Making the Arguments Against Transit Privatization

Amalgamated Transit Union (ATU)
57th Convention
San Diego, CA

August, 2013
When Cities Privatize Transit They Lose Control
“...Privatization has been a dismal failure allowed to continue at the expense of riders. We have survived months of riding buses with no air conditioning, back doors and bells that don't work and exposed wiring. These buses have regularly broken down or been pulled off the route for every imaginable problem. No matter how many times Ryder/ATE was called, none of these problems has ever been solved. Those of us who have called the Mayor's Action Center don't appreciate having been told that the city has nothing to do with this problem, that it was a private route and for us to call the company running it...”

The Indianapolis Star, October 18, 1999
Hand over the Keys?

No one in private sector would contract out a crucial internal operation without knowing the full scope of management issues. The public sector deserves the same respect.

Private firms don’t typically contract out work that involves their core customer base directly nor do they give control of their capital equipment to outsiders.

For contracting out to work in public transit, that is precisely what is required.
Assumptions

“Government inefficiency” and “business efficiency”

“Government is wasteful, complacent, etc.”

Businesses = “lean,” “effective,” “innovative,” “sharp,” due to competition. Must attract customers

Businesses will do things better and cheaper

No downside to giving business a chance to do the job better
Benefits to Cities

Labor rates shrink

Pension plans scrapped

Potential short term savings
Disadvantages

Lower wages and reduced benefits = dissatisfied workers

Leads to major turnover issues, resulting in training problems, safety issues
Hidden Costs

- Cost to retrain
- Monitoring
- Safety issues
Monopolies, not competition

Competitive environment is difficult to maintain. Now just handful of companies providing transit service

Huge foreign corporations absorbed small private providers

Few major players left
(MV, Veolia, First Transit)
Transit Monopolies

Less incentive to “do right by customers” = cuts & fare increases

Cutting corners = maintenance, safety issues

Loss of control

Lack of transparency
Transit Monopolies

False Hopes, Costly Promises

Reduces standard of living for workers

Diminishes transportation service provided to communities

Based on questionable and at times false assumptions regarding competition, cost, and the mechanisms used to calculate these and other matters
Regrets, They’ve Had a Few

Green Bay Drops First Transit as Bus Manager, Will Run Metro System
— November 16, 2011

After five years, the city decides to bring work back in house
Regrets, They’ve Had a Few

Private bus line says it needs to close $7.3M gap; Claims it will only scale back on less popular routes

Veolia slashes service only six weeks after taking over LI bus service
Regrets, They’ve Had a Few

Transit Authority Absorbs TARPS; Complaints Dogged Paratransit Service

— September 27, 2008

“The operation remains dogged with rider complaints about early and late pickups, excessively long ride times, and surly drivers.”
Regrets, They’ve Had a Few

The Transit Authority of Northern Kentucky (TANK) dumps First Transit in its North American headquarters after nearly 40 years.
Regrets, They’ve Had a Few

Promised 40% savings

In first six years, costs of contracted service rose at a rate double that of the rest of the system. Cost to city = $9 million.
Chatham Area Transit (CAT) in Savannah announced that it is dumping Veolia Transportation less than three years after entering into a contract which the French conglomerate. The CAT Chairman said simply that the experiment “was becoming too expensive.”
County asks First Transit to agree to improve its bus operators’ benefits in hopes of keeping drivers on the job longer. First Transit paid its top drivers only $14 an hour, and lost 30 of its 56 drivers from 2003-2004. Massive service delays, and maintenance issues
Regrets, They’ve Had a Few

All of the savings were achieved through cuts – First Transit slashed annual bus service hours by 14,000
Regrets, They’ve Had a Few

Between 2008 and 2010, the private company was fined 295 times by local transit officials in the town where it is headquartered for poor performance, including too many accidents, missed bus runs and late buses.
County officials have been inundated with complaints about late pickups, no-shows, drivers getting lost, accidents and other problems.
By a 5-0 vote, the agency voted to end a 13-year relationship with Veolia. A Glendora city councilmember said “Right now, we pay about $8 million a year in contract costs (to Veolia). We figure we can save between $1 million and $2.5 million a year.
Regrets, They’ve Had a Few

City says transit savings did not materialize
Augusta paid $3.96 million to a contractor during the year, but other transit expenses brought the cost much higher.

— GA Daily News, July 2, 2013
Localize the Issue

- Analyze current service
- Public or private?
- Quality, frequency, cost
Kansas City Needs More Transit

Compare to these cities:

<table>
<thead>
<tr>
<th>City</th>
<th>UZA Population</th>
<th>Vehicles Operated in Maximum Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Antonio</td>
<td>1,758,210</td>
<td>691</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>1,886,011</td>
<td>599</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>1,376,476</td>
<td>546</td>
</tr>
<tr>
<td>Orlando</td>
<td>1,510,516</td>
<td>484</td>
</tr>
<tr>
<td>Kansas City</td>
<td>1,519,417</td>
<td>308</td>
</tr>
</tbody>
</table>
Pierce County Needs More Transit

Compare to other WA cities:

<table>
<thead>
<tr>
<th>City</th>
<th>Annual Vehicle Revenue Hours (2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Transit (Everett)</td>
<td>693,094</td>
</tr>
<tr>
<td>Spokane Transit Authority</td>
<td>590,771</td>
</tr>
<tr>
<td>Intercity Transit (Olympia)</td>
<td>349,591</td>
</tr>
<tr>
<td>C-Tran (Vancouver)</td>
<td>338,267</td>
</tr>
<tr>
<td>Pierce County Transit</td>
<td>197,000 (projected)</td>
</tr>
</tbody>
</table>
### Summit County’s Success

Why mess it up?

Fare-free public transit agencies serving resort communities:

<table>
<thead>
<tr>
<th>Transit System</th>
<th>Population</th>
<th>Ridership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summit Stage</td>
<td>28,000</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Community Transit (NJ)</td>
<td>121,000</td>
<td>218,000</td>
</tr>
<tr>
<td>Mountain Rides (ID)</td>
<td>22,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Glenwood Springs (CO)</td>
<td>8,200</td>
<td>526,000</td>
</tr>
<tr>
<td>Estes Park Shuttle (CO)</td>
<td>6,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Telluride Galloping Goose (CO)</td>
<td>5,000</td>
<td>300,000</td>
</tr>
</tbody>
</table>
Broome County Transit Success
Why mess it up?

Compare BC to these Transit Systems:

<table>
<thead>
<tr>
<th>Transit System</th>
<th>UZA Population</th>
<th>Annual Vehicle Revenue Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broome County</td>
<td>158,064</td>
<td>1,883,099</td>
</tr>
<tr>
<td>Springfield Mass Transit District (SMTD)</td>
<td>161,316</td>
<td>1,696,448</td>
</tr>
<tr>
<td>Clarksville Transit System (CTS)</td>
<td>158,377</td>
<td>1,394,792</td>
</tr>
<tr>
<td>Su Tran LLC dba: Sioux Area Metro (SAM)</td>
<td>156,777</td>
<td>1,377,159</td>
</tr>
<tr>
<td>Topeka Metropolitan Transit Authority (TMTA)</td>
<td>150,003</td>
<td>1,365,842</td>
</tr>
</tbody>
</table>
First Transit's Dedication to Quality Service in Pensacola
Access to Jobs in KC

Missed Opportunity: Transit and Jobs in Metropolitan America

<table>
<thead>
<tr>
<th>Transit Accessibility Profile</th>
<th>47%</th>
<th>14.2</th>
<th>18%</th>
<th>90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>100 Metro Average: 69%</td>
<td>Median wait (minutes) for any rush hour transit vehicle</td>
<td>100 Metro Average: 30%</td>
<td>Combined rank out of 100 Metros</td>
</tr>
<tr>
<td>Share of working-age residents near a transit stop</td>
<td>10.1</td>
<td>Share of all jobs reachable via transit in 90 minutes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Brookings Study
Virginia -- $189 million
Florida -- $185 million
North Carolina -- $75 million
Tennessee -- $36 million
Texas -- $29 million
Louisiana -- $5 million
Arkansas -- $4 million
Georgia -- $2.2 million
ATU Goals

Ensure that any potential cost savings are properly measured and weighed against potential adverse effects on safety and service.
Don’t Take Our Word For It

Former Denver Transit Executive:

“...Savings by paying workers less, offering fewer benefits, deterring employees from remaining at transit agency long enough to reach top of pay scale...”

Key - offer at least "reasonable" packages so service is not affected.
APTA Executive:

"I don't want to sound like I'm against privatization, but there's no inherent advantage of it," Guzzetti says. "There's nothing about that private-sector manager that makes him a better manager than a public-sector manager … Of course, if the savings are all, say, in the labor part, then you say all you're doing is competing for the lowest wages, and that's a decision that the local community has to make."

— Charleston City Paper, May 1, 2012
Provide Alternatives

- Can’t just say no
- Better, more affordable, frequent service
- Coalitions
- Ex. – Fall River, Pensacola, Atlanta, Baton Rouge, Weston
Work Stoppages

Since July of 2001, ATU has been involved in 21 work stoppages in the U.S., including Pensacola.

81% of strikes in the private sector
• Privatizing transit services results in fewer, rather than more bidders

• Cost savings far slimmer than projected, and decreased over time

• 40% systems say service quality and customer service is negative impact of privatizing

• Safety, maintenance concerns, high employee turnover all contributed to this negative impact on service quality
The Real Facts about Transit Privatization

- Initial incremental savings may be found after contracting-out, but by second round of contracting, savings disappear.

- Big companies deliberately low-ball initial bids, then jack up costs after eliminating competition.

- Comparing public vs. private is deceptive. Add the cost of monitoring private firms to ensure that the level of service is maintained and savings often disappear.
Private Operators: No Incentive to Increase Service

- No incentives to provide high quality service
- No accountability
- Profit motive
The Nation’s Public Transportation Infrastructure Receives “D” Grade

- The American Society of Civil Engineers Releases Grades for America’s Infrastructure - The nation’s public transportation infrastructure receives “D” grade which shows urgent need for investment

- APTA Executive:

“The report shows that there are devastating consequences to our economy and to our mobility when we do not make investing in America’s infrastructure a priority.”
Public Transportation Provides Economic Opportunities

Every dollar communities invest in public transportation generates approximately $4 in economic returns.
More Americans are Supporting Public Transportation Investment

Last year 49 out of 62 transit-oriented state and local ballot initiatives passed.

Nearly 80% passage rate.
Ridership Is At Highest Level in Five Decades
Ridership Is at Highest Level in Five Decades

- Record 10.5 Billion Trips Taken On U.S. Public Transportation in 2012
- Second highest annual ridership since 1957, despite the impact of Hurricane Sandy
- Even though public transit ridership increased by 9.1% over the past decade, there are still 45% of Americans who lack access to public transit in their communities
Since 2004 Transit Use Has Grown More Than Population or Highway Travel
Reducing Dependence on Foreign Oil

- Each bus can take 35 cars off the road.
- Transit reduces U.S. gasoline consumption by 1.4 billion gallons each year. That means:
  - 108 million fewer cars filling up – almost 300,000 every day.
  - 34 fewer supertankers leaving the Middle East – one every 11 days.
  - Over 140,000 fewer tanker truck deliveries to service stations per year.
  - A savings of 3.9 million gallons of gasoline per day.
We are also playing our part to reduce our carbon footprint, cut down on global warming, and leave the world a better place for our children. For every mile traveled on public transit, riders produce 95% less carbon dioxide than driving.
Choices:

Privatization = shrinking, deteriorating service.

Funding = expanding, improving service. Better choices.