OVERCOMING BARRIERS TO
GREATER PRIVATE SECTOR
INVOLVEMENT IN TRANSPORTATION

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Final Report

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Overcoming Barriers to Greater Private Sector Involvement in Transportation

Dr. Catherine L. Ross, Associate Professor

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University Research & Training Program
Office of Technical Assistance
Urban Mass Transportation Administration
400 Seventh Street, S.W., Washington, D.C. 20590

This report documents the results of a year long project focusing on the identification of differences in the perceptions of citizens, business interests and private operators of barriers to increased involvement of the private sector in transportation service delivery in Atlanta, Georgia. Specification of barriers result in the development of a set of recommendations to facilitate an expanded role for the private sector.

The basic approach encompassed a series of interviews with each of three groups. These were structured to solicit information on their attitudes and perceptions about the role of the private sector in public transportation. Information on their views of a proposed Downtown Bus Loop System and Underground Atlanta was also collected. Both are considered opportunities where private sector delivery of services is a particularly attractive alternative.

Available to the public through the National Technical Information Service, Springfield, Virginia 22161

Unclassified

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# METRIC CONVERSION FACTORS

## Approximate Conversions to Metric Measures

<table>
<thead>
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<th>Symbol</th>
<th>When You Know</th>
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| **AREA** | | | | |
| in² | square inches | 0.000625 | square centimeters | cm² |
| ft² | square feet | 0.092903 | square meters | m² |
| yd² | square yards | 0.836127 | square meters | m² |
| mi² | square miles | 2.589988 | square kilometers | km² |
| ha | hectares | 0.01 | | |

| **MASS (weight)** | | | | |
| oz | ounces | 0.0283495 | grams | g |
| lb | pounds | 0.453592 | kilograms | kg |
| short ton | (2,000 lb) | 0.907184 | | |

| **VOLUME** | | | | |
| tsp | teaspoons | 0.5 | milliliters | ml |
| Tbsp | tablespoons | 15 | milliliters | ml |
| fl oz | fluid ounces | 0.0295735 | milliliters | ml |
| c | cups | 0.236588 | liters | l |
| pt | pints | 0.473176 | liters | l |
| qt | quarts | 0.946353 | liters | l |
| gal | gallons | 3.78541 | liters | l |
| ft³ | cubic feet | 0.0283168 | cubic meters | m³ |
| yd³ | cubic yards | 0.764555 | cubic meters | m³ |

| **TEMPERATURE (exact)** | | | | |

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*If m = 2.54 inches, for other exact conversions and more detailed tables, see NOAA, 1963, Publ. 291, Units of Weight and Measures, Price PI 25, SD Catalog No. C1310286.

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**FIGURE 3. METRIC CONVERSION FACTORS**
ACKNOWLEDGEMENTS

The author would like to express her appreciation to all of those who so willingly consented to being interviewed. Funding for this effort was provided by the UMTA University Research and Training Program. The author appreciates the support and participation of the project monitor, Mr. Robert Trotter. Thanks also to Ms. Judy Z. Meade for her assistance.
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Comparison of average costs per vehicle-mile of private and publicly-owned transit services in various nations

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<table>
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Survey of Private Providers
Survey of Business Community
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OVERCOMING BARRIERS TO GREATER PRIVATE SECTOR INVOLVEMENT IN TRANSPORTATION

EXECUTIVE SUMMARY

This study focused on identifying differences in attitudes and perceptions among private operators, lay citizens and business persons toward an expanded role for the private sector. A series of interviews were conducted with representatives from each of these groups in Atlanta, Georgia.

Results support the hypothesis that there are significant perceptual and attitudinal differences. Identification of these made it possible to develop recommendations aimed at reducing barriers to private sector involvement. Moreover, the comparative analyses permits the development of policies that are more responsive to concerns of each of the three groups. Thus, it extends our ability to create a more conducive environment for private operators.
Section I

OVERCOMING BARRIERS TO GREATER PRIVATE SECTOR INVOLVEMENT IN TRANSPORTATION

I. Introduction

The purpose of this project is to examine differences in attitudes and interests held by lay citizens, the business community and private providers of transportation service in Atlanta, Georgia. Specifically to identify differences in their perceptions of barriers to an expanded role for the private sector.

The project follows up the Downtown Bus Loop Study and attempts an analysis of views held by the three groups, some of whom were active participants. The Study recommended, as one alternative, that a private operator provide the proposed service. It became obvious during the conduct of activities that there were varying perceptions about barriers to the increased involvement of the private sector. A number of private providers/operators expressed hesitation about the prospect of bidding on such a contract should such an opportunity present itself. This situation underscored the existence of barriers to private sector involvement. One response is the identification of perceptual and institutional barriers and possible strategies for minimizing or removing them. This study attempts to accomplish this as a means of facilitating private sector involvement.

Much of the impetus for expansion of the role of the private sector is in response to the national need and interest. A primary motivation is the belief that substantial cost savings would result and that there are any number of ways in which this may be accomplished. Initially, a private carrier could provide, through some form of contractual arrangement, services previously delivered by a public system. Alternatively, a private carrier could decide on which services it wanted to produce. The fundamental concern, however, is with reducing the cost of such services. In this context, it is important to examine the comparative costs of public and private providers of transit. These differences are significant and in Atlanta, the profitability of a downtown loop service provided by the private sector was documented.

There has been a constant increase in transit cost over the last thirty years. During the same time period, we went from a situation where revenues exceeded cost to one in which revenues covered less than forty percent of operating expenses and none of capital expenditures. The few instances where transit services remained profitable were private operations. Because of the relatively few instances of private-sector participation, it is sometimes necessary to use information comparing the relative costs of providing public transit service from a variety of sources. In some instances, private firms provide transit service in the same metropolitan areas as public ones; in others, ownership has changed from public to private.

Table 1 presents data on the ratio of cost per vehicle-mile of providing bus service by private firm and public authority. The buses used are of the same size and other features, e.g., quality of seating, air condition, etc., are identical. As can be seen for the cities in the United States, private carrier costs are about half of public costs. Studies of costs in Australia and England reveal a similar pattern. Private costs typically range between
fifty and sixty-five percent of public costs. Thus, estimates using costs of typical large regional public transit authorities may be high and, therefore, the range of profitability may be even greater than anticipated.

Table 1

Comparison of average costs per vehicle-mile of private and publicly-owned transit services in various nations.

<table>
<thead>
<tr>
<th>Location</th>
<th>Service Type</th>
<th>Year(s)</th>
<th>Ratio of Private To Public Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melbourne</td>
<td>Urban Bus</td>
<td>1970-77</td>
<td>.55-.58</td>
</tr>
<tr>
<td>Other areas</td>
<td>Urban Bus</td>
<td>1972-73</td>
<td>.50-.65</td>
</tr>
<tr>
<td>United Kingdom (b)</td>
<td>Local Rural and</td>
<td>1977</td>
<td>.58</td>
</tr>
<tr>
<td></td>
<td>Inter-Urban Bus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleveland (c)</td>
<td>Urban Bus</td>
<td>1982</td>
<td>.60</td>
</tr>
<tr>
<td>Los Angeles (d)</td>
<td>Peak-Period-Only</td>
<td>1982</td>
<td>.60</td>
</tr>
<tr>
<td>New York City (e)</td>
<td>Suburbs Urban Bus</td>
<td>1980</td>
<td>.53</td>
</tr>
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</table>

e. Calculated from data in Urban Mass Transportation Adm. (1982); see also Cox (1983b), p. 3.


Currently private firms are increasing their role in service provision. There are a number of examples and in some instances local governments have decided to contract with private firms for service provision in lieu of a public authority. This trend is evident in both large and small urban areas. Contracting for service is the only option for many. In these instances local government has opted not to become involved in service delivery.

II. Service Delivery Models for the Private Sector

The inability of local areas to finance transportation improvements coupled with their hesitancy to do so have added impetus to the idea that the private sector should be increasingly involved in service delivery. Not surprisingly, the opportunity for such involvement presents itself in a variety of ways. These include:

- Contracting with private operators for service delivery
- Private provision of public transportation
Contracting for services is a surprisingly widespread phenomenon. Recent evidence suggests as many as thirty-three percent of public transportation organizations contract for some portion of their transit service. This arrangement permits the public arena to control services yet accrue the benefit of less cost. Guidelines for performance are outlined on a contractual basis and the private operator provides the service accordingly. In this way standards are determined by the public agency and it is possible to tailor them so they are compatible with other transit services offered by the agency. Additionally, it is possible to implement changes in a more efficient manner. The City of Atlanta contracts with various private operators to provide transportation for school children. One of the most valued options is the ability to withdraw a contract and get an immediate response when a contractor performs poorly. Contracting is seen as a primary means of meeting future public transportation needs in a more efficient and cost-effective manner. Increasingly it is the option urban areas are pursuing. The following table lists places where contract service is in operation and describes these.

**Table 2. Contract Services**

<table>
<thead>
<tr>
<th>Place</th>
<th>Kind of Service</th>
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<tr>
<td>Phoenix, Arizona</td>
<td>Taxi company provides Sunday service</td>
</tr>
<tr>
<td>Ann Arbor, Michigan</td>
<td>Taxi company provides late night service</td>
</tr>
<tr>
<td>Fairfax County, Virginia</td>
<td>Local transit service provided by a private operator</td>
</tr>
<tr>
<td>Carson, California</td>
<td>Local transit service provided by a private operator</td>
</tr>
<tr>
<td>Los Angeles County, California</td>
<td>Private operator provides commuter service</td>
</tr>
<tr>
<td>Dallas, Texas</td>
<td>Trailways provides commuter service</td>
</tr>
<tr>
<td>San Mateo County, California</td>
<td>Greyhound provides commuter service</td>
</tr>
<tr>
<td>Santa Clarita Valley, California</td>
<td>Peak period express service provided by a private operator</td>
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<tr>
<td>San Diego, California</td>
<td>Taxi provides feeder service to bus lines</td>
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<tr>
<td>Phoenix, Arizona</td>
<td>Taxi provides Sunday dial-a-ride service</td>
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<tr>
<td>Orange County, California</td>
<td>Dial-a-ride service for the public</td>
</tr>
<tr>
<td>Norfolk, Virginia</td>
<td>Shared-ride taxi service on a demand-responsive basis</td>
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</table>

The private provision of public transportation services means these are offered on a profit-making basis. Consequently, they are not subsidized and tend to be more limited in scope. Boston, New York, Philadelphia and all states which have such service operating within their boundaries. One example of such service is the express bus service terminating in Manhattan, New York from outlying areas. Numerous private operators are typically involved and evidence suggests these services exist where there is a long-haul trip with
few stops; many trip destinations; and lines with high load factors so the buses run with high occupancy.

Service delivery by volunteer organizations fills a void primarily at the community level. Typically social service agencies such as churches provide transportation services for a client group. Although neighborhood organizations may provide service for their particular areas. Often apartment complexes will operate such a service to shopping malls, schools, etc. These volunteer and neighborhood sponsored transportation services occur on a very small scale; are frequently demand responsive; and do not require high occupancy levels.

The private operation of transit has occurred in response to a need for a greater sharing of responsibility between the public and private sector in regards to service delivery. In some instances the business community has shouldered full financial burden, particularly where it affects the economic development of an area. Transportation Management Organizations (TMO's) have been formed to assure the deliver of requisite services to members of the TMO. TMO's have the capability of meeting a variety of needs and in other instances they perform an advocacy or a management function. However, they are basically oriented to supporting the role of the private sector in transportation activities. In Kansas City, the Kansas City Trolley Corporation operates a shuttle service to downtown Kansas City. Other services operate in Sacramento, California and Dallas, Texas.

While it is fairly obvious that some level of involvement for the private sector has been attained, there is need to identify issues that stand in opposition to progress in this arena. The results of this study extend significantly our capability to do this.

1. Urban Mobility Corporation, Varieties of Private Sector Involvement in the Provision of Transit Service; available from the Atlanta Regional Commission, Atlanta, Georgia.

2. These and other examples of contract service appear in Urban Mobility Corporation, Varieties of Private Sector Involvement in the Provision of Transit Service; available from the Atlanta Regional Commission, Atlanta, Georgia.
Section II
IDENTIFYING BARRIERS TO PRIVATE SECTOR INVOLVEMENT

I. Overview

There is not a tremendous amount of data available on attitudes toward increased involvement of the private sector in the delivery of public transportation services. Even though the federal government has increased its support of the private sector there are still many barriers to greater involvement. Some of these are institutional, while others are perceptual. These then may serve to reduce the interest of the private sector in a large role in public transportation. We examined each of these as they were identified by survey respondents.

Project goals included but were not limited to the following:

1. To identify differences between the interests of private providers of transportation services, neighborhood citizen groups and business and commercial interests.
2. To identify barriers to an expanded role for the private sector in improving transportation service delivery.
3. To identify desired changes in the Atlanta area that would encourage a larger role for the private sector.
4. To assess the commitment and interest of the private sector in an expanded role in providing urban mobility.
5. To identify the attitudes of private sector operators toward the Public Service Commission (PSC) and its relationship with MARTA.
6. To determine the view of the business community; private operators; and citizens toward the proposed Downtown Bus Loop System and Underground Atlanta.
7. To identify the extent to which, if any, the Metropolitan Atlanta Rapid Transit Authority (MARTA) affects the actions of the private sector.

These goals were accomplished to some extent and the result is a data base that is informative in regards to each of them.

Results support the main hypothesis of the research. Differences do in fact exist between perceptions of private sector operators, citizens and business persons as to the extent and nature of barriers to an increased role for the private sector in improving public mobility. This hypothesis was tested explicitly with an examination of such differences and their implication for change. The primary product of this study is the documentation of barriers to increased private sector involvement. Their identification assists in the specification of necessary changes if greater private sector participation is to be accomplished in Atlanta and at the national level. Moreover, it results in the ability to develop policies or strategies directed towards each of the three groups in ways that respond to their particular beliefs, concerns or perceptions.
II. Method of Approach

Questionnaires were developed for three groups: the business community, private sector operators (providers), and citizens. These were structured to solicit information on:

- Attitudes and perceptions about the role of the private sector in providing public transportation service; and
- Attitudes and perceptions about the proposed Downtown Bus Loop System and Underground Atlanta.

Questionnaires were designed so there are some common items that serve as a basis for comparison. Questions were developed based on issues that surfaced during the Bus Loop Study and on a review of literature on the role of the private sector. Once issues were identified they were divided into groups depending on whether they primarily related to the citizen, business person or private provider perspective. Each group of issues served as the basis for the development of each of the three sets of questionnaires which were subsequently field tested and revised (see Appendix A).

Members of the research team responsible for interviewing were Dr. Catherine Ross and two Graduate Research Assistants (GRA's), Mr. Tom Buffkin and Ms. Susan Guffey. Dr. Michael Elliott assisted in preparation of the final report. The GRA's were trained in the art of interviewing over a two week time period during which they conducted mock interviews as a mechanism for improving interviewing skills. Approximately 6 interviews were conducted in the pilot study as a basis for revising questionnaires. Prior to telephone contact each person to be interviewed received a letter explaining the study purpose and a map of the proposed downtown system (see Appendix B).

Existing networks were used to identify persons to be interviewed. Twenty-seven citizens were interviewed either over the telephone or by completing and mailing the questionnaires back to Georgia Tech. Those citizens interviewed belong to the Atlanta Regional Commission's (ARC) Transportation Advisory Group (TAG) or are members of the City of Atlanta's Neighborhood Planning Unit (NPU) structure.

TAG is a citizen's task force that votes on all transportation projects approved by ARC. It has representatives from each of the seven counties. A presentation on the study was made to the TAG; questionnaires were distributed to them and they were directed to mail them back in a postage-paid envelope. Those who did not mail them back were interviewed over the telephone. NPU's are the citizen participation structure for the City of Atlanta. These citizens were interviewed over the telephone as well. Approximately 67 percent (27) of the 40 citizens comprising both groups were interviewed.

Twelve business persons were interviewed. This is approximately 70 percent of the 17 persons identified. Business persons were identified/selected because they met the following two criteria:

- The Vice President of Central Atlanta Progress (CAP) identified the individual as someone having knowledge, insight and concern for transportation service delivery.
Membership on the Transportation and Infrastructure Task Force for the ongoing Central Area Study of downtown Atlanta. This study is being conducted by CAP.

These persons were interviewed over the telephone by the principal investigator.

Lastly, 24 private operators were interviewed. These were selected because they operate their companies in the metro area and have indicated interest in providing service through their participation in the Private Providers Task Force (PPTF). This organization is comprised of private sector operators in the Atlanta area.

The research involved the completion of eleven tasks. These include:

- Task 0: Conduct Administrative Activities
- Task 1: Questionnaire Development
- Task 2: Pre-Test Questionnaires
- Task 3: Revise Questionnaire
- Task 5: Construct Population to be Interviewed
- Task 6: Determine who in Population to Interview
- Task 7: Train Interviewers
- Task 8: Conduct Interviews
- Task 4: Assess results of Transit Initiatives Study
- Task 9: Code Information and Analyze
- Task 10: Preparation of Progress Reports
- Task 11: Preparation of Draft and Final Report

Task four focuses on assessing the data output of the Transit Initiatives Study. Another product of the study was the formation of a Private Provider's Task Force (PPTF) established for the Atlanta area in 1986.
TRANSPORTATION CAPABILITY OF PRIVATE PROVIDERS

I. Status of the Private Sector

The Atlanta area is extremely active in the amount of attention paid to issues concerning private operators and their role in service delivery. One indication of this is a study commissioned by the Atlanta Regional Commission (ARC) in January, 1986. ARC is the local Metropolitan Planning Organization (MPO) for the Atlanta metropolitan region. In accordance with the October 22, 1984 policy directive issued by UMTA calling for private enterprise participation in the planning and provision of local transit services, ARC had responsibility for the development of implementation procedures. This was to be accomplished through coordination with public and private transit providers. Moreover, such procedures would involve:

A. Consultation with private providers in the local planning process;
B. A platform for discussion of complaints; and
C. Involvement of private enterprise in new or restructured service proposed by local public transit operators.

In order to develop process and procedures for assuring private sector involvement, ARC began the year long "Private Sector Transit Initiatives" study and employed a nationally known firm with extensive experience in private sector involvement in transportation. Fortunately, this study was conducted within a time frame that permitted us at Georgia Tech to benefit from its products. One of which was an examination of private sector activity and characteristics. This information is contained in a data base on private operators for the Atlanta area developed by ARC. Therefore, it was possible to extract information for approximately 92 percent of the firms/private operators we surveyed. The information is contained in this section and identifies both the capability and characteristics of the firms. The availability of this information greatly enhances the results of our study of barriers to expanded private sector involvement.

II. Profile of Private Providers

The operators primarily perform charter services followed by management services, taxi, fixed route and commuter service. The following table identifies the number and kinds of transit vehicles they own.

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<th></th>
<th>Total</th>
<th>Percent of Total</th>
<th>Average</th>
<th>Maximum</th>
<th>Minimum</th>
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<td>63</td>
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<td>Van</td>
<td>1779</td>
<td>72.0</td>
<td>89</td>
<td>1750</td>
<td>0</td>
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<tr>
<td>Taxi</td>
<td>521</td>
<td>21.0</td>
<td>26</td>
<td>181</td>
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<tr>
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<td>2.2</td>
<td>3</td>
<td>12</td>
<td>0</td>
</tr>
</tbody>
</table>

Total 2,472 100.0
The 22 companies own a total of 2,472 vehicles. Vans constitute approximately 72 percent of the total. Another 21 percent are taxies, while approximately 5 percent are buses and 2 percent other.

Collective seating capacity is one measure of the combined capability of the operators. Table 4 contains information on seating capacity.

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<td>14.7</td>
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<td>Van</td>
<td>24,380</td>
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<tr>
<td>Taxi</td>
<td>2,514</td>
<td>7.9</td>
</tr>
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<tr>
<td></td>
<td>31,911</td>
<td>99.0</td>
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May not total 100% due to rounding.

Vans constitute the majority of seating capacity, 67 percent. Followed by buses at approximately 15 percent and taxies almost 8 percent. The other category which might include limousines, lift-equipped vehicles, etc., constitutes only 1 percent of the available seating capacity. It is clear that the private sector has extensive capability to meet the transportation needs of the urban area.

All of the companies/operators have air-conditioned vehicles, 99 percent of all vehicles are air-conditioned. While 18 percent of operators have lift-equipped vehicles in operation, 82 percent do not. The average age of the vehicles used is just under 5 years, while the oldest vehicle in use is 14 years and the newest is 1 year.

On the average operators provide 23 hours of service each weekday, most operating on a 24 hour basis. Approximately 18 hours of service are provided on Saturdays and Sundays. When queried about the number of passengers carried in FY 1985, only 62 percent of operators were willing to respond. In total, this group carried 6,658,438 passengers. The experience here is consistent with that in other urban areas, which suggests private operators will not divulge information they fear may reduce their competitiveness. Only 48 percent of operators responded when asked about the type of certificate they hold. Of the total number of certificates held, 23 percent are Public Service Commission fixed route (Class AF); 38 percent are Public Service Commission Charter (Class B); 3 percent are Interstate Commerce Commission fixed route (Class G Permit) and 36 percent are Interstate Commerce Commission Charter (Class G Permit).

Only 62 percent of operators would identify the extent to which, if any, they were involved in the provision of contract service. Of these, 71 percent are presently performing private contract service and 29 percent are performing public contract service. Currently, they provide vanpool services, paratransit, shuttle, charter, fixed-route, demand-responsive, tours and package delivery. Seventy percent of the operators have contracted previously.
with a public agency or private agency, while 30 percent have not.

Collectively, operators employ 1086 full-time people. Of this number, 79 percent are drivers; 3 percent are mechanics; 9 percent are in management; and 9 percent are in the other category. Ninety percent have a preventive maintenance program while 10 percent do not.

When asked if they would be interested in contracting to provide public transportation services, 76 percent indicated they would be interested, while 4 percent would not. Twenty-three percent indicated they might be interested in contracting. Approximately 50 percent indicated they would purchase new equipment, while 50 percent indicated they would lease equipment in order to submit a bid. When asked, 71 percent of operators indicated they would be willing to coordinate and cooperate with government agencies in planning and providing service, while 5 percent would not. Twenty-four percent indicated they might be willing.

The private operators were asked a number of open-ended questions aimed at identifying attitudinal or perceptual problems that might influence their willingness to broaden their participation in public transportation service delivery. When asked what concerns they might have about participating, a recurring issue was the question of how regulated the service might be. Other issues were length of time between service provision and payment for service; inability to increase profit margin on specified services; lack of communication with public sector agencies; and the general question of profitability. Concerns about contract operations included:

- amount of control the service provider would have
- fare collections
- number of requirements to submit a successful bid
- length of time required in contract and
- provision of vehicles.

General comments focused on: the establishment of an undesirable low bid procedure; limit on competition from MARTA; faulty or no communications network; provision of taxi stands at the rail stations; contact prior to releasing a request for bid; involvement in planning process of public agencies and commitment to a fair and open process.
Section IV

Institutional and Perceptual Barriers

I. Overview

This section seeks to describe institutional and perceptual barriers to greater private sector involvement in transportation. Three types of barriers are explored:

- barriers based on perceptions about the desirability and quality of private sector service delivery;
- barriers that are institutionalized in regulations, patterns of information flow, and organizational relationships; and
- barriers that reduce incentives for private sector involvement in mass transportation provision.

For each type of barrier, we shall explore the perceptions and attitudes of private sector operators, citizen respondents and business leaders. These results provide extensive information on their perceptions and attitudes, and are described in detail. Such data is all too often difficult to obtain. Therefore these findings provide a rare opportunity to examine and learn from the providers and users of private sector mass transit services.

II. The Desirability and Quality of Private Sector Service

Perceptions about the desirability and quality of private sector service help determine the feasibility of such service. By predisposing consumers of transit service to either promote or resist new private sector services, these perceptions help shape the political and institutional context of transit provision. In this section, we examine these attitudes and perceptions from the perspectives of citizens, business leaders and private transit operators. The number of each question and the questionnaire on which it is located is identified in a note preceding its discussion.

What is meant by the term "private transportation provider?" Note: Citl and Busl

Each business and citizen respondent was asked to explain his or her perceptions about what constitutes a private transportation provider. They responded with a wide variety of definitions. Some of the respondents (39 percent of business leaders and 15 percent of citizens) defined private transportation provision rather traditionally as taxi and limousine services. The remaining respondents recognized a wider range of potential services, including interstate and local buses, vans and carpools, specialty transportation systems and even school buses. The most common element of these definitions was that private transportation providers are independent contractors and profit oriented companies.

Is the provision of public transportation by private operators desirable? Note: Cit2, Bus2, Prov5,6

The attitudes of private providers, citizens and business leaders differs significantly over this question. Interestingly, while as many as 42 percent
of private providers felt unsure about the possibility of delivering public transportation services on a profit making basis, all agreed that private operators ought to provide such service. On the other hand, while 60 percent of business leaders believed that privatization was desirable, at least as part of a larger public transportation network, 40 percent of the respondents believed that transportation privatization was undesirable. Reasons cited focused on the context of public transit (e.g., the political workability of such a program or the need to protect MARTA from competition). Finally, only 48 percent of citizens believed that it was desirable to have private operators provide public transit services and even this support was frequently conditioned. For some individuals, privatization is desirable if it is complementary to public service, if it does not undercut public services by skimming premium service areas, and if it does not neglect specific racial or economic groups of riders. With 30 percent of citizens opposed to privatization and 22 percent uncertain, overall support is positive but cautious.

There appears then to be mixed support for the notion that private operators should be involved in service delivery. Strong support by providers is tempered by a concern over profitability and moderately strong support by business leaders is tempered by concern about the overall workability of such a service delivery system. Moderate support by citizens is tempered by a wide range of concerns about the social and economic impact of privatization.

What kinds of services should be provided by the private sector? Note: Cit4,5 Bus3

We asked both business leaders and citizens to elaborate on the kinds of services they felt could be provided by the private sector. Citizens and business leaders generally felt that private operators should provide those services that the public system did not provide. Only 19 percent of citizens and 20 percent of business leaders explicitly stated that operators should provide services that compete with the public system if they could do so more efficiently. With 22 percent of citizens and 30 percent of business leaders restricting their answers to the conservative suggestions of limousine and taxi service and 13 percent of citizens opposed to any form of private provision, the remaining 46 percent of citizens and 50 percent of business executives believe private companies should provide service only under specialized conditions.

Those citizens who felt that private provision of transportation services should be conditional were asked to explore more fully the special situations in which private providers would be preferable to public providers of transportation. Primarily, citizen preference included situations in which public transit underserved an area because:
- public funds were unavailable (16 percent),
- the routes were specialized, such as the Downtown Loop, shuttles between hotels and shopping areas or service to low density areas (23 percent), or
- special categories of passengers such as the handicapped and elderly could be better served by private systems (10 percent).

Do public or private providers generate more bureaucracy? NOTE: Bus11 Cit15
Both business leaders and citizens (91 percent and 85 percent respectively) agree that public providers involve more bureaucracy than do private providers. Only 4 percent of citizens felt that private operations involve more bureaucracy, with the remaining respondents indicating uncertainty or no difference between the two types of operators.

Can private operators provide service levels comparable to MARTA's? Can they provide service levels that are at least adequate? Note: Cit6,7,13,14 Bus4,7,10 Priv8

Perhaps surprisingly, 84 percent of private providers thought they could provide service levels comparable to MARTA's. Only 8 percent felt they could not, while 8 percent were uncertain.

In a somewhat similar direction, 64 percent of business leaders felt that private companies could adequately provide public transportation (with a similar 62 percent believing this level would be comparable to MARTA's service level). The remaining 36 percent believed that private providers could not provide adequate service.

From the citizen perspective, the question was more complex. For citizens, service levels are dependent on whether private operators could provide adequate service, whether they are responsible enough to do so, and whether the resulting service would be more or less flexible. Forty-four percent of the respondents believed that private operators could adequately provide public transportation, with 23 percent uncertain and 33 percent believing they could not. When compared to the service level currently offered by MARTA, however, only 37 percent felt that private providers could provide a similar level of service, with 7 percent feeling they might be able to provide comparable service and 52 percent believing they could not.

A majority of citizens (52 percent) believed that private providers would act as responsibly as public providers. However, 19 percent believed them to be less responsible, primarily because of profit motivations and the potential for labor problems and favoritism in contract selection. The remaining respondents generally felt that some private operators were responsible while others were not, or that private and public providers were responsible to different constituencies (i.e., to government or to shareholders of the corporation). Finally, over half of citizens surveyed stated they thought public operators would provide more flexible service than private operators. The remainder believed that they would be equally flexible (7 percent), that private operators would be more flexible (26 percent) or they were uncertain.

From a citizen perspective, what are the problems associated with private provision of public transportation services? Cit9

Citizens saw a variety of problems with privately provided transportation. The most common problems mentioned were associated with service quality, pricing and routing:

- small profit margins lead to reductions in equipment investments and operating expenses which in turn reduces service quality (24 percent),
- the need to promote profitability leads to high fares,
competition for the best routes (both between different private providers and with MARTA) reduces the profitability of these routes, forces private providers to attempt to skim off only the best routes and leads to unequal treatment of different races and economic classes (21 percent),
- insurance and safety factors (9 percent), and
- lack of constituency control over the system (3 percent).

Many of the issues concerning pricing, scheduling and routing are particularly problematic for the large proportion of public transit riders who are moderate and low income people.

What is the interrelationship between MARTA and private providers of transit services? Does the existence of MARTA have a positive or negative impact on private providers? Would an expanded role in mass transit for private operators lead to cuts in public transit funding?

NOTE: Cit12 Priv10

Little consensus exists among private providers as to the impact of MARTA on their business. Twenty-eight percent thought MARTA had a negative impact while 16 percent thought it had a positive impact. Approximately 28 percent felt the impact was partially positive and partially negative. The final 28 percent indicated they did not know. In general, the private providers had little information and knowledge about MARTA and its operations, and hence had difficulty assessing its impact on their business. This situation should be remedied and this can probably occur through existing structures including the Private Provider's Task Force.

Alternately, most citizens (52%) did not fear cuts in public transit funding if private operators provided more transportation services. Some of these respondents felt that if cuts were made, the impact would not be significant. One-third of the citizens did fear such cuts and the remainder were uncertain.

Conclusions

The survey, then, suggests a variety of attitudes and perceptions about the desirability and workability of private transit services. As expected, private operators believe that an expanded role for private transit services is desirable and that service levels provided by private providers will be comparable to those provided by MARTA. Business respondents were somewhat supportive of this position, although not without some reservations and skepticism. Specifically, business respondents generally felt the private provision of transit services should occur primarily in service sectors underserved by the public transit system. Furthermore, over a third doubted that private providers could offer service levels comparable to MARTA's.

Of the three groups, citizens exhibited the strongest skepticism as to the desirability and workability of transit service increasingly provided by private operators. Less than half of the citizens believed that it was desirable to have private operators provide public transit services. Citizens are primarily concerned that private operators cannot afford to provide the range of services currently offered by MARTA. Private providers, it is felt, are more likely to use the profitability criterion as a rationale for servicing only the most profitable areas/routes. Service to other areas would
either be reduced or MARTA would increasingly service only these unprofitable areas/routes. Therefore, inasmuch as private operators provide transit services, most citizens believe they should service only areas currently underserved by MARTA. Furthermore, even in these areas, less than half of citizen respondents believed that private sector service provision would be adequate and only a third believed it would provide services comparable with MARTA.

The current arrangements for providing transit services primarily through public providers appears to be generally supported by citizens, who exhibit little desire for change. The group with the strongest motivation to increase the role of private operators appears to be the operators themselves, with business respondents supportive of a limited increase in their role. If the private sector role in transit service provision is to be increased substantially, the operators and businesses must be motivated to act more decisively and citizen attitudes need to become more supportive.

III. General Institutional Barriers

Another major objective was to determine what barriers to private sector involvement in transit had been institutionalized. Such institutional barriers are particularly important in that they directly inhibit an increasingly active private sector. Private operators, business leaders and citizens were each asked to identify and comment on the barriers they perceived, the impact of MARTA on private operations, the need for regulation, the role of the Public Service Commission, and various other aspects of private sector transit provision.

What conditions currently exist that decrease the opportunities for private operator provision of public transit services? note: Priv14 Cit3 Bus6

In order of importance, the following issues were raised by private operators as issues that reduce the possibility of their company providing additional public transit services:
- the impact of heavy regulation (20 percent)
- the lack of equipment (20 percent)
- the difficulties of financing and funding new equipment (19 percent)
- insufficient profit margin to expand operations (19 percent)
- too few opportunities for competitive bidding (19 percent)
- delays in being paid for contracted services (8 percent) and
- high insurance costs (8 percent).

Other issues included: competition from MARTA, cost of equipment, government intrusion with regulations, authority from the Public Service Commission, and need for a temporary office or shop in Atlanta.

These concerns make clear a number of issues that warrant consideration if an expanded role for the private sector is to be accomplished. Solutions to concerns about equipment may be resolved through one or more operators jointly bidding on a project. Streamlining requirements and assisting operators in better understanding and adhering to regulations would be of immense benefit. Information on the bidding process, payment, profit margin, sources of and mechanisms for securing financing, etc. are appropriate issues
to be addressed both nationally and locally.

From the citizen perspective, private transit operators do not provide more public transportation services largely because they cannot financially compete with MARTA. The most frequently cited issues are as follows:
- both the capital budget for initial investments and the operating budget for providing public transit are too high to finance without public subsidies (47 percent)
- MARTA dominates the system both because of its sheer size and because it captures the best routes and consequently private providers can find few profitable niches within which to operate (24 percent)
- government regulation of the system prevents entry (9 percent) and
- high insurance costs (6 percent).

Business leaders generally agree with the citizen analysis, but more specifically cite particular financial and scheduling problems:
- the tension between having to make a profit and the high cost of service provision means that private operators are too small to provide proper service (must reduce operating costs) except in a few highly profitable sectors (55 percent)
- private providers lack the capital and subsidies available to public systems (36 percent)
- scheduling conflicts and duplication of services reduces the efficiency of private provider operations (18 percent)
- regulation is too stringent (9 percent) and
- regulation is not stringent enough (9 percent).

What is the single biggest problem for private providers? note: Priv17

When asked what is the single biggest problem, 23 percent of private operators cited the insurance cost and another 23 percent cited financing and cash flow problems. Ten percent cited the availability of skilled labor and another 10 percent said minimum fare regulations. Other major problems included: not enough equipment, mechanical upkeep, insufficient patronage, and charter service competing with unregulated (illegally) operating carriers.

Do you, as a private provider, feel MARTA has an advantage private operators can't compete with? If so, how should this be changed? note: Priv9

To further explore the impediments to the entry of private operators into the mass transit market, we asked operators to specify MARTA's competitive advantages. Virtually all of the respondents (96 percent) felt that MARTA has an advantage against which private operators cannot compete. Most of this advantage was associated with the subsidies available to MARTA for both capital and operating expenses. In the absence of matching funds available to private operators, MARTA can underprice private operators on line hauls as well as on charter business.

When asked how this could be changed, 55 percent suggested removing subsidies to MARTA. Other suggestions were to provide subsidies to private operators, to change rules and regulations, to put services out to bid, and to permit taxies to transport passengers to rail stations during times when ridership was extremely low. Private operators feel very strongly that the
subsidy of public transportation should be extended to them if they are to increase their role in service provision. Therefore, the question of finding ways to assist private operators in entering the public transit market is critical. While a subsidy is not the only way to accomplish this, some incentives should be put in place.

Should the government regulate private providers? note: Cit11 Bus9

Two-thirds of citizens and 92 percent of business leaders believed that the government needed to regulate private providers.

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<tr>
<th>PREFERENCE</th>
<th>citizens</th>
<th>business</th>
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Thus, while business leaders show a high degree of consistency in their preference for a moderate regulatory system, citizen preferences are more far ranging and diverse.

Do you think the Public Service Commission (PSC) is a positive or negative influence on privately provided transportation services? Are you aware that MARTA has a relationship with the Public Service Commission? If yes, what kind of relationship does it have? note: Priv11,12

The role of the PSC in regulating transit services is unclear to most private operators. Thirty-six percent felt the influence of the Public Service Commission on privately provided transportation services was positive while an equal amount said they did not know. Twenty-eight percent felt the Public Service Commission's influence was negative. The majority of private operators (60 percent) were aware that MARTA has a relationship with the Public Service Commission. Forty-six percent did not know what kind of a relationship MARTA had with the Commission while the remainder, 54 percent, thought it enjoyed good relations and was favored and protected by the Public Service Commission.

This ambiguity in the relationship between MARTA and the Public Service Commission is potentially detrimental to attempts to increase private sector involvement in public transit. Both private operators as well as MARTA employees should understand more fully the role of the Commission and its relationship with MARTA.

What is the best way to notify you about contracts? note: Priv15

Seventy-two percent of the private operator respondents said contacting them by mail was the best way to notify them about contracts, while 17 percent said telephoning would be best. Advertising through trade journals was another response.
Do you think private providers and business interests should meet to discuss transportation needs? note: Priv18

The majority of respondents, 85 percent, felt there should be meetings to discuss transportation needs. Eight percent said no and 8 percent were unsure, however, the majority of respondents see the need for collaborative efforts to solve transportation problems.

Conclusions

Institutionalized barriers to private sector transit provision are numerous and diverse. The most important barriers are based in economics of public transportation. With large subsidies provided to MARTA, private providers can currently compete only by specializing in particular submarkets. While regulations are seen as an important barrier to private sector involvement, no consensus exists between operators, businesses and citizens as to whether regulations should be reduced.

A primary issue to surface in the conduct of the Downtown Bus Loop Study was the concern on the part of private operators that they could not compete with MARTA. Much of this fear is attributable to a complete lack of dialogue and the view that there is always a competitive reality that precludes joint effort or any positive interaction that would increase the transportation capability of the Atlanta region. A partial solution is the establishment of a private operators' organization responsible for the dissemination of information to its membership. Additionally, MARTA is currently required to involve private operators. According to Sections 3(e) and 8(e) of the Urban Mass Transportation Act of 1964, federal financial assistance is predicated on the fact that local transportation programs "shall encourage to the maximum extent feasible the participation of private enterprise." This was strengthened in the Surface Transportation Act of 1983 and more recently UMTA has announced it will give priority consideration in its discretionary grant awards to applicants "who demonstrate their commitment to competitive bidding and private sector involvement." Documentation of such effort is required and adherence to these requirements will facilitate interaction.

In the summer of 1986 a Private Provider's Task Force (PPTF) was established for the Atlanta region - the purpose of which was to facilitate communication between UMTA recipients and the private sector. This organization can perform a variety of functions aimed at increasing interaction between providers in the region.

IV. Incentives and Disincentives to Private Sector Involvement

In order to assess the potential for increasing private sector provision of transit services, we explored the impact of various incentives and disincentives to their involvement. Issues such as profitability and the subsidization of private service provision are fundamental, since one or the other condition are a prerequisite to expansion of private operations. Other incentives were also explored, including those designed to assure high quality service provision.
Do you think it is possible to have public transportation be a profitable operation? Do you think private operators would cost more for the same service? Priv5 Cit8,10 Bus5,7

Three-fourths of all citizen and business respondents believe that public transportation can be profitable, at least in selective situations. Profitability was described as being very dependent on good management and on providing service to people willing to pay the price (e.g., high income areas and specialty routes). Fifteen percent of citizens doubted that it could be profitable under any condition.

Citizens (70 percent) also felt that attempts to increase the provision of privately operated public transportation would lead to an increase in costs to the consumer, compared to 15 percent who felt costs would not increase. Business leaders, on the other hand, were split fairly evenly on whether costs would increase, with 50 percent believing they would and 40 percent believing they would not. The elimination of subsidies and the profit motivation of private providers were cited as the most common explanations. Several respondents, particularly from the business community, thought that total costs of the system would decrease but that transit users would end up paying more because of elimination of subsidies.

By comparison, only 58 percent of the private providers thought public transportation could be a profitable operation. Twenty-nine percent thought it could not be profitable and 13 percent were uncertain. Current rate structures, levels of management, capital costs, contract types and regulations were all cited as problems affecting profitability.

In an effort to expand the role of the private sector in public transportation service delivery, it is critical that operators feel such an undertaking can be profitable. Thus, there is need to alter this perception.

Should transportation services be subsidized? note: Priv13 Cit23,24 Bus8

Of the three groups of respondents, business leaders most clearly supported the notion of subsidizing transportation services, with 85 percent supporting subsidies and 15 percent opposed. Comments suggest that business leaders believe subsidies are essential to a functioning transit system, and that the subsidization of private systems would provide benefits such as greater efficiency in the transit system or increased flexibility.

Citizen respondents supported subsidies, but restricted these to public providers. While 85 percent of respondents thought that transportation services should be subsidized, only 48 percent felt that private transportation should be subsidized. Thirty percent of the citizens surveyed felt that private operations should not be subsidized, while 15 percent conditioned their support of subsidies to special circumstances such as the importance of the service to the community, the profitability of the private operation, and the provision of services that substitute for public services.

Private operators were the most ambivalent about the provision of subsidies to private operators. Forty-eight percent of private operators thought private transportation service delivery should be subsidized while 44 percent felt it should not. Approximately 8 percent were unsure. Generally,
these respondents linked subsidies to the provision of services for public purposes. Thus, subsidies to promote services in unprofitable areas and to special need clients or possibly to capitalize a new company with equipment were seen as potentially legitimate public functions by some respondents.

What can or should be done to encourage private operators to provide transportation services in the Atlanta area? Priv7 Cit16 Bus12

Twenty-six percent of the private operators responded that profitability and the assurance of a profit-making endeavor would encourage them. This once again underlines a concern for the profitability issue. Approximately 19 percent stated a bidding process about which they were well informed would encourage their participation. Other incentives identified were: getting MARTA out of the business, reducing regulations, opening communications, providing subsidies, no ceiling on fares, getting MARTA out of the charter business, having contracts include money for administrative costs, and making the process for receiving work easier.

The citizen respondents gave various suggestions as to how to encourage private operators to provide transportation services in the Atlanta area. The most common suggestion was to reduce or eliminate competition from the public sector, namely MARTA (18 percent). Other possibilities include giving private operators tax breaks and other financial incentives, or giving them public support, cooperation from other businesses and official recognition from city leaders. It may also be necessary to better explain opportunities for profitable service contracts to the private operators. It is interesting to note that while some respondents suggested heavier regulations for private operators to encourage them to provide public transportation, other preferred to ease regulations such as licensing. Finally, several respondents (15 percent) felt that such services should not be encouraged at all.

The business respondents focused more specifically on economic incentives to private operations. Ninety-one percent of respondents felt that some form of subsidies, tax breaks or equipment grants would be necessary. Many also made suggestions concerning coordinating private services with MARTA and other private providers, increasing opportunities for new contract and bid work that will help stabilize demand, and the development of services geared for tourists and conventions.

How could we motivate private operators to provide quality services? note: Bus13 Cit17

Most commonly, citizens suggested using regulation to motivate private providers to provide quality service. Twenty-nine percent of respondents promoted the idea of establishing and enforcing more stringent standards. Respondents often coupled suggestions for regulation with suggestions for funding to private operators or penalties for violation. Twenty-six percent suggested that quality service could be promoted through increasing the profitability of such service through direct government support (e.g., tax incentives), while an additional 33 percent favored the provision of government support services (e.g., marketing studies, route coordination, and training). Finally, 10 percent believed that the free market system would take care of the problem and that no government intervention was necessary.
Almost two-thirds of business leaders, on the other hand, supported the use of contracts to set and enforce quality standards. The remaining third split evenly between using subsidies as positive incentives and using regulations as negative incentives.

**What one item keeps private providers from competing for contracts?**

note: Priv16

Twenty-four percent of private operators cited lack of equipment as the primary reason. Twenty-one percent said government regulations such as overly stringent qualifications or standards created the dominant disincentive. Fifteen percent cited not being aware of contracts or lack of opportunity to bid for contracts. Nine percent identified lack of capital/financing, and another 9 percent cited delay in payment. Other items included: cost of insurance, difficulty in understanding contract document, and length of contract.

**Conclusions**

If private sector involvement in transit services is to be increased, the basic issue of profitability must be resolved. Given the significant subsidies currently provided to the public transit system for both capital and operating costs, citizens, businesses and operators all raise doubts as to the profitability of most public transit system services in the absence of subsidies. At the same time, opposition to the directly subsidizing the private sector was exhibited by both operators and citizens. The most viable alternative therefore is to design service lines that are protected from competition (especially from MARTA) and which have sufficiently intense service demands to ensure profitability. This, however, was generally opposed by citizens and to a less extent by businesses. However, this option makes it possible to improve parts of the service delivery system, especially to improve contracting and bidding systems and coordinate various service providers.
Section V

Opportunities for Expanding the Role of the Private Sector:
The Downtown Bus Loop System and Underground Atlanta

The provision of a downtown loop service was the subject of a study conducted in 1985. One alternative was to have the private sector provide the service. This occurrence gave great impetus to an interest in studying barriers to private sector service provision. Here the Downtown Bus Loop Study is discussed as one example of opportunities for the private sector.

Underground Atlanta is a tourist attraction currently undergoing redevelopment in Atlanta, Georgia. This renovation has as one of its requirements the provision of bus service to operate between Underground and the hotel district. There appears to be opportunity for the private sector to provide services that meet the need of both downtown and Underground. This section contains results for those questions that focused on the Downtown Bus Loop System and Underground Atlanta.

I. The Downtown Bus System Study

CAP was a subgrantee to the Atlanta Regional Commission (ARC) to administer an Urban Mass Transportation Administration (UMTA) Grant. CAP is a private non-profit organization funded by various businesses having an interest in facilitating the economic well-being of the Central Business District (CBD), while ARC is the Metropolitan Planning Organization (MPO) for the Atlanta region. CAP oversaw the conduct of the Downtown Bus Loop System Study which focused on determining the feasibility of a downtown bus system.

The proposed bus system was to serve: the hotel district, the Georgia World Congress Center, and Underground Atlanta. The primary concern was meeting the needs of conventioneers and tourists by providing them a somewhat unique transit service. MARTA does not adequately address the intra-urban travel demands associated with the Underground Atlanta project. Additionally, the service is to be sufficiently flexible that it could also serve the downtown work force and fringe CBD parking facilities.

A basic two route system is recommended. The principal route will operate along Peachtree Street between Underground and the hotel district. A secondary route would operate along International Boulevard linking the hotel district and the Georgia World Congress Center. Of the two management options recommended the preference is for MARTA to provide the service while the second is for a private company with an overview function provided by the City of Atlanta or MARTA. Thus far, no decision on who will provide the service has been made.

II. Underground Atlanta

The proposed Underground Atlanta project is being undertaken by the Rouse Corporation and typifies many other retail/entertainment projects they have done, e.g., Faneuil Hall, Harborplace, and the Southside Seaport. It will encompass five city blocks in the downtown area with 220,000 square feet dedicated to retail activities while approximately 76,000 square feet will be office space. The success of the revitalization effort is linked to the need
for an effective public transportation system linking Underground with the World Congress Center and the hotel district.

III. Responses to Questions on Underground Atlanta and the Bus Loop System

Is there a need for good bus service to Underground Atlanta?  note: Cit18 Bus14

A majority of both citizen and business respondents (70 and 85 percent respectively) believed that a good bus service to Underground Atlanta is needed when the project opens in 1988. Nineteen percent of citizens and 15 percent of businesses did not think such a service is necessary, with the remaining 11 percent of citizens being uncertain.

Would the downtown bus loop be beneficial to the downtown area? To individual businesses? note: Bus17,18

Over two-thirds of business respondents (69 percent) felt that the loop would benefit the downtown area, with 31 percent doubting its benefits. At the same time, only 38 percent of these respondents felt that the loop would directly benefit their own business.

Is it necessary for business to be involved in transit planning for the downtown area? Would you (as a business owner) consider subsidizing transit service if it gave your customers excellent accessibility to your business operation? note: Bus19,20

The vast majority of business respondents (92 percent) felt that businesses should be directly involved in transit planning for the downtown area. Fifty-eight percent would consider subsidizing such service, with 33 percent indicating they would not and 8 percent uncertain.

If the proposed downtown bus loop service were to be established, do you prefer MARTA or a private operator to provide the service? note: Cit19 Bus15,16

Preferences for a public or private operator for bus service to Underground Atlanta were evenly divided among citizens. Thirty-three percent prefer a private company, 37 percent prefer a public agency (MARTA) and the remainder expressed no preference. Business preferences were even weaker, with 75 percent expressing no preference and 25 percent preferring MARTA service. Assuming a private provider did provide the service, half preferred the service be provided by a private firm, and half had no preference between a private firm and Central Atlanta Progress (a corporate sponsored public interest planning organization).

Could a private operator provide a downtown loop service like the one proposed? If the service could be run at a sufficient profit, would you (a private operator) consider providing the service? note Priv19,20

The overwhelming majority of private operators (ninety-two percent) felt private operators could operate the downtown bus loop system. Provision of a downtown service, commuter service or similar high intensity service provides excellent opportunities to involve the private sector in delivering public transportation services. At the same time, 85 percent of the private
operators said they would consider providing the required service to Underground Atlanta if it could be run at a reasonable level of profit.

What would make provision of service to Underground more attractive to your company? note Cit20 Priv21

Among operators, the most commonly cited response (21 percent) was profitability. Eighteen percent said that arrangements for additional equipment and/or storage facilities were needed, i.e. signing a leasing agreement with MARTA to use equipment or leave buses at their facilities. Fourteen percent said being guaranteed a contract would attract them. Other incentives included: demand for the service, being permitted to submit a proposal, availability of funding, adequate amount or number of taxicab stands, amount of monies available for an advertising campaign to ensure adequate ridership.

Almost half of the citizens, on the other hand, either indicated that no encouragement is needed because demand would determine the attractiveness of such a service or because such a service should not be provided by the private sector (23 percent) or made no clear suggestions (another 23 percent). The most commonly made suggestion (16 percent) was that businesses should cooperate with or subsidize the operator of such a service. The respondents also suggested that the public sector cooperate with the transit operator by providing security, establishing rights of way, or expressing official public support of the service. Some of the less frequent offered suggestions included providing incentives, investigation of the feasibility of such a service, a pilot program, and removal of any competition from MARTA.

What fares should be charged for bus service to Underground Atlanta? Note Cit21,22

Only 37 percent of citizens thought that bus service to Underground Atlanta should have the same fixed fare as the MARTA system (i.e., 60 cents one way). Twelve percent indicated the fare should be higher, 18 percent indicated it should be lower, and another 18 percent felt the fare should cover the actual cost of the service, without regard to MARTA's fare. At the same time, 48 percent would not pay a higher fare, even if the bus service were provided at a high level of service. Fifty-two percent indicated a willingness to pay from $.65 to $1.50 for a one way ride of such service, with an average of $1.01.
Concluding statements and recommendations are made throughout the report. However, in some instances these are implicit while in others they are explicit. This section outlines the recommendations made in the major sections of the report.

I. Recommendations: Section III

- The various geographic areas should develop procedures and policies that detail participation of the private sector in transit service delivery.
- A readily available data base describing the transportation capability of private operators should be developed for the various geographic areas.
- Private operators should be consulted during the planning phase for public transit service.
- An organization composed of private operators should be established in each geographic area.

II. Recommendations: Section IV

The Desirability and Quality of Private Sector Service

- A campaign outlining the complementary nature of service provided by the public and private should be undertaken. Perceptions are generally that these two camps are at odds and represent mutually exclusive approaches.
- Private operators and/or the government should assume responsibility for dissemination of information to citizens that enhances the credibility of the private provider. Specific issues to be addressed include: assurance that service quality will not decrease; assurance that service cost will not skyrocket; and assurance that services will be delivered on a nondiscriminatory basis. Citizen attitude must be changed so as to be more supportive.
- Private providers should be educated about the functions/operations of authorities or public transit agencies. Organizations like the Private Providers Task Force could assume such a responsibility.
- Private operators must be encouraged to actively pursue a larger role in public transportation and service delivery generally.

III. Recommendations: Section IV

General Institutional Barriers

- Develop strategies for reducing bureaucracy and unnecessary regulation of private operators. This means streamlining requirements.
- Encourage joint bidding among private operators as one solution for reducing concerns about equipment.
Make information on the bidding process, payment, financing options, etc. available on a widespread basis for private operators. This is best handled if both the public transit agency, private operators organization and regional planning agencies are all responsible for information dissemination. Of course it may be appropriate to assign the processing of different types of information to each. Solutions for problems like insurance must be addressed on an industry-wide basis.

Require public transit agencies to assist the private sector in identifying opportunities.

Identify strategies/programs/policies which would assist the private operator in identifying capital to expand operations.

Examine the possibility of taxi service being used to provide feeder service.

Maintain sufficient regulation to assure citizens that service quality, safety, etc. will be enforced even if the private sector operates the service.

Require the Public Service Commission to perform an educational function for private operators. In this context, explicate the relationship of the Commission to the public transit agency and private operators.

Notify private operators about contracts through mailing and trade journals.

Establish a forum in which private operators, business leaders and citizens meet to discuss transportation problems.

IV. Recommendations: Section IV

Incentives and Disincentives to Private Sector Involvement

Establish demonstration projects which present the challenge/opportunity of attempting to make selected service scenarios profitable.

Public transit agencies must make service contracted to the private sector sufficiently attractive through adequate profit margins.

Private operators should be given appropriate recognition in local areas as one mechanism for encouraging their participation. Other incentives might be tax relief, equipment grants, cooperation and support from the city or geographic area.

Assure service quality and accountability through contracted arrangements with private operators. Subsidies or other financial incentives may be another way of assuring and sustaining good performance by private operators.

Review existing regulations.

V. Recommendations: Section V

Opportunities for Expanding the Role of the Private Sector: The Downtown Bus Loop System and Underground Atlanta

Identify opportunities where the private sector could "fill in the crack" in addition to those where it could be the primary provider of transit service. A two-pronged approach is warranted.
View expansion or new development projects as primary opportunities for private providers.

Identify opportunities for the business community to assist in underwriting the financial/management/political cost and needs of transit service.

Require public transit agencies to assist private operators by leasing facilities/equipment, etc.

Encourage private operators to increase cost/service where it is appropriate and users are willing to pay.
SURVEY OF PRIVATE PROVIDERS

This study entails a series of interviews with questions which focus on barriers to increased private sector involvement of transportation services, and varying perceptions of what these are.

Company Name: ___________________________________________________________

Address: ________________________________________________________________

Contact Person: __________________________________________________________

Title: ___________________________ Phone: ________________________________

1. Please indicate the type(s) of transportation services performed by your company.

____ fixed route ______ school service
____ taxi ______ consulting
____ charter ______ commuter
____ management service ______ para transit
other ____________________________

2. How many transit vehicles does your company presently own?

____ bus ______ van ______ taxi ______ other

3. Please list the seating capacity of your present fleet.

____ bus ______ van ______ taxi ______ other

4. What type of certificates do you hold?

State: PSC Fixed Route ______
Charter ______

Federal: ICC Fixed Route ______
Charter ______

5. Do you think it is possible to have public transportation be a profitable operation?  ____ Yes  ____ Don't know
 ____ No  Comment ________________________________

6. Do you think private operators ought to provide public transportation?  ____ Yes  ____ Don't know
 ____ No  Comment ________________________________

7. What can or should be done to encourage more people like yourself to provide transportation services in the Atlanta area?

Comment ________________________________

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8. Do you think a private operator could provide service levels comparable to MARTA's?
   _____ Yes _____ Don't know
   _____ No

9. Do you feel MARTA has an advantage private operators can't compete with? If so, how should this be changed?
   _____ Yes Comments ____________________________
   _____ No ____________________________

10. Does the existence of MARTA have a positive or negative impact on private providers? How?
    _____ Positive Comments ____________________________
    _____ Negative ____________________________
    _____ Don't know ____________________________

11. Are you aware that MARTA has a relationship with the Public Service Commission (PSC)?
    If yes, what kind of relationship does it have?
    _____ Yes Comments ____________________________
    _____ No ____________________________

12. Do you think the PSC is a positive or negative influence on privately provided transportation services?
    _____ Positive Comments ____________________________
    _____ Negative ____________________________
    _____ Don't know ____________________________

13. Do you think private transportation services should be subsidized?
    _____ Yes Comments ____________________________
    _____ No ____________________________
    _____ Don't know ____________________________

14. What are some issues that reduce the possibility of your company providing public transit services?
    _____ competition from MARTA
    _____ heavy regulations
    _____ labor problems
    _____ uncertainties
    _____ length of contract (too short to make investments feasible)
    _____ ridership (not enough to turn a profit)
    _____ assignment to only non-mainline routes
    _____ bidding
    _____ lack of equipment
    Other ____________________________

15. What is the best way to notify you about contracts?
    ____________________________
16. What one item keeps private providers from competing for contracts? 

17. What is the single biggest problem for private providers? 

18. Do you think private providers and business interests should meet to discuss transportation needs? _____ Yes _____ Don't know _____ No

Please refer to the enclosed map and service description.

19. Do you feel a private operator could provide a downtown loop service like the one proposed? _____ Yes _____ No _____ Don't know

Comments ____________________________________________________________

20. If Underground Atlanta could be run at a sufficient profit, would you consider providing the service? _____ Yes _____ No _____ Don't know

If no, why not? _________________________________________________________

21. What would make provision of service to Underground more attractive to your company?

______________________________________________________________

Do you have additional comments?

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

30
This study entails a series of interviews with questions which focus on barriers to increased private sector involvement of transportation services, and varying perceptions of what these are.

Company Name: ________________________________

Address: ______________________________________

Contact Person: ________________________________

Title: ____________________________ Phone: __________

1. What do you think is meant by private transportation provider?

________________________________________________________________________
________________________________________________________________________

2. Do you think it is desirable to have private operators provide transit service?

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<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Don't know</th>
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<tr>
<td>No</td>
<td>Comment</td>
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________________________________________________________________________

3. What kind of service do you think should be provided by the private sector?

________________________________________________________________________

4. Do you feel private companies can adequately provide public transportation?

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<th>Yes</th>
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<tbody>
<tr>
<td></td>
<td>No, if not, why not?</td>
</tr>
<tr>
<td></td>
<td>bidrigging</td>
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<td></td>
<td>favoritism</td>
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<td></td>
<td>lack of commitment</td>
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<td>other</td>
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________________________________________________________________________

5. Do you think it is possible to have public transportation be a profitable operation?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Don't know</th>
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<td>No</td>
<td>Comment</td>
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</tbody>
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________________________________________________________________________

6. What problems exist with privately provided public transportation services?

________________________________________________________________________
7. Do you think privately provided transit service would cost more for the same service provided publicly?
   ____ Yes  ____ Don't know
   ____ No  Comment ________________________________

8. Do you think transportation services should be subsidized?
   ____ Yes
   ____ No
   If yes, what kind of subsidy? ________________________________

9. Should the government regulate private providers?
   ____ Yes
   ____ No
   If yes, how much?
   ____ complete  ____ minimal
   ____ moderate  ____ none

10. Do you think a private operator could provide service levels comparable to MARTA's?
    ____ Yes  ____ Don't know
    ____ No  Comments ________________________________

11. What type of provider do you think would involve more bureaucracy, private or public?
    ____ Private  Comment ________________________________
    ____ Public  ________________________________
    ____ Don't know  ________________________________
    ____ The same  ________________________________

12. What could be done to encourage private providers to provide transportation services in the Atlanta area?
    ________________________________

13. How could private operators be motivated to provide quality service? ________________________________
14. Do you feel there is a need for good bus service to Underground Atlanta?
   - Yes
   - Don't know
   - No
   - Comment

15. Do you have a preference to whether the bus loop be provided by MARTA or a private firm?
   - MARTA
   - Private firm
   - If yes, which do you prefer and why?

16. If the bus loop were to be provided privately, do you have a preference to whether it is provided by CAP or a private firm?
   - CAP
   - Private firm
   - If yes, why?

17. Do you find the proposed downtown bus loop beneficial for the downtown area?
   - Yes
   - No
   - If yes, in what way is it beneficial?

18. Would the downtown bus loop be beneficial to your business directly?
   - Yes
   - No
   - If yes, in what way would it be beneficial?

19. Do you think it is necessary for businesses to be involved in transit system planning for the downtown area?
   - Yes
   - Comment
   - No

20. Would you consider subsidizing transit service if it gave your customers excellent accessibility to your business operation?
   - Yes
   - Don't know
   - No
   - Comments
Do you have any additional comments?
This study entails a series of interviews with questions which focus on barriers to increased private sector involvement of transportation services, and varying perceptions of what these are. Please check or fill in the appropriate response.

1. What do you think is meant by private transportation provider? 
   Comment

2. Do you think it is desirable to have private operators provide public transit service? 
   _____Yes       _____Don't know       _____No
   Comment

3. Why do you think private operators do not provide public transportation service? 
   _____Don't know
   Comment

4. What kind of service do you think should or could be provided by the private sector? 

5. In what situation do you think a private provider is preferable to a public one? 

6. Do you think private operators are as responsible as public operators? 
   _____Yes       _____Don't know       _____No
   Comment

7. Do you feel private companies can adequately provide public transit? If not, why not?
   _____bidrigging   _____favoritism
   _____profit motivation   _____lack of commitment
   other

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8. Do you think it is possible to have public transportation be a profitable operation?
   _____ Yes  _____ Don’t know
   _____ No  Comment

9. What do you perceive as problems in terms of private provision of public transportation services?
   _____ Don’t know
   Comment

10. Do you think private operators would cost more for the same service?
    _____ Yes  _____ Don’t know
    _____ No  Comment

11. Should the government regulate private providers?
    _____ Yes
    _____ No
    If Yes, how much?
    _____ complete  _____ minimal
    _____ moderate  _____ none

12. Do you fear cuts in public transit funding if private companies deliver services instead of a public agency?
    _____ Yes
    _____ No
    _____ Don’t know

13. Do you think a private operator could provide service levels comparable to MARTA’s?

14. Which provider do you think would prefer a more flexible service, public or private?
    _____ Public
    _____ Private
    Comment

15. Which type of provider do you think would involve more bureaucracy, public or private?
    _____ Public
    _____ Private
    _____ Don’t know
16. What could be done to encourage private providers to provide transportation services in the Atlanta area? Comment

17. How could you motivate private providers to provide quality service?

18. Do you feel there is a need for good bus service to Underground Atlanta?
   ___ Yes
   ___ No
   ___ Don't know

19. If the proposed downtown bus loop (see enclosed map) were to be provided by either MARTA or a private firm, do you have a preference to whether MARTA or the private firm provides it? If yes, which would you prefer and why?
   ___ Public
   ___ Private

20. What could be done to make the provision of service to Underground more attractive to private operators? Comment

21. Do you think that the bus loop system should have the same fare as on all other MARTA lines?

22. If the bus loop was provided at a high level of service (i.e., low travel times and a more personalized atmosphere), would you pay a higher transit fare for such a service?
   ___ Yes
   ___ No
   ___ Don't know
   If Yes, how much more would you be willing to pay?

23. Do you think transportation services should be subsidized?
   ___ Yes
   ___ No
   ___ Don't know

24. Do you think private transportation services should be subsidized?
   ___ Yes
   ___ Don't know
   ___ No
November 6, 1986

Dear Citizen:

Currently, the Urban Mass Transportation Administration (UMTA) is interested in encouraging private transportation providers to participate more actively in providing public transportation services.

Atlanta is one of the few metropolitan areas that has developed a process for increasing the role of private operators in the provision of public transportation services. This was done as part of the "Private Sector Transit Initiatives" project conducted by the Atlanta Regional Commission (ARC).

In addition to the "Private Sector Transit Initiatives" study UMTA is working with Georgia Institute of Technology to identify problems and issues affecting the ability of private operators to provide public transportation services. This effort will involve Georgia Tech faculty and staff. We will be contacting private providers, the business community, and citizens like yourself. We will telephone you within the next week and hope you can spare your time (10 minutes) to share your views.

You may be aware that a downtown bus loop study was undertaken last year (see enclosed map). The possibility of a private operator providing the proposed service has been discussed. Please examine the enclosed map so we may include this topic in our discussion.

We look forward to talking with you in the near future. If you have any questions you may contact me at the following address:

Dr. Catherine Ross
Georgia Institute of Technology
College of Architecture
Atlanta, Georgia 30332
894-2350

Through your cooperation we hope to improve our understanding of the role of private providers.

Sincerely,

Catherine Ross, Ph.D.
Associate Professor

Encl.
The downtown bus loop will provide direct links between the Georgia World Congress Center, the hotel district, and Underground Atlanta. It is targeted at the convention visitors and tourists, but will also serve employees and clients of downtown businesses. Some of the important features of this service will be:

- upgraded quality mini-busses
- service every 10 minutes, 9am-2am
- $1.00 fare (one way)
BIBLIOGRAPHY

Central Atlanta Progress, Downtown Bus Loop, November 7, 1984.


