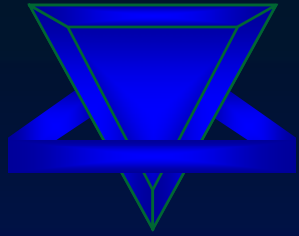




**TRANSIT COMPETITIVE  
CONTRACTING**

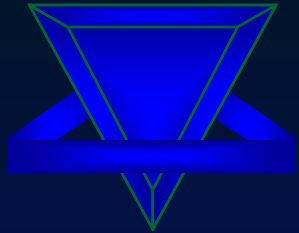
**Presented by  
Kenneth R. Fischer  
Senior Vice President  
McDonald Transit Associates, Inc.**

**August 23, 2010**



# TRANSIT COMPETITIVE CONTRACTING

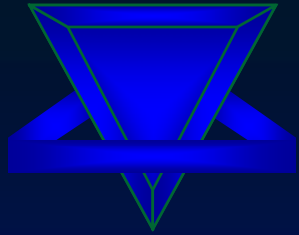
Webster's Dictionary defines Privatization as the transfer of ownership or control from the government to a private corporation.



# **FEDERAL TRANSIT ADMINISTRATION (FTA) REGULATIONS**

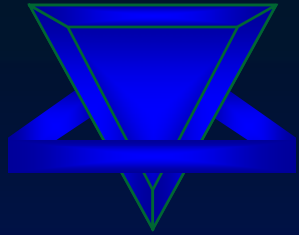
**FTA regulations do not allow for a complete transfer of ownership.**

- 1. A primary eligibility requirement for funding under the FTA Urbanized Area Formula Program is that the designated grant recipient be a public body and have the legal authority to receive and dispense federal funds.**
- 2. The grantee must certify that it has or will have the financial capacity to carry out the proposed program of projects.**
- 3. The grantee must certify that it has the technical capacity to carry out the proposed program of projects.**
- 4. The grantee must certify that it has a locally developed process to solicit and consider public comment before raising a fare or carrying out a major reduction of transit service.**



## **TRANSIT COMPETITIVE CONTRACTING**

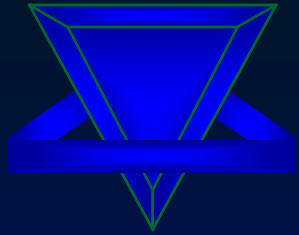
- ✔ **If a transit system wishes to continue to receive federal funds, they can transfer all functions except those that directly relate to policy. FTA guidelines dictate that policy functions remain with a public body.**
- ✔ **Typically, in the transit industry, privatization involves the separation of the policy function from the service delivery function. This results in all or portions of the service delivery being handled by a private vendor.**



## **TRANSIT COMPETITIVE CONTRACTING**

**Services that are competitively contracted in the  
United States:**

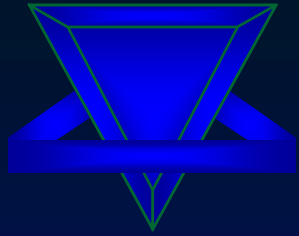
- 10% of regular transit bus service.**
- 70% of demand response paratransit service.**
- 30% of school bus service**



# **TRANSIT COMPETITIVE CONTRACTING**

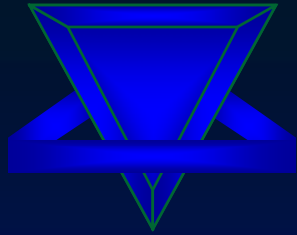
**Some of the basic reasons to contract for services include:**

- 1. Lack of transit expertise on policy body staff to develop and manage a transit system.**
- 2. Desire/need to introduce a competitive environment to reduce or control costs.**
- 3. Need to expedite a start up or major change to a transit system.**



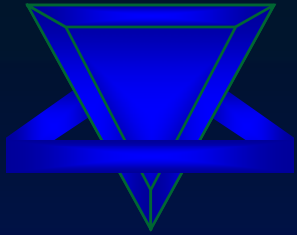
# **COMPETITIVE CONTRACTING MODELS**

- 1. Traditional Transit Management Model**
- 2. Operating Service Contract Model**
- 3. Turn-key Operating Service Contract Model**
- 4. Purchase of Service Model**



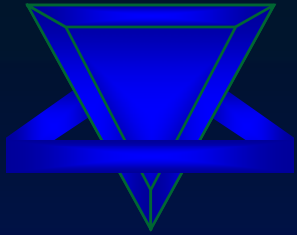
# Keys to the Various Models

<b>Areas of Responsibility</b>	<b>Traditional Management Contract</b>	<b>Operating Service Contract</b>	<b>Turn-key Operating Service Contract</b>	<b>Purchase of Service</b>
<b>Method of payment</b>	<b>Fixed Fee plus Costs</b>	<b>Hourly Rate</b>	<b>Hourly Rate</b>	<b>Per Trip</b>
<b>Private firm provides operations dept.</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Private firm provides maintenance dept.</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Private firm handles all human resources issues</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>



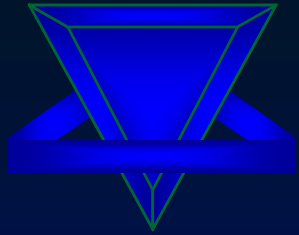
# Keys to the Various Models

<b>Areas of Responsibility</b>	<b>Traditional Management Contract</b>	<b>Operating Service Contract</b>	<b>Turn-key Operating Service Contract</b>	<b>Purchase of Service</b>
<b>Method of payment</b>	<b>Fixed Fee plus Costs</b>	<b>Hourly Rate</b>	<b>Hourly Rate</b>	<b>Per Trip</b>
<b>Transit agency provides facilities and equipment</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>No</b>
<b>Transit agency provides all vehicles</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>	<b>No</b>
<b>Private firm provides administration department - Grants</b>	<b>Yes/No</b>	<b>No</b>	<b>No</b>	<b>No</b>
<b>Private firm handles procurement, prepares specifications and bids</b>	<b>Yes/No</b>	<b>No</b>	<b>No</b>	<b>No</b>



# Keys to the Various Models

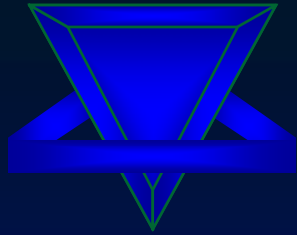
<b>Areas of Responsibility</b>	<b>Traditional Management Contract</b>	<b>Operating Service Contract</b>	<b>Turn-key Operating Service Contract</b>	<b>Purchase of Service</b>
<b>Method of payment</b>	<b>Fixed Fee plus Costs</b>	<b>Hourly Rate</b>	<b>Hourly Rate</b>	<b>Per Trip</b>
<b>Private firm handles planning &amp; scheduling</b>	<b>Yes</b>	<b>No</b>	<b>No</b>	<b>Yes/No</b>
<b>Private firm handles marketing</b>	<b>Yes</b>	<b>No</b>	<b>No</b>	<b>No</b>
<b>Private firm handles board relations</b>	<b>Yes</b>	<b>No</b>	<b>No</b>	<b>No</b>



## **TRANSIT COMPETITIVE CONTRACTING**

**If cost is a consideration remember that FTA's Common Grant Rules require the grant recipient to perform a cost analysis or price analysis in connection with every procurement.**

**Again, if cost is a consideration, identify those areas where you expect to achieve savings.**

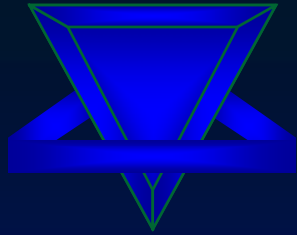


## TRANSIT COMPETITIVE CONTRACTING

As an example, if you were to consider contracting for savings using the 2009 NTD Summary of SCAT Operating Expenses, where would you expect to achieve savings.

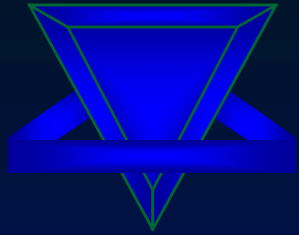
<b>Salary, Wages and Benefits</b>	<b>\$4,802,448</b>	<b>69.22%</b>
<b>Materials &amp; Supplies</b>	<b>\$1,294,582</b>	<b>18.66%</b>
<b>Other Operating Expenses</b>	<b>\$841,404</b>	<b>12.13%</b>
<b>Subtotal Operating Expenses</b>	<b>\$6,938,434</b>	<b>100.00%</b>

<b>Ryder Services</b>	<b>\$2,007,028</b>	
<b>Total Operating Expenses</b>	<b>\$8,945,462</b>	



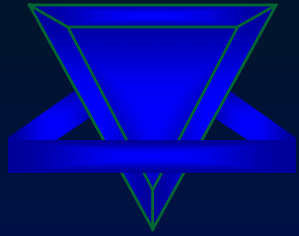
## **TYPICAL PRIVATIZATION COST SAVINGS**

- 1. Reduce size of staff.**
- 2. Tie labor and fringe costs to the local private labor market.**
- 3. Change composition of supervision.**
- 4. Competitive environment can help encourage a constant effort to identify better methods to manage and operate services.**



## **TRANSIT COMPETITIVE CONTRACTING**

**An RFP for service should contain a complete description of the service to be purchased, including schedules, service miles, service hours, number of trips, and the applicable performance standards. The client's expectations for service should be clearly defined in the RFP.**



**THE END**

**THANK YOU!**