond combines study of economic and political aspects of transportation policy. He has international experience in university teaching and research, and in providing government policy advice.



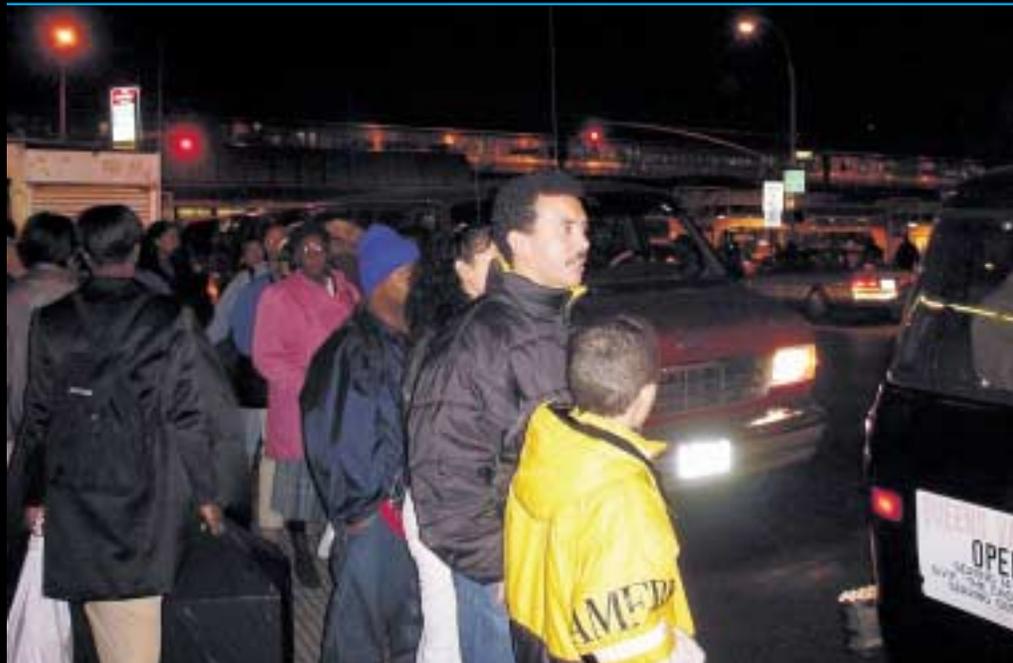
**The Private Provision of Public Transport**

**Richmond**



# **THE PRIVATE PROVISION OF PUBLIC TRANSPORT**

**JONATHAN RICHMOND**



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# 9

## SUMMARY AND CONCLUSIONS

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**‘What’s the middle letter of “sin?”’**

— *Los Angeles County Supervisor Michael Antonovich*

**T**HE WILL to publicly supply transit service derives from ideas of “social responsibility,” a 1960s reaction to both the environmental deterioration brought about by the road and the car, and to the unmet transportation needs of the urban poor. Reaganism provided the primary challenge to the social ideas which brought transit into the public sector. The Reagan system of ideas saw government as inherently bad and to be kept as small as possible. The private sector and free market invariably did things better than the public sector according to this viewpoint, and was to be promoted wherever possible.

Congress and local interests opposed Reagan proposals to privatize bus systems or cut transit subsidies, and entrenched transit bureaucracies showed little inclination to change. With increasing dependence on local rather than federal sources of subsidy revenue, the Reagan recipe has nonetheless provided a prescription for change where conservatives have dominated the

power structure on the state or local level. That change has depended on the ideological obviousness of the Reagan theory, rather than an introspective analysis of changing program and service needs.

The seven cases of this study tell a tale of the fight between new ideas to the political right and the old left-wing ideas which brought the public transit industry into existence. In all cases, conservative forces have led to change, while liberal reactions have imposed barriers. In some cases, cost reductions and/or service improvements have been achieved, but, where this has happened, it has often been a byproduct of change wrought for the sake of ideology, not the result of action taken following the exercise of analytical logic.

The following briefly reviews the findings of each case study before drawing out general themes and conclusions.

### Indianapolis

In Indianapolis, a Republican mayor applied his generic theory of competition to the transit industry. Mayor Goldsmith was unusual in not demanding privatization per se, but in promoting a competitive system in which either private or public entities could bid to provide services. This theory, once applied, had improved efficiency for a number of government services, with government departments winning bids and cutting costs.

Transit had a different organizational structure from other government services, and was not under the mayor's direct control. Attempts to bring about change drew resistance from an entrenched bureaucracy and produced conflict with both management and labor. The mayor took a hard line approach to imposing his plan, changed senior management, and pushed through state legislation which would give him direct budgetary control of the transit system and remove labor-protection obstacles to change. Despite major labor lobbying, the predominantly Republican state legislature granted the mayor's wishes.

A new Office of Mobility Management was established under contract, and quickly found itself in conflict with the existing transit system operating bureaucracy. Eleven fixed route bus services were contracted to a private operator, but the experience was not a success, with high levels of absenteeism and poor equipment maintenance, and the services have now been brought back in-house. Management is felt to have grown in effectiveness during the process, and has won concessions from in-house labor resulting from the competitive pressures imposed, with improvements in productivity and cutbacks in benefits. This has been accomplished, however, at a cost of bitterness and resentment, without the partnership developed in other city services.

A tight labor market in Indianapolis prevented the private operator from offering significantly lower wages than the public agency, and difficulties in recruitment mean there is unlikely to be a prospect for further wage and benefits concessions.

Ultimately, the problem in Indianapolis has been the imposition of ideologically-based conservative ideas without an understanding of the complexities of transit operations and labor markets, and without reflection on how to design an organization for long-term effectiveness.

### Denver

The Colorado legislature took its cue directly from President Reagan's proposal to privatize a fixed percentage of transit. The state played an important role in mandating privatization, given the reluctance of the elected board of the Denver Regional Transportation District (RTD) to proceed alone. To state conservatives taking up the cause of free enterprise against union labor, this was a classic case of "goodies" versus "baddies." With a dominant Republican power structure, and both Democrats and unions weakly positioned, the state made 20 percent, then 35 percent privatization in Denver a legal requirement.

The RTD's general manager, Cal Marsella, who has had an important role in implementing privatization, and RTD's union

engaged in a war of numbers, each producing studies to back up their claims that privatization had or had not saved money or would or would not do so in the future. The board was split in its opinions. An experienced lobbyist, who has in turn been paid to represent both sides of the issue, maintains, however, that it was not the numbers which carried the day, but ideology. The numbers helped reinforce beliefs which had been formed on ideological grounds.

The privatization experience in Denver has been at best mixed. While the extent of any savings achieved to date is not clear, the RTD's projected savings from increasing privatization from 20 to 35 percent have been substantially reduced, and are now at best slight. Denver's high-wage economy has made it difficult for private operators to retain employees at pay below that offered by the public operator, resulting in high turnover and instability. One operator was unable to provide acceptable service at all, and left town in disgrace.

The central problem centers around the legislative requirement to privatize a fixed percentage of service, imposed without an understanding the underlying organizational or financial policy issues, and given to an unwilling and fractured transit board to implement. On the positive side, privatization has provided a prompt to streamline and reduce operational management. The privatization process has also been used to successfully gain new union flexibility on aspects of in-house service delivery.

## Las Vegas

The Las Vegas case stands out from the rest because the transit system there has never been publicly operated. When the existing independent private operator proved incapable of delivering adequate service and the legislature approved a transportation funding tax, the thought was to provide public design and support services for the transit system, but to leave operations in private hands, albeit now accountable to the public sector.

Following initial concerns about contractor performance, service quality at Citizens Area Transit (CAT) is now high. CAT's private operator, ATC/Vancom, has the flexibility to innovate both in service delivery — where CAT has instituted a profit-sharing system for augmenting core Las Vegas Strip service — and in the maintenance plant, where an absence of restrictive practices permits a focus on quality service and efficiency. Management size is small compared to comparable public operations.

Ridership increased more than threefold from 1993 to 1999. The cost per hour for service provision and farebox recovery ratio are amongst the best in the business. CAT was the APTA system of the year in 1997. There remain concerns, however, about the high costs of the publicly-provided support components supplied by the Regional Transportation Commission of Clark County, Nevada (RTC).

Driver wages are low compared to those offered in other service areas of the local economy, resulting in difficulties in recruiting and retaining staff. Because Nevada is a "right-to-work" state, it is impossible for the union to impose a closed shop. This puts the union in a weak position. The fact that the RTC has deliberately disassociated itself from labor contract negotiation removes the public organization from lobby pressures, while the need to be competitive in bidding for contracts enforces a mentality in which management must continually strive to keep pay low — and in which drivers know they could lose their jobs if their employer fails to remain competitive. ATC Management is sympathetic to the idea of an RTC-mandated wage floor to be observed by all bidders.

## San Diego

San Diego Transit had some of the nation's highest labor rates when ownership was handed to the Metropolitan Transportation Development Board (MTDB) in 1985. The state-created MTDB has put an emphasis on increasing and improving passenger transit services and its management must take credit for increasing system service levels, while keeping a keen focus on costs.

Contracting had taken place in the region prior to the creation of MTDB, and competitive bidding was seen as the way out of San Diego Transit's high costs. As a wholly-owned subsidiary of MTDB, San Diego Transit has been able to compete with private operators in bidding for service. Under threat of losing contract bids to private entities, the local union has agreed to permit drivers of San Diego Transit contract services to be paid below the rates of regular non-contract service operators, and at levels that are both below those of major local area private competition and below local poverty lines.

There are issues of service quality disparities, in that the least experienced drivers are always allocated to the contract routes. Contract buses, however, are better maintained than regular-service ones, because MTDB staff, acting as the contract "client," provides inspection. It would make more sense to aim for a uniform level of high-quality maintenance.

MTDB management does not regard itself as responsible for an ethical wage policy, but only to consider the minimum wages needed to retain staff. Management's emphasis is on providing the most service at the least cost. A recent union-led movement has nonetheless led the MTDB board to unanimously approve a "responsible wage and benefit policy" developed by staff at the board's request. At union request, the policy does not cover contractors with collective bargaining agreements, thereby excluding San Diego Transit from compliance. The union appears willing to allow the continuance of low wages to keep San Diego Transit competitive for the award of contracts, with the underlying objective of ultimately eliminating contract operations altogether.

## Los Angeles

Any attempt to bring change to transit in Los Angeles is marked by strife. The privatized Foothill Transit was pushed into existence through the efforts of a local conservative politician, instituting significant legal battles with the bus drivers' union. Foothill has, however, lived up to its promise of providing

expanded service at reduced costs, while costs of publicly-provided Los Angeles County Metropolitan Transportation Authority (MTA) service have escalated, and service quality as well as quantity supplied, markedly deteriorated.

While the MTA's size and extensive bureaucracy presents problems of control, smaller publicly-operated municipal bus systems in the region, such as Santa Monica and Long Beach, provide service at similar costs to Foothill's, but pay significantly higher wages. High driver turnover is a significant problem at Foothill, but private operators feel the need to keep pay levels low in order to offer competitive prices in their applications to provide contract service. Both current operators favor the imposition of wage floors by the Foothill board to permit them to offer higher pay levels.

Despite the success of medium-sized public municipal operations, the focus in developing further independent transportation zones has been in employing privatized transit, with the most active participant in demanding a zone for the San Fernando Valley the Laidlaw regional manager who provides contract service for Foothill. Issues of subregional autonomy have steered local debate, and zone advocacy has been associated with a move to secede the San Fernando Valley from the City of Los Angeles.

MTA management has been split in its attitude to privatization, with some MTA managers playing a numbers game to "prove" how little could be saved from the transfer of services from the MTA to zones. The MTA's board has, however, been supportive of the zones movement, leading to union efforts to transfer the debate to the state level, where organized labor has greater influence.

A union-sponsored state bill went beyond providing protection to employees who might transfer from the MTA to zones to putting in place obstacles to zone formation. State Democrats, even those from areas proposed for inclusion in new zones, supported the bill, despite extensive constituency-level opposition. Interviews showed broad Democratic support for the union and an ideological disposition to taking any labor-friendly

position. This view dominated all other policy considerations, which were often poorly understood or appreciated by legislators. With Democrats in majority in both houses and a Democratic governor in place, constituency-level representations could have been taken into account and a compromise reached focused on protecting existing staff. But an extreme pro-labor position was taken by legislature Democrats, and the bill was vetoed by the governor in October 1999.

The bill was once more approved by both houses the following session, and this time the governor signed it into law. The governor's signature came during a drivers' strike at the MTA. The strike's central theme was the preservation of well-paid full-time jobs at a time when management was trying to both increase the number of part-time workers and reduce overtime paid to full-time drivers. The unions had expressed particular concern over the possible breakup of the MTA into zones and the potential consequences for their members. While the MTA board pressed the governor to veto the bill, the unions said that the bill's signature would speed the end of the strike. In signing, the governor specifically stated that he was doing so in the interest of removing one of the major obstacles to an agreement between the MTA and the striking UTU.

Given that a union agreement was violated in establishing Foothill, and that Foothill has institutionalized low wages through its contracting process, union hostility is understandable. The setting of wage floors and mandating of health coverage for existing operations by the Foothill board could help in the development of trust. Perhaps more importantly, however, would be a move from a "public versus private" debate dominated by competing ideologies, to considering the example of successful municipal operators and exploring the potential role of smaller-scale public operations, run without the cumbersome overhead and restrictive practices of the MTA.

While the possibility of zone formation has been sharply constrained by the enactment of SB 1101, the scope for implementing

decentralization at the MTA itself deserves serious consideration. Providing greater autonomy for division-level managers could help bring many of the benefits which help keep costs lower and employee relations friendlier at smaller units such as Santa Monica. One approach available within the limits of current union agreements would be to aim for creation of a series of wholly-owned MTA operating companies. The new companies would be of controllable size, would be assessed against each other in their success at implementing clearly-defined targets, and would be coordinated by a small umbrella organization.

For now, political polarization permits little focus on the real issues of developing effective transit services and effective organizations to provide them.

### **New York and Miami**

The two cases where attempts have been made to introduce jitney services need to be looked at together, although there are some differences between them. Jitneys have been established longer in Miami than in New York. They appeared in Miami as a response to inadequate levels of service provided to blacks by the local bus system. Unlike in New York, a system exists for legally establishing jitneys that are permitted to respond to hails on the street, but, as in New York, Miami has recently experienced a growth in illegal jitney operations, and jitney operators have faced institutional barriers to becoming legal.

In New York, as in Miami, jitneys serve almost entirely minority, and principally immigrant, communities. Jitney service developed there because communities remote from subway stations were poorly provided for by public buses. While some transit staff have been amenable to investigating the possibility of cooperation, the transit authority has participated in vigorous crackdowns on jitney operators.

A Miami staff proposal similarly considered cooperation, but the predominant view has been that jitneys present a threat to the viability of the transit system and that they should be restrained.

In both cities, the transit system is defended as providing a superior service even though passengers have clearly shown through their choices that jitneys — with their higher levels of speed, frequency, and personalized service — better provide for their needs. Interviews revealed that the transit system itself has an inherent value to those it provides its livelihood, one which can overshadow the need to address the transportation requirements of local low-income residents.

Transit unions in both New York and Miami have lobbied heavily against the mostly minority independent jitney operators. In New York, the union backed the creation of a city law which allows jitneys to be legally operated only by prearrangement and with passenger manifests. The influence of the union on the city council has been heavy and pervasive. Until a legal challenge prevailed, the council vetoed countless jitney applications approved by the city administration, whose Republican mayor has supported jitney ventures as unsubsidized free enterprise solutions to pressing public needs.

Even now, operators who are granted licenses must operate illegally, since the council has not provided a legal way for them to collect customers on the streets and appears to have no intention of doing so. Politically liberal council members have sided with their traditional union supporters, rather than showing concern for the transportation needs of the urban poor.

In Miami, the county both operates public transit services and regulates jitneys, a potential conflict of interest. Although the county took advantage of jitneys to provide emergency service following Hurricane Andrew, it has been behind vigorous attempts to suppress them. When a scrivener's error was made in a state law which tightened up jitney regulation but was intended to grandfather the legality of existing jitney operations, and was corrected by a further legislative vote, county and labor interests successfully lobbied the Florida governor to veto that correction. The county then made strong efforts to clamp down on illegal operations.

A process exists for legalizing jitneys in Miami, but regulations forbid operations where jitneys compete with either public bus services or other jitneys. County staff have often made it hard for applications to progress, although they have stood behind a number of applications when bureaucratic requirements have finally been met. In addition to union and staff pressures, the situation in Miami has been complicated by hostility between rival jitney operators who have used restrictive requirements of the county code to block each other's applications.

Two Miami jitney operators recently won eventual legitimization as a direct result of having stayed the course of illegal operation for over five years. An exemption to code requirements was enacted for their unique benefit, pushed through by a minority politician using her privilege to ask her colleagues to approve a measure affecting her specific district, and seen as a way of forcing accountability on longtime illegal operations that were not going to go away.

The struggle of jitneys to become legal in New York and in Miami is a story of culture-clash. Power is held by those never likely to depend on the services they regulate or provide, while minority immigrant communities have little influence relative to the trade unions who support liberal politicians.

## Overall themes

**Ideological arguments have framed debate.** The process through which change has occurred has often been polarized on conservative/liberal lines. Conservatives in dominant power positions in Indiana and Colorado carried through legislation enabling either competition, in the case of Indiana, or specifically privatization, in Colorado, while union interests protested in vain. General beliefs in the "free market" and antipathy to allegedly overpaid public labor provided strong reasons for change.

Conservative trust in the market fueled change in Las Vegas and San Diego, but under different circumstances. In Las Vegas,

there had been no history of publicly-run transit, and decision-making processes operated under consensus in a climate of weak labor protection laws which constrained the effectiveness of union representation. San Diego had an institutional history of promoting contracting that was furthered with the formation of a new umbrella management organization whose staff and board responded vigorously to the perceived high pay of San Diego Transit workers.

Local conservative interests paved the way to creating the privatized Foothill Transit in Los Angeles with a process which led to legal confrontations with the transit unions. Democratic state legislators in Sacramento have taken their cues from the unions in recent attempts to block privatization, and have shown little interest in the needs of local opinions favoring the creation of new subregional transit organizations. In New York and Miami, the unions have also used considerable influence to restrain jitney interests. In New York, the council has not responded to constituent demands to legitimize jitney operations. Under union influence, it has instead refused to create an adequate legal framework to permit jitneys to collect passengers on demand on the street, the manner in which the service de facto operates.

**Special interests have had a key role.** Special interests have played a significant role in shaping decision-making, and financial and electoral considerations have been an important part of this. Relationships between those in power and lobbyists go deeper, however, and can perhaps be illuminated by the theoretical perspectives of John Steinbruner and Irving Janis.

Steinbruner writes that, under complexity, cognitive inference mechanisms tend to eliminate tradeoffs. "In doing so, of course, they prevent the analytic process from occurring" (Steinbruner 1974, 105). The cybernetic paradigm, which emphasizes the control of uncertainty, "pictures a decision maker who makes no calculation of outcome and simply monitors certain information channels, tying his behavior to what is received in those channels via some decision rule" (109). This theory can help us understand

the fluency of opinions under uncertainty expressed by so many of the political actors interviewed for this study. The lobbyists that get listened to, whether to the left or the right, tend to be the ones with whom the receptive politician shares general ideological beliefs. It is not simply a matter of "buying" politicians, but of supplying simple and attractive explanations capable of providing ready bases for political platforms. These are the explanations which get listened to.

Janis's "Groupthink," in which a desire for unanimity overrides any will to realistically appraise alternative actions, surely plays a role here, too. "A dominant characteristic appears to be remaining loyal to the group by sticking with the decisions to which the group has committed itself, even when the policy is working badly and has consequences that disturb the conscience of the members" (Janis 1982, 11). Whether Colorado Republicans voting for increased privatization in the face of questionable evidence of its efficacy; California Democrats pushing for restrictions on transit development clearly at odds with the wishes of local-level constituents; or New York City Democratic council members who have taken action that promises to hurt low-income constituents; there has been a tendency to caucus around and protect group beliefs. Members of the group reassure themselves with the selective evidence presented by ideologically-friendly lobbyists in ways which conveniently blind them to alternatives.

**Quantitative analysis has had political uses.** Tools of analysis have been used at times to reinforce preconceived ideas, rather than to support inquiry into optimal outcomes. Alternative theoretical approaches are pursued by adherents and opponents of privatization or contracting. Contracting supporters have often favored fully-allocated cost modeling that compares the full set of resources needed to produce a given level of output in the public agency as against in the contractor scenario. Opponents, in contrast, have employed a marginal-cost approach to demonstrate that contracting out part of the operation does little to save money for the parent agency.

It is, in fact, appropriate to use both approaches: a marginal approach is required to demonstrate actual short-term impacts, while a fully-allocated approach indicates potential for development of efficient services in the long-term. When each approach is used for political ends, and when the assumptions of each approach are, furthermore, structured to enhance its political potency, little or no contribution is made to learning.

**Organizations tend to protect their turf.** A group of executives at the Los Angeles MTA insists that the size of their organization cannot be significantly reduced, even if large parts are contracted out. To do so would threaten their existence. Transit officials, along with labor unions in New York and Miami, join their Los Angeles colleagues in defending their existence, (in the New York/Miami cases against the encroachment of jitney operations), and do so in the language of public obligation. Theirs is the job to provide a 24-hour service; to serve districts which might otherwise be ignored; to promote the public good. The resistance to change is a response to insecurity; but it is also about maintaining a set of core group beliefs about how service should be supplied and who should provide it. These beliefs give meaning to the organization and to the members who work for it.

This has not been a problem everywhere. Issues of prioritization and motivation can be important. Given the context of legislative and high-level management support of privatization, operations management staffing was substantially reduced in Denver, if aided by a generous buyout package.

**Transit passengers are seen as dependent children.** America's transit program reflects belief in a human requirement to provide welfare to the poorest members of society through a credo that takes its essence from the Victorian workhouse. The "deserving" poor should be provided for, but government has the role of paternalistic agent in determining what is to be provided, because it knows better than the poor person what the poor person needs (see the "strict father metaphor discussed by Lakoff and Johnson 1999, 319 & 417-419). The workhouse supplied a greasy

gruel because the requirement was for nutrition rather than good taste; similarly, government has generally turned out slow, infrequent and often hard-seated buses, because all that is important is that the user arrives at the required destination, not how comfortable or convenient it is to get there.

Given this assumption, we can see not only how innovation within transit agencies might be hampered, but how jitney competitors might be seen as providing an "inferior" service. Like kids stopped by parents from consuming too much candy, it is not for the passengers to know what is good for them. Quality service is to be defined, instead, by the transit provider, according to puritanical welfare standards.

The "system" is the entity that must above all be preserved as having inherent social worth in this environment, and it is the system that is to be nurtured by a guaranteed throughput of passengers, rather than for the system to adapt itself to the needs of customers. John Catoe in Santa Monica is exceptional in forbidding use of the term "transit dependent." He believes in serving "customers" in ways which best meet their demands, in contrast to his many colleagues who focus on serving up the tasteless gruel those with no alternative cannot refuse.

The jitneys are a response to needs for community self-determination. They enhance the mobility of low-income residents, with fast, frequent services, offered with a personal touch. Culturally, however, jitneys lie a world apart from the experiences of transit managers and most politicians, who find the jitneys' crowded, claustrophobic spaces alien to their concepts of ideal travel modes. Much as they are appreciated in the community, jitneys will only naturally be rejected by those with such divergent concepts of good service, people who feel the need both to protect their empires and the values which give meaning to their jobs and their lives. The views of the passengers — the dependent children — simply do not count.

**Jitney driving is not seen as a legitimate profession.** Black transit union representatives can convince themselves they care

for the needs of black jitney drivers while simultaneously attempting to destroy their livelihoods, by advocating bringing them into the union as public bus drivers. Government jobs have provided an important route to middle class incomes and identities for American-born minorities, whereas many jitney drivers are immigrants from countries where enterprise is seen as the best path to advancement. The union movement cannot understand why someone would wish to risk their limited savings to put their own vehicle on the streets to earn their keep.

**There is a disconnect between efficiency and ethics.** The primary focus of contracting has been saving money. As part of this, transit boards have typically kept themselves out of wage negotiating processes, saying that it is for contractors to establish market rates.

In fact, while transit board members may not have directly been game players, they have set the rules of the game. With contractors keen to keep costs to the lowest possible levels to advance their prospects for winning contracts, pay levels have been set low. There is no such thing as a single “market rate,” but rates which can meet a range of needs. A stable private employer manufacturing quality goods may prefer to offer wages which satisfy and retain employees. Bus contractors, in contrast, have tended to offer low rates, which result in high turnover and instability, because this is a necessary evil for remaining in business at all.

In the most extreme example, the public San Diego Transit won the right to provide contracted service through offering pay well below area poverty lines. Staff at the umbrella MTDV have seen their duty as purely to provide the most service at the least cost, and are not ethically disturbed by the concept of a public agency offering compensation that is inadequate for a basic standard of living. The MTDV Board has, however, responded to union pressures to invoke a minimum wage and benefit policy, although this will not apply to San Diego Transit contract services out of union concerns to keep the public entity cost-competitive for

winning contracts. The union is prepared to countenance low pay for its contract drivers in the short-term with the goal of eliminating contracting in the long term.

While infeasibly low wages caused a transit contractor to go out of business in Denver, wage and benefit levels present operational problems in each of the five cities where contracting has been studied. Private operators have been sympathetic to the concept of mandatory wage floors to be set in the contracting process, but transit boards have been slow to embrace this concept as part of their responsibility.

**Union behavior can be understood in the light of hostile environments.** While union behavior which damages prospects for transit improvements in Los Angeles or hurts low-income commuters in Miami and New York can be seen as reprehensible by the critics of organized labor, it becomes understandable — if not acceptable — when seen in the light of the hostile environment the privatization movement has created for labor. If bus operator wages have at times been sky-high, the contracting system has sought not only to correct this perceived excess, but to take wages to the lowest possible levels, even if below poverty lines. Talk of privatization is continually used as a threat to beat back unions and reduce wages and benefits.

**Ideological polarization has constrained creativity in organizational design.** With beliefs in the free market behind the move to bus service contracting, inadequate attention has been given to organizational reform within existing public transit entities. The predominant question has been whether to hive off part of the service provided to the lowest-bidding contractor, with little thought about the needs for structural change in the transit agencies themselves.

Contracted service does not, however, necessarily provide the best option. Municipal services in the Los Angeles region deserve particular attention because they have supplied quality service at substantially lower costs than those incurred by the regional MTA. Public service providers in Long Beach and Santa Monica are

well-regarded by their passengers, and operate at subsidy levels similar to those at the private Foothill Transit, while paying their drivers considerably more. The privatization debate has bypassed the potential for learning from the achievements of smaller-scale public operations, some of which are tightly managed and produce commendable results.

Such results suggest that large transit operators, such as the Los Angeles MTA, could benefit from restructuring to provide accountability at a smaller-scale, with increased responsibility and autonomy in key areas at operating division level, for example, and the potential for ultimate devolution to smaller operating companies coordinated by a small oversight umbrella organization. A climate of meaningful introspection and redesign is unlikely to be promoted, however, when argument revolves around the two predetermined and seemingly obvious alternatives of privatizing or simply staying the same.

A focus on saving transit labor costs has been convenient, furthermore, from the perspective of transit system management: arguments over whether driver wages should be lowered deflect attention from the thorny issue of whether management processes should be made more efficient, changes which could potentially imply the loss of management jobs and an atmosphere of increased accountability for those who remain. By focusing debates away from the most threatening types of change, organizations such as the Los Angeles MTA tacitly fight to remain the same.

Despite this, efforts have clearly been made in the smaller systems under study to gain managerial efficiencies, and privatization has certainly been associated with and a prompt to such efforts, if not a necessary requirement for them to have taken place.

**There have been achievements.** The Las Vegas transit system has been a tremendous success story in terms of the growth of service offered by an efficiency-oriented contractor. San Diego has clearly cut its costs by its contracting approach, and expanded

the service provided to the public. San Diego also provides an example where reorganization did occur, and produced clearer lines of accountability. In Denver, privatization has prompted a reduction in operational management levels, and gained flexibility from the local union for continuing in-house operations. While fixed-route privatization has now ended in Indianapolis, the management structure left at the conclusion of the process is regarded as better organized and more effective than before, while the process has resulted in flexibility gains from in-house labor. Foothill Transit in Los Angeles has reversed a fall in ridership and built service as well as demand at a time that MTA bus service has been in decline. If these achievements had been accomplished without alienating labor through the imposition of substandard pay packages, however, the organizations would have gained greater stability, and might have lessened the outright union opposition to contracting which has been engendered by mistrust.

The successes show that the private sector can legitimately contribute to the creation of enhanced and more efficient transit services if proper oversight is provided by responsible public funding entities to ensure quality of operations and adequacy of compensation packages. Such options should be considered along with policies to reorganize public entities and promote the sort of high-quality small-to-medium scale operations typified by Santa Monica and Long Beach Transit.

Jitney operators in New York and Miami have done battle with an intransigent political and bureaucratic system, and managed to prevail in providing services of great benefits to their communities, even as they have been vilified by those incapable of understanding the value of their product.

### Concluding thoughts

If real change is to now occur, a process of reflection is required on who is to be served; what services are to be offered; and how they are to be provided. Such a process will only be

initiated when all parties conspire to quietly examine their own core beliefs from the perspectives of others. California's Democrats must see through the eyes of low-income bus riders in their constituencies; transit system managements and union leaders must do likewise. They must also consider the ethics of threatening the livelihood and quality of life of those who drive and use jitneys through their opposition to this popular form of subsidy-free transportation. Jitney operators must appreciate the value of law and order: while they may be able to justify illegal route operation to themselves, they must reflect on whether cutting off buses and other dangerous driving practices can ever be condoned.

Colorado Republicans must ask if their fixed-percentage privatization makes any sense beyond providing an outlet for their antipathy to organized labor; transit boards must learn to appreciate the value delivered by bus drivers and honor their humanity by avoiding poverty wages; transit unions must reflect on whether there is dignity in insisting on the retention of restrictive practices that impede improvements in efficiency and help give rise to calls for privatization. Management must be as quick to critically review its own performance and methods of service delivery as to question the cost-effectiveness of service provided by its drivers.

A world of expanding complexity makes this all seem wishful thinking. It is far easier to carve out simple and clear-cut policies which readily appear to reflect personal core beliefs. It all seems too far beyond the capabilities of the rational mind, the actions of which cannot — in reality — be separated from the political world we inhabit. Yet, the Jewish scholar Hillel had an answer to complexity which still applies today. Asked to summarize the Torah while standing on one foot, he replied "Do not do to your neighbor what you find hateful. This is the whole Law. All the rest is commentary." Perhaps this principle can provide us an alternative source of simplification, and maybe the only one which can lead us to reflect upon, and ultimately achieve, meaningful change.