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ENHANCING THE ROLE OF THE PRIVATE SECTOR IN PUBLIC TRANSPORTATION

HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING AND TRANSPORTATION

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON

THE CURRENT ROLE OF THE PRIVATE SECTOR IN PROVIDING PUBLIC TRANSPORTATION SERVICES, WHAT BARRIERS EXIST TO INCREASING THAT ROLE, AND WHAT MIGHT BE DONE IN REAUTHORIZATION TO REDUCE THESE BARRIERS

JULY 23, 2003

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ENHANCING THE ROLE OF THE PRIVATE SECTOR IN PUBLIC TRANSPORTATION

WEDNESDAY, JULY 23, 2003

U.S. SENATE,
SUBCOMMITTEE ON HOUSING AND TRANSPORTATION,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Subcommittee met at 2:31 p.m. in room SD–538 of the Dirksen Senate Office Building, Senator Wayne Allard (Chairman of the Subcommittee) presiding.

OPENING STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. I am going to call to order the Subcommittee on Housing and Transportation of the Banking Committee.

I want to welcome the witnesses. First of all, both myself and Senator Reed will probably have opening statements, and we may have a lot of Members that will be coming in and out. We will just play it by ear. When they come in, we will interrupt the proceedings so they can make their statements.

We will have a five-minute limit on your statement. I will just make your full statement a part of the record. We will ask you to limit your comments and testimony to 5 minutes. We will not enforce it rigorously, but stay close to 5 minutes if you would please.

With that, I will go ahead and start with my opening statement, and by the time I have finished, I have a feeling that probably Senator Reed will be here.

I am very pleased to convene this hearing of the Housing and Transportation Subcommittee to consider enhancing the role of the private sector and public transportation. This hearing will be an important part of the Committee's work to reauthorize TEA–21, and I believe that this forum will give us an opportunity to explore many critical issues as we move forward in that process.

While transportation is often considered a public sector activity, it is actually a combination of both private and public sectors. In fact, Federal transit law calls for Federal grant recipients to encourage to the maximum extent possible the participation of private enterprises. I am interested in learning how this is working.

Private contracting has the potential to save money, improve service, and increase flexibility. Therefore, I strongly support allowing State and local decisions regarding competitive contracting for transit—free Federal inhibitions. I also strongly support a level playing field with fair competition between public and private operators when an area chooses to contract.

That is not to say that competitive contracting is right for every city or in every situation. On the contrary, public transit workers are an integral part of transit service, just as the private operators are. I hope that we all share the goal of wanting to promote transit by investing scarce taxpayer dollars as carefully as possible. When a public-private partnership is the most effective, efficient means to provide transportation services, the Federal Government should not stand in the way.

Denver, in my home State of Colorado, is one example of an area that made the decision to contract and has done so successfully. In 1988, the Colorado Legislature mandated Denver's Regional Transportation District, which we refer to as RTD, to competitively contract 20 percent of its best service and response to spiraling costs.

The contracting helped lead to lower costs and higher ridership. During the 9 years before contracting, expenditures rose 8.7 percent, while service levels were reduced by 12.6 percent. During the 9 years after competitive contracting expenditures rose by only 4.3 percent, and service levels increased by 34.3 percent.

Internal estimates show that RTD saved nearly $100 million over 10 years through competitive contracting. Obviously, something was working because in 2000, the State increased the contract mandate to 35 percent, and the State Legislature considered increasing the contracting mandate even further.

San Diego has also had great success in choosing to competitively contract some of its services. In 1980, local officials began their efforts to create competition in bus service. Today, nearly half of their bus service is awarded on a competitive basis. Contracted costs are about 30 percent less than noncontracted costs. However, the noncontracted costs have also decreased in response to the competition. As a result, San Diego has been able to increase its bus service level since 1979 by 82 percent, while total operating costs have only risen by 7 percent on an inflation-adjusted basis. These are just two examples of how a public-private partnership can be an effective approach to providing transportation services.

I am pleased that the Administration has made several suggestions to remove barriers to competition in the SAFETEA proposal. First, they proposed making private operators eligible recipients of Federal formula funds, which would allow private operators to have an opportunity to participate in transportation development. They would also be eligible to receive grants for the provision of public transportation services that they define and deliver.

The Administration also proposes creating a more nuanced enforcement tool for violations of the prohibition against using taxpayer-subsidized services to compete against the private sector. Currently, the only enforcement tool is for the FTA to withhold all Federal funding. Because this is so draconian, it is never used, which has allowed abuses to occur. A wider range of penalties would allow FTA to better match the penalty with the violation.

While SAFETEA makes some encouraging steps, I am interested in hearing what further steps this Committee should consider in regards to the private sector. Accordingly, I have invited a number of witnesses here today to express their views on the matter.

First, we have Mr. Irwin Rosenberg, who is a Vice President at Laidlaw Transit Services Incorporated. He is testifying on behalf of

the American Transit Services Council whose members provide contract service across the country.

Second, we have Mr. Bob Molofsky, who is the General Counsel for the Amalgamated Transit Union. ATU is the largest transportation labor union with 180,000 members.

Third, we have Mr. Peter Pantuso, who is the President of the American Bus Association. ABA is the trade association of the intercity bus industry. ABA members transport 774 million passengers each year and often provide the only transportation service to rural areas.

Finally, we will hear from Ms. Margie Wilcox, who is testifying on behalf of the Taxicab, Limousine, and Paratransit Association. Their members contract for a great deal of the paratransit services and transport two million passengers in total each day.

I am eager to hear your views regarding the opportunities currently available to the private sector, barriers that exist for private sector participation, impediments that exist for a locality to competitively contract for transit services, and suggestions for changes as the Committee moves to complete TEA–21 reauthorization.

I want to thank the panel for being here today, and I look forward to your testimony. Prior to hearing from you, I want to give Senator Reed, from Rhode Island an opportunity to make his opening comments.

Senator Reed.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman, and thank you for scheduling this hearing. I am eager to hear from the witnesses. We have recently received the SAFETEA from the Administration, and I am glad because we now can begin to analyze the Act and try to incorporate also some of the hearings that we held last Congress. We had a series of hearings on these issues in anticipation of the reauthorization.

One of the conclusions from these hearings is that TEA–21, with its flexibility, works very well, but it could use additional resources to make it work even better across the country. And it is my understanding that there is robust participation in transit and that this participation exists in no small part to the flexibility and the emphasis in TEA–21 on leaving many service decisions to the States and to municipalities. I think this local orientation and this local choice is an important aspect of TEA–21's success and something of which I am supportive.

According to research by the Transportation Cooperative Research Program, most transit systems have some level of private participation and find that the current laws' flexibility suits their needs well. There are examples of both success and failure when it comes to privatization, and my State has experienced both, but I think it once again vindicates the value of local decisionmaking and the flexibility to make those decisions.

While I believe the current law provides sufficient avenues for private participation and that there is always the potential for increased participation, I think we also have to recognize too that these issues sometimes bring up, either wittingly or unwittingly,

the issue of labor and its role in the delivery of transit services across the country.

I look forward to today's testimony and, indeed, I look forward to participation with the Chairman in the evaluation of the SAFETEA proposal and hopefully moving in the direction of reauthorization.

I also would note, Mr. Chairman, I believe there is a vote on.

Senator ALLARD. Yes. I am just looking at it. We have a vote to table the Hollings Amendment on the floor. We will run down quickly, cast our vote, and get right back to you.

Senator REED. Thank you.

Senator ALLARD. It will probably be about 10 minutes or so. In the meantime, this Committee will stand in recess.

[Recess 2:40 p.m. to 2:56 p.m.]

Senator ALLARD. The Subcommittee on Housing and Transportation will come back to order.

Now, we will hear from the panel members, and I would like to start with Mr. Rosenberg, Area Vice President, Laidlaw Transit Services, Incorporated. I understand you will be testifying on behalf of the American Transit Services Council. We will move down the table and call on Mr. Molofsky, General Counsel, Amalgamated Transit Union; and then Mr. Peter Pantuso——

Did I pronounce your name right?

Mr. PANTUSO. That is very good. Thank you, Mr. Chairman.

Senator ALLARD. —President and Chief Executive Officer of American Bus Association, and Margie Wilcox, Co-chair, Paratransit and Contracting Division, Taxicab, Limousine, and Paratransit Association.

Let's proceed with you, Mr. Rosenberg.

STATEMENT OF IRWIN ROSENBERG, PRESIDENT AMERICAN TRANSIT SERVICES COUNCIL VICE PRESIDENT OF GOVERNMENT RELATIONS LAIDLAW TRANSIT SERVICES, INC.

Mr. ROSENBERG. Thank you, sir.

Mr. Chairman, Mr. Ranking Member, and honorable Members of the Subcommittee, thank you very much for allowing me the honor to testify today on behalf of the American Transit Service Council. I am Irwin Rosenberg. I am the President of the Council and Vice President for Laidlaw Transit Services, one of the Nation's largest providers of contract services, and in fact, an operator of the Denver RTD service, which you mentioned, Mr. Chairman and the San Diego services. And the ATSC does provide service across the country in virtually every community that everyone of the Members represent here, operating approximately 12,000 vehicles nationwide.

Although the competitive contracting market has grown over the past two decades, primarily during 1984 and 1993, it is increasingly evident that there continues to be attitudinal and policy barriers toward the broad use of competitive contracting to provide public transportation services in a very cost-effective and efficient manner.

According to the TRB 2001 report, "Contracting for Bus and Demand Response Transit Services," 40 percent of all Federal aid

transit recipients contract for no services at all. Competitive contracting can be a very effective tool, allowing public transit agencies to be more responsive to its customers, implement effective controls on cost and improve and ensure quality service through proper performance standards.

Of course, additional competitive contracting benefits include the shifting of risk, and the reduced cost and cost control. As you mentioned, Mr. Chairman, in Denver, Colorado, the difference is $21.89 per hour between the in-house contracted service and those services provided by the contractor.

And, in fact, in Houston, I heard Jim Cunning, one of the board members, yesterday, just say that since they started contracting for one division, they have saved $23.2 million over just the past few years. It allows the public sector to extend funds that are so necessary and limited in terms of capital investment. It helps them to manage service quality better. It creates a competitive labor environment, and it allows for the public-sector resources to be appropriately focused on planning and policy development for systems.

Opponents historically attempt to confuse the issue by suggesting what we are advocating is full privatization. This is not the case. We are here to ask you to support legislative language within any legislation reauthorizing TEA–21 that encourages the inclusion of the private sector to the maximum extent feasible; for example, repeal Section 5305(e)(3) and reward efficiency and increased ridership by adopting the proposals we have submitted with our written testimony for incentives that are tied not only to ridership, but to efficiency also. Competitive contracting for service based on competition does not eliminate the responsibility of transit agencies to determine policy, plan service nor assure it is delivered in an efficient and cost-effective manner. When the services are contracted, agencies continue to set standards and are responsible for the financial accountability of public funds.

Competitive contracting does not mean nonunion either. Thousands of employees working for ATSC member companies across America are represented by the Teamsters, by ATU, and by SEIU and many other unions. It has been clearly demonstrated and proven that competitive contracting is not an attempt to avoid collective bargaining process. In fact, consider Charleston Area Regional Transit Authority where, in a Right-to-Work State, they actually contracted in order to ensure that the employees were represented by collective bargaining agreements.

American Transit Services Council members are able to provide essential capital and extend to their customers the value of their resources and in-depth experience through their national purchasing relationships and innovations.

From 1984 to 1993, the Congress and Administration initiated and supported growth and competitive contracting through legislation and Federal policy that encouraged the use of the private sector. FTA took a leadership role in sponsoring and supporting private and public sector initiatives, publications, and symposiums bringing together the private sector and public sectors in an effort to break through barriers and break through ideological differences. Included with my written testimony is several success stories of services contracted across the country. Unfortunately, in

1993, with the change of Administrations, the rules were changed and the early consultations that includes the private sector has no longer been the case.

Some suggest that the competitive contract market has grown since 1993, which may be true, but unfortunately it grew only in part due to the passage of ADA and the requirement to, in fact, implement ADA plans from 1992 to 1995. Many public transit agencies chose to do this because of the complications in the variables and the lack of financial resources. Today, according to FTA statistics through the NTD database, contracted paratransit services represent 70.8 percent of operating expenses, but only 9.8 percent of the operating expenses are for motor bus services. If it is good enough for the disabled and elderly public, I am sure it is good enough for the general riding public. We are looking to you for the opportunities to enhance service.

In closing, I come before you on behalf of ATSC and those who are dependent on transit across America to encourage you to consider our recommendations for enhancing the private sector's participation while you deliberate on the reauthorization of TEA–21.

I respectfully encourage you to establish those policies that require the inclusion of the private sector to the maximum extent feasible, again, by repealing Section 5305(e)(3), and mandating that FTA make a rulemaking requiring private sector participation guidance; establish tougher and enforceable regulations to prohibit violation of charter bus regulations and competition by the public sector using publicly funded capital assets; establish incentive funding available to agencies that not only show increased ridership, but also show efficiency in delivery of such services. Included within my testimony are proposals of language that could be included within the reauthorization language which, in fact, accomplishes these goals.

Thank you very much for the honor to speak before you today.

Senator ALLARD. Thank you for your testimony.

We will now move on to Mr. Molofsky.

STATEMENT OF ROBERT MOLOFSKY
GENERAL COUNSEL
AMALGAMATED TRANSIT UNION

Mr. MOLOFSKY. Thank you, Mr. Chairman and Senator Reed.

My name is Robert Molofsky. I am currently General Counsel for the Amalgamated Transit Union. Over the past two decades, I have been very involved in various transit privatization studies, forums, legislative campaigns in more than a dozen States and the provinces of Ontario and British Columbia. In each case, we have sought, when faced with addressing issues of privatization, to guard against job losses, protect our members' collective bargaining rights, and ensure the delivery of safe and efficient transit services, consistent with local policies and agreement.

Since 1964, the ATU, and indeed all transportation labor, have endorsed a longstanding Congressional policy that decisions involving the choice between public and private transit operators should be left to local authorities who are better equipped to make local transportation decisions. The Federal Government is clearly best suited to making broad public policy decisions rather than micro-

managing the local transit choices selected to meet the needs of rural, urban, and suburban communities.

From the start of this debate to the present, we have always believed that the role of the Federal Government should be one of neutrality and it should not intrude on local decisionmaking. If the private sector has an ability to provide safe and effective service at savings to the communities, then they should be offered the opportunity to provide their proposals for consideration by the MPO. That is the policy today, and we do not think it should change.

In the past in this regard, much has been made of the statutory references to involving the private sector, to the maximum extent feasible, when designing local and regional transit systems. Yet Congressional intent, dating back to the first highway transit bill in 1964, indicates that private enterprise participation sections of the surface transportation law were designed to protect only then-existing private providers, rather than any future private-sector operations.

Nevertheless, ATU has never been opposed to the provision of transit services by private operators, so long as the methodology and criteria for service section and final decisions are left to local decisionmakers, consistent with applicable laws, collective bargaining agreements, and other pertinent arrangements. Without question, the participation of private enterprise in the Nation's transit sector is essential to the health and success of the industry, and we recognize today the emerging role played by taxi and small van operations in providing paratransit service, especially to meet the needs of the seniors, rural residents, and those on Medicare. America's transportation needs cannot be met by one mode alone, as you stated, and we agree. And they certainly cannot be met by only one sector of such mode. In fact, as noted earlier, we do represent both public and private operators.

For purposes of our discussion, it is important to define the term "privatization." In the area of public transportation, the term has been used to refer to various programs, including those that provide for competitive bidding, tendering, contracting-out of existing new or restructured transit service. The role of the private sector in these situations may involve entire operations or portions. Similarly, the discussion of privatization can raise different issues, depending on whether such plans involve fixed-route bus service, ADA, paratransit, or specialized transit services. The most controversial aspect, of course, involves the contracting-out of sections of route segments or portions of existing systems and denying those operations the opportunity to address new or emerging transit needs.

With respect to transit labor, two common elements through all of the variations discussed above exist. First, we always strive to protect the jobs of our members and second, to ensure that any potential cost savings are properly measured and weighed against the potential adverse effects on safety and service. It has been our experience that mandated privatization through competitive bidding has served to reduce the standard of living for workers, diminish the transportation service provided in communities and, as I shall discuss, transit privatization has been based on questionable and at times false assumptions regarding competition cost and the

mechanisms used to calculate these and other matters. We believe that the primary goal of Federal surface transportation policy should be to improve the speed, safety, and convenience of travel while increasing transit ridership.

Privatization, however, confuses the efficiency and effectiveness of transportation systems with lowering costs on individual routes. One result is that privatization advocates typically omit from their competitive cost analysis the necessary cost of increased supervision and coordination which a privatized route-focused approach requires.

Moreover, the underlying premise of transit privatization plans, that private companies can reduce the cost of service delivery and provide a chance for locally owned transportation to find business has been proven unfounded in an industry in which little competition exists, and we have a lengthy discussion of actually the situation in Denver included in our testimony.

Further, I would like to note that recent studies by the Transportation Research Board and the GAO have documented that Section 13(c), Employee Protective Arrangements, are not a factor in decisions to contract-out. With regard to these labor protections, it should be noted that these studies have dispelled the myth and clearly substantiate the ATU's policy that it does not unduly restrict the ability of transit providers to contract-out.

Today, more than one-third of the agencies contract-out 25 percent of their service. Most significantly, the TRB report indicates neither the general managers that currently contract-out, nor those that do not, identified 13(c) as influencing their decisions.

In 1991, with ISTEA, language was included to address privatization abuses which were foisted on the public agencies beginning in the early 1980's into the early 1990's. As a result, language was included in that bill that stated that the Federal Transit Agency could not withhold certification of the planning programs developed by the MPO's, based on the local decisions, choices and method, and means by which they evaluated public versus private sector choices.

This action led ultimately to the repeal of a series of increasingly burdensome and complex regulations proffered by the Agency, initially in 1984 and 1987. In rescinding those regulations following passage of ISTEA, the FTA noted in detail the adverse impact of those policies requiring the use of the discredited fully allocated cost methodology to analyze the cost differences, if any, between public and private sector——

Senator ALLARD. Mr. Molofsky, can you please summarize your comments.

Mr. MOLOFSKY. It often led to exaggerated and unwise decision-making where properties thought that they would save money which, in fact, was not the case. We believe that that language should remain, and we oppose the Administration's efforts to remove it.

Finally, we have three recommendations that we would like to state today. First, not only should private operators serve on MPO boards, but also other transit constituency groups, including transit labor, pedestrian advocates, bicycles, transit agencies, and others. We do not believe it is wise, nor fair, that the private operators be

given an enhanced role in the decisionmaking of transit services to the exclusion of other interested parties.

Second, we recommend and have worked with many of our transit employers around the country, both United States and Canada, using labor management partnerships to address cost and service issues in light of adverse fiscal developments.

And third, private-sector involvement in transit remains a viable option in many instances. However, such decisions should be made on a case-by-case basis after a thorough analysis of the relative costs and benefits involved.

The bottom line is that Federally controlled privatization initiated in Washington, DC, and forced on local and State Governments, is not in the best interests of either the Nation's commuters or its taxpayers.

Thank you very much.

Senator ALLARD. Thank you.

Mr. Pantuso.

STATEMENT OF PETER J. PANTUSO
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMERICAN BUS ASSOCIATION

Mr. PANTUSO. Thank you very much, Mr. Chairman and Members of the Committee.

The American Bus Association is the trade association of the private, over-the-road bus industry. Our members, which number in excess of 1,000 motorcoach and tour operators, represent 60 percent of all of the coaches on the road today. They serve over 5,000 communities, and as you stated in your opening statement, they move 774 million passengers annually, more than the airlines and more than Amtrak combined.

ABA and its members have only one goal, and that is to ensure the private bus companies are allowed to compete for business on a level playing field and contribute to the maximum extent possible to the transportation network in the country.

ABA's recommendations require no intrusion on other modes of transportation and come with a relatively small investment. We have a unique position as an industry. We are a network of small, often family run businesses, we are the David up against the Goliath of the airlines, Amtrak, transit agencies nationwide who do provide critical service, but at a hefty cost to the taxpayer.

Our challenge, which we are asking for your assistance today, is to weave ourselves into the larger transportation fabric of the public transportation network and defray cost to Government.

We ask you to help us by providing a small investment in our industry, and very prudent, and targeted programs to ensure a level playing field. Let me outline a few of these programs.

Intercity bus travel is the only form of public transportation available to many people, especially in rural areas. The significant decline in rural transportation and rural bus service has been reversed in years past because of the existence and the success of the FTA's Section 5311(f) program, the rural, over-the-road bus program, a fund which began under ISTEA and continued under TEA–21.

A study on bus industry subsidies that is appended to my testimony provides evidence and the growth of service under 5311 that has been spawned. Indeed, Pennsylvania and Colorado have been leaders in using that program to increase the rural intercity bus service, but more funds are needed to build upon that success.

Another way to enhance private bus service is to provide a dedicated source of Federal funding and create a network of intermodal facilities. These facilities could be accessed by all modes of transportation and would provide seamless connections both to intercity passengers and to local public transportation providers.

The Administration's reauthorization bill establishes an $85-million Federal fund for the development of intermodal facilities to be used as seed money in a variety of projects, but more monies are needed.

Service to the elderly and to persons with disabilities is also a priority for our membership. A 1998 DOT regulation requires that virtually scheduled intercity scheduled buses, by the year 2012, be equipped with wheelchair lifts.

Today, all other motorcoaches must provide a lift-equipped bus to a passenger on 48-hours notice. The current $7 million program that is available and was established under TEA–21 can only equip 200 buses per year out of a nationwide fleet of 40,000, and we need in excess of 1,000 new lift-equipped coaches annually.

I have appended to my testimony a recent letter from Congressman Jim Langevin to the House T&I Committee leadership in which he had urged for increased Federal funding to assist our industry with compliance.

ABA also believes that Federal funds should not be used by transit agencies to compete with private bus operators where the private sector is willing and able to provide that service. That is the law today. The most glaring example before this Committee is the D.C. Government's lobbying efforts in support of a bus circulator that would take tourists around Washington to the monuments, to sites and to shops, with a first-year cost of nearly $37 million and in direct competition with three private bus operators who already run service in and around the downtown and the Mall area.

We have provided specific legislative proposals to the Committee that would prevent these types of abuses from continuing, and this is one of our top legislative priorities.

Each day motorcoaches bring tourists, commuters, and shoppers to the Nation's cities. And since just one coach with a 24-hour stay means as much as $11,000 to the economy, it is business that the communities seek aggressively. However, this service is hindered by a lack of bus parking facilities and unreasonable rules. A demonstration project to address the parking void in most congested cities, sharing of parking facilities with transit buses, parking and planning requirements for MPO's, and flexibility and idling rules and research could go a long way to making those trips and those visits easier.

In conclusion, Mr. Chairman, the ABA and its members again have one simple goal, and that is to ensure the private bus companies are allowed to compete for business both fairly and on a level playing field and provide a wide variety of transportation service options to the traveling public at a reasonable cost.

Thank you, Mr. Chairman. We would be very happy to answer any questions.

Senator ALLARD. Thank you.

Ms. Wilcox.

STATEMENT OF MARGIE WILCOX
CO-CHAIR, PARATRANSIT AND
CONTRACTING STEERING COMMITTEE
TAXICAB, LIMOUSINE, AND PARATRANSIT ASSOCIATION

Ms. WILCOX. Mr. Chairman, thank you for inviting the Taxicab, Limousine, and Paratransit Association to testify before your Subcommittee. My name is Margie Wilcox, and I am the owner of Mobile Bay Transportation, located in Mobile, Alabama, and Pensacola Bay Transportation based in Pensacola, Florida.

My companies provide paratransit, airport shuttle, and executive sedan services. This is my 23rd year in the passenger transportation industry. This year, I also have the pleasure of serving as co-chair of the Paratransit and Contracting Division of the Taxicab, Limousine, and Paratransit Association.

TLPA is a nonprofit trade association. We are the national organization that represents the owners of taxis, limousines and airport shuttles, paratransit, and nonemergency medical fleets. We have 1,000 member companies that operate 124,000 passenger vehicles. TLPA member companies transport over 2 million passengers each day, more than 900 million passengers annually.

I am here to speak to you about the role of the private sector and the provision of public transit services. This country was built on the principle of competition. A competitive approach utilizes market forces to contain costs, improve quality, and reduce the dependence on a single supplier. For public transit agencies, a competitive approach to purchasing transit services is a proven tool to assist in maximizing existing resources and expanding services.

Yet, despite the benefits of competitive contracting, even the consideration of contracting has become an afterthought in the minds of many officials. A 2001 study by the Transportation Research Board found that 40 percent of all public transit agencies do not contract any services, even though there is a legislative requirement to utilize private operators to the maximum extent feasible. An alarming 30 percent of these transit agencies are led by general managers who state that they never even consider contracting.

There is an important role for the private operators like myself to play in providing public transit services. In our written testimony, we list six legislative initiatives. We urge the Senate to include in its transit reauthorization bill. I am going to summarize our three most important recommendations.

First, the anticompetitive and antiprivate sector planning provision, Section 5305(e)(3) of the Federal Transit Act needs to be repealed. The President's reauthorization bill, SAFETEA, included the repeal of this provision by rewriting the planning section of this Act, thus, eliminating this provision. The law and Congressional intent mandate a role for private operators in planning for public transit services. Yet, at the same time, this section explicitly prohibits enforcement of the law. We believe that the best path to more efficient public transportation is to have all stakeholders,

such as local officials, consumers, public transit operators, private transit operators, and labor included in the planning process. We do not advocate excluding anyone. We urge the Senate to support repeal of this section.

Second, we request that you require the Departments of Labor and Transportation to amend their administration of the Federal Transit Act labor protections. This will make them less of an obstacle to the efficient and effective provision of public transportation services.

There are four core actions that should be taken as follows:

Number one, it is very often asserted that a change in contractors, resulting from a new company winning a competitive bid, requires the new contractor to adopt the workers, work rules, and wage rates of the former contractor. We ask the Senate to address this carryover of the workforce issue by declaring that a change in contractors is not an event that gives rise to Section 5333(b) protections.

Number two is very similar to number one in that we asked the Senate to make it clear that there is not a required carryover of workforce in public-to-private transitions, where no employees are dismissed as a result of a Federal project.

Number three, we asked the Senate to clarify that binding interest arbitration is not a required provision under Section 5333(b) and that other dispute resolution practices, such as fact-finding, are acceptable.

And, number four, we ask that you limit the review of the Federal transit grants by Federal Transit Administration, eliminating the current practice of subjecting FTA grants to review, not only by DOL, but by private entities, which are the national offices of the relevant transit labor unions.

Our third legislative initiative is to ask the Senate to direct the Federal Transit Administration to issue private-sector participation guidance. There is ample evidence that the private-sector participation guidance developed by the Reagan and Bush Administrations was a great success. Increasing competitive contracting of public transit services from $10 million to $500 million per year in the course of one decade. Since the Clinton Administration rescinded this private-sector participation guidance in 1994, consideration of the private sector has stagnated, requiring the FTA to conduct a rulemaking to reestablish private-sector participation guidance would result in increasing the efficiency and effectiveness of public transit operations to the benefit of all transit riders.

Mr. Chairman and Members of the Subcommittee, transit riders will benefit significantly if our six legislative recommendations are included in the transit reauthorization legislation.

Thank you again for having me. I appreciate it.

Senator ALLARD. I want to thank you all for your testimony.

I would like to break down my question into two parts. The first question I would like to direct to Mr. Rosenberg, and Mr. Pantuso and Ms. Wilcox.

Your testimony indicated that you are supportive of competitive contracting. Do you believe that competitive contracting will solve all the cost problems that public transit faces today? If you could give me some examples of why or why not, I would appreciate it.

Mr. Molofsky, the transit labor has been characterized as being opposed to competitive contracting. Are there circumstances where such competition might be acceptable to transit labor? It would be helpful if you could share some anecdotal evidence. Mr. Rosenberg, you may start off.

Senator SARBANES. Mr. Chairman, before Mr. Rosenberg——

Senator ALLARD. Oh, I am sorry. Do you have an opening statement you would like to make?

Senator SARBANES. Well, I did, but I do not want to intrude into the questioning. I was going to put it in the record.

Senator ALLARD. Go ahead and make your statement.

Senator SARBANES. All right. Because I have to——

Senator ALLARD. I am sorry. I should have recognized you, and I apologize for that.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Mr. Chairman, we welcome the panel. We appreciate their contributions, and we will certainly give careful study to all of the statements.

I do want to observe, though, that the private sector is currently involved in many aspects of public transportation. Of course, this hearing focuses on the one specific way, and that is the provision of transit services, and I want to say just a few words about that. Before I do that, I should note that private companies make the transportation equipment, they engineer, design, and construct the systems, they develop the properties near the transit stations which often bring significant economic and environmental benefit to the community.

We have a very good example of that right here with Metrorail of public-private partnership and the financing of the New York Avenue Metro Station which is scheduled to open next year, and I think is an interesting model to look at.

On the provision of the transit services themselves, the Transportation Research Board, which has been referred to, surveyed transit agency practices with regard to contracting-out transit services to private or nonprofit providers. They reported, "Transit contracting is neither rare, nor monolithic in practice. Hundreds of transit systems of all sizes and types now contract for some transit services, and many have done so for a number of years."

I must say, in my own State of Maryland, there are numerous private and nonprofit organizations currently providing transit services around the State, actually in both rural and urban areas.

The TRB study, the Transportation Research Board, also found that agencies have had varying experiences with contracting-out. Some have proven to be very effective. Other agencies have cited concerns about the quality of service and the necessity to closely oversee. That is what one would expect because obviously there are going to be, I presume, variations in quality.

The structure we put in place in ISTEA and in TEA–21 allowed valuable experimentation to take place around the country with regard to the use of private contractors to provide transit services. There is a lot of flexibility under current law for local officials to design the mix of publicly and privately provided services that will best meet local needs.

Of course, we need to look at this situation very carefully. There is an issue here, of course, of where the locus of decisionmaking will be in terms of local officials and the judgment or will it be made at the Federal level and simply passed on down the line to the local level. We have tried to, by and large, provide flexibility at the local level for making these judgments, but I am prepared with others to look carefully at that question.

I must say my own perception is that the arrangements we have established have worked pretty well. That is not to say they are perfect, but I think they have worked pretty well. I think riders have benefitted significantly. There has been an enormous increase in the number of people using a transit for transportation purposes, and I think we need to be certain that that trend continues.

Thank you, Mr. Chairman.

Senator ALLARD. Thank you very much for your statement, Senator Sarbanes.

Do I need to repeat my question?

Mr. Rosenberg.

Mr. ROSENBERG. Thank you, Mr. Chairman. I believe your question was will it solve all of the problems, and the answer is, no. I think it would be foolish for me to say that by contracting for service all of the problems will go away in terms of cost control, but it is one of the very important tools in a general manager's or a public agency's toolbox that needs to be considered. In many agencies, it is not considered.

In Dallas, recently, the contractor, the public board there chose to eliminate 12 percent of the contracted service in order to retain 4 percent of the workforce because they chose to retain those employees that were employed by the public agency rather than ensure that 12 percent of the riders got service. So it was a decision to protect workers, rather than to protect riders.

In Santa Clara County, California, the Valley Transportation Authority, currently has decided to eliminate 21 percent of its service rather than even consider the option of contracting for service. So many riders will be left stranded without the ability to get to work. Again, in order to protect public workforces, they chose not to look at contracting as an option.

So what I would say to you as virtually every State in the United States looks at the options of reduced funds as a result of the economic conditions and has to consider, and one of the first places they look at is raiding public transit dollars that as agencies do not consider this an option, it is really irresponsible on their part.

And there are opportunities for partnerships, as you said, in San Diego, in Denver, Colorado. Yes, there have been failures, as has been pointed out, but there have been many successes, and I know of very few public agencies also that have not had their fair share of failures and successes. We learn from those. Those are all learning experiences and hopefully we improve, and those challenges get less and less as we go on.

I would say that the answer in a nutshell is, no. It does not solve all of the problems, but it is a very important tool, and without your support, without the Senate's support in ensuring that there is a guidance, as was stated by others, it will not happen.

And ridership will be reduced and will continue to decline, and it will result in people being left without those necessary services. Whether it be the frail elderly, the disabled, and the people that are very transit dependent because general managers across the country, as was stated, over 30 percent have not even considered contracting, according to the TRB study, as an option, and it is a very important tool in the toolbox.

Senator ALLARD. Mr. Molofsky, do you want to give us your view as to whether competition would be acceptable in some instances?

Mr. MOLOFSKY. Yes, but before I do, I think I would question whether the decisions made in Dallas or Santa Clara or elsewhere, with respect to choices of service, and savings, and transfer of work from public to private or vice versa should be the subject of oversight by the Federal Government; those are local decisions that should be respected, and that in fact is the policy that we have always taken, that the decisions, as Senator Sarbanes and others have said, and as the Congress has repeatedly affirmed, and as was true when the Act was first legislated, that the choice between public and private operators is for the local communities to decide.

In terms of the standards by which such competitive bidding might take place, I would underscore that our position is that we are not opposed to competitive bidding. The question is what standards are applied, what policies are adhered to, why is it being considered, who is initiating it and whether it is either forced or imposed, rather than the subject of a local decision.

The problem we faced in many communities in the 1980's was that the Federal Government, FTA was imposing a discredited, fully allocated cost economic system onto the properties and threatening, and there were examples, rather, of cases where FTA leveraged its ability with respect to the distribution of funds to compel certain decisionmaking that might not otherwise have taken place.

We have a debate ongoing, and with respect to the city of Denver and its contracting-out. It was one of the earliest experiments in 1988 and 1989. When it was designed, it was intended to reflect the best opportunities for the private sector to provide service.

You had mandates of 25, and as you noted, it went up to 35 percent, and in doing so, the State legislature required that that 35 percent be representative of all types of service in the community.

Yet the history shows that several of the assumptions underlying competition did not maintain themselves in the city of Denver. You had a shrinkage with respect to the number of competitors. So you had a loss, not a gain, of competition.

There have been economic studies that have shown that the city experienced cost increases and not decreases. We are not saying it was right or wrong. We think that the community should be allowed, free from any Federal role, to have the flexibility to make its own choices based on its own policies and criteria. The bill currently allows for that, and we do not see it as a problem requiring any modification.

Senator ALLARD. Mr. Pantuso and Ms. Wilcox, would you respond, please.

Mr. PANTUSO. Mr. Chairman, in direct answer to your question, I am sure the competition does not solve all of the problems, but

I answer in response to the members that we have at ABA and the type of businesses that they operate.

Most of our members in the motorcoach industry are small family businesses. They have sometimes five or ten buses, but many times, they have only one, two, or three buses. They are very small business people. For them, competition and the ability to be at the table and participate, whether it is for a charter contract or for a wedding contract, a very small move for most people, but for them it is their life blood. They have gone through 2 years of depressed sales. After September 11, we saw business go down as much as 10 percent in the year 2002, and again probably another 10 percent this year.

And while competition may be incremental in the scope of things or in the scope of other publically funded systems, to our members having that extra day or extra 2 days or 3 days of bus movements can mean the bus payment and their survival at the end of the month.

Senator ALLARD. Ms. Wilcox.

Ms. WILCOX. Mr. Chairman, I think it would not solve all, but perhaps some of the problems. And when you have some of the cost problems monumental in scope that seem to be growing across the United States with transit costs, I think that the more people you have, you invite to help you work on the problem, the more chances of success in solving it.

So with the invitation and having the participation of private operators like myself that sometimes work with limited resources, we can be more much more creative in solving some of the needs of the passengers.

Senator ALLARD. Would you agree that we could summarize all of this by saying that none of you really disagree that competitive contracting of public transportation can be cost-effective in some situations and State and local entities should be given the choice as to whether or not to engage in competitive contracting without Federal disincentives. I think everybody would agree with that at the table?

Ms. WILCOX. Yes, sir.

Mr. MOLOFSKY. I think that is the situation today. The question is whether "should" means that you might require that service be competitively bid. I think the decision in the first place should be one of local community determination.

Senator ALLARD. Yes. We just want to make sure that they have that opportunity to do contract bidding. Everybody agrees on that, including you, Mr. Molofsky; is that right?

Mr. MOLOFSKY. I do not understand if that means that you are suggesting that there is language in the statute today that needs modification. There is sufficient flexibility today to empower the local communities to make those choices free from any Federal intrusion or imposed standards.

Senator ALLARD. Let me go on to Senator Reed.

Senator REED. Thank you very much, Mr. Chairman.

And thank you for your testimony. It strikes me that one of the dilemmas that we all wrestle with, but more precisely that local transit agencies wrestle with is that the nature of public transit is that the system has aspects that are not economical. Indeed, that

is why it has to be a public system, but they have other services and other routes where you can make a profit. And transit systems have to make judgments about how they fund their overall operations, and sometimes I would think localities would decide, well, we could contract this out, and that positive revenue could be applied in other parts of the system.

To make a long story short, and this is a long story short, I think that is one reason, frankly, that we have made these decisions local decisions because of, one, the complexity inherent in transit planning, and, two, the different communities around the country.

The other aspect I would say about the localities is that by my rough estimates the Federal Government contributes about 47 percent of capital to transit systems, and after the TEA–21 Act, we eliminated operating subsidies for cities or communities over 200,000. So essentially, it is the local nickel we are talking about more than the Federal nickel. And in that case, too, I think that argues for a local response rather than a Federal scheme.

Looking at the language of the 5305(e)(3), it essentially says that the Secretary may not impose his or her criteria upon the local community when it comes to privatization, and I think that is consistent with both the nature of the issue and also the funding that we have seen.

But what I think this whole discussion has raised to the forefront is the issue of who makes the decision, local or Federal. But let me just go to some specific issues that have come up in the testimony.

In terms of the planning organization, the MPO, Mr. Rosenberg, you are suggesting that there be participation by private entities. Would you also agree, and I think you heard other panel members say, that environmental, labor, and other types of groups should be represented also?

Mr. ROSENBERG. I believe that every interested party should be at the table. As someone who participated back in the early 1980's as the Chairman of the Los Angeles County private sector forum for many years, we saw a tremendous number of opportunities come as a result of all parties being at the table and having the opportunity to communicate and to talk about the issues. Many contract opportunities came as a result of that, and many possible failures were prevented by having all of the appropriate parties at the table.

So, I think it is critical that, particularly representing ATSC and the private sector, that the private sector be at the table and that all interested parties be there for communication.

Senator REED. So, you would not object if there was a directive legislatively for private operators, that it also should include other groups specifically. You would not object to that.

Mr. ROSENBERG. I would not object. I think you would have to review it to see what groups would be participating at the table, but I do strongly support the idea of having the private sector at the table.

Senator REED. And, Mr. Molofsky, I think you obviously stated that going forward.

Mr. MOLOFSKY. Yes.

Senator REED. One of the other issues that comes up, and again this gets into the local nature of the decision of at least the current

law is that, as you point out in your testimony, one of the thoughts behind the original proposal for privatization was that many local forums would participate, like Mr. Pantuso's family organizations, family companies. It seems that in many cases, these are really regional or national groups that are really taking up the privatization challenge and being awarded a contract. Is that an accurate assessment?

Mr. MOLOFSKY. Yes, I think it is. What we have found when we have looked at the history behind most of these cases, it is advanced as if there is this pure economic theory that pure competition will exist and that you will have a half-a-dozen, a dozen, or more private operators submitting bids, and you will evaluate them. But in practice it does not work that way. We have had over time an experience where, if not with the first bid, certainly thereafter that there is a consolidation of operations.

In Denver, for example, a number of the companies that were involved in the beginning bought each other out, and so you had a sharp reduction in competitors.

Most recently, the national companies, I should say international companies that have been involved, have principally been organizations based in the United Kingdom and Canada. There has been a recent history of acquisitions where Ryder has purchased ATE and National Express in the United Kingdom, and has purchased ATC and the other major competitor. Coach USA has also been acquired by Stagecoach, which is another United Kingdom property.

So, you have a massive consolidation of private operations, that is, with respect to fixed-route service. I would agree that there is a multitude of private operators out there in the paratransit field and certainly in the taxi area, but that is not the experience in terms of regular transit operations.

Senator REED. Which raises another question, if I may, just for Mr. Pantuso and Ms. Wilcox. The nature of your, and I do not know the nature of business as well as you do, Mr. Pantuso, but the nature is not fixed-routes, but specialized services that would complement a basic transit system; is that a fair description?

Mr. PANTUSO. It is a combination, Senator. All of the major fixed-route carriers in the country, and there are about 100, belong to our association. They actually belong to another group that we manage called the National Bus Traffic Association. It is a clearinghouse for the fixed-route carriers. There are few nationwide companies other than Greyhound, and we have also got large regional carriers and a lot of smaller "mom-and-pop" carriers.

Senator REED. But in numbers, the bulk of your members are, as you describe them, the family businesses with five, six, three, or four buses whatever.

Mr. PANTUSO. Absolutely. Only two carriers are publicly held companies. And to go back to Mr. Molofsky's example, there is a lot of change going on in the industry right now, and even some of the biggest companies are going through divestiture. Coach USA, which has Bonanza, and Patuxent in Rhode Island and other companies along the East Coast are going through the process now of dividing those companies back up into smaller regional carriers.

Mr. ROSENBERG. Thank you.

Ms. Wilcox, it is the same basic question. Your members would not be prepared to assume the full range of transit services that most transit agencies have—fixed bus routes and things like that—but you are really competing about selected aspects, paratransit, elderly transit, et cetera; is that fair?

Ms. WILCOX. Well, that does make the bulk, taxicabs and small companies like myself, which I am regional, even though I am a small, single company. I own Mobile Bay and then I am also in Florida. So when we get into large regional, I could be considered regional, but I am very small. And then we have the range of services of the nonemergency fleets, taxis, and van service. And then we also have some members that do own motor coaches. So there is a large range of the services that are private and membership could provide.

Senator REED. But it strikes me, again, subject to your comments, that you would complement basic services of a fixed-route transit system, the bus system——

Ms. WILCOX. An example in, I guess it was Phoenix that when they were considering stopping their Sunday service, instead of ceasing the Sunday services, they decided to go to a demand response so that the people that did need Sunday service still had it available to them.

So there are a lot of times when companies and services like myself make good sense to the passengers.

Senator REED. I assume that that decision was made in Phoenix because they sensed a local need, and they carried it out.

Ms. WILCOX. Exactly.

Senator REED. Thank you.

Thank you, Mr. Chairman.

Senator ALLARD. Thank you.

Mr. MOLOFSKY. And I would note that 13(c) was not a hindrance, and I do not want the comments about 13(c) to go unaddressed, to the extent that there is a significant amount of contracting at the same time as the employee protections are properly factored into the decisionmaking.

Senator ALLARD. We will go ahead and move on. Right now, I would like to address this question to Ms. Wilcox of the TLPA, and then I will give all of the other witnesses that may care to respond the chance to do so.

Right now, transit law already calls for recipients to, and I pulled this right out of the law, encourage, "to the maximum extent feasible, the participation of private enterprise."

Do you believe that this is the case? And are there specific examples where this requirement is not being followed that you may be aware of?

Mr. PANTUSO. I am sorry. Repeat the question, please.

Senator ALLARD. Currently transit law calls for recipients to encourage to the maximum extent feasible, participation of private enterprise. In other words, they want you to seek out every possible way you can to include private enterprise. Do you believe that this is the case for recipients of Federal grants and are there specific examples where this requirement is not being followed?

Mr. PANTUSO. I think there are some areas that they do encourage private involvement, but no, I do not think that to the maximum extent feasible private companies are included.

Senator ALLARD. Would anyone else care to respond?

Mr. MOLOFSKY. Yes. When that language was included in the legislation beginning in 1964 there was discussion on the floor of the U.S. Congress regarding its intent and purposes. Senator Williams, in his remarks with respect to the language that you have just quoted involving the private sector to the maximum extent feasible, noted and emphasized that the aim of that provision was to assure fair and equitable treatment for private operators that were providing service at the time the statute was enacted. In a broader context Senator Williams made it clear local decision makers and not the Federal Government would decide case-by-case whether mass transit services should be provided public or private.

Senator ALLARD. The question is, do you believe that they are encouraging the participation of private enterprise to the maximum extent feasible?

Mr. MOLOFSKY. I think the statute today is reflective of Congressional intent and that the communities today have the flexibility to make choices that are in their best interest.

Senator ALLARD. We can tell who the attorney is at the table, he cannot answer a question.

[Laughter.]

Mr. Rosenberg.

Mr. ROSENBERG. I am just a former bus driver, so let me see if I can answer that question, Mr. Chairman. I think as I said earlier, I do not believe it is occurring. I think if you look at Santa Clara as an example, as I stated before, or you look at Dallas, you look, it is happening in Birmingham. My own experience in Thousand Palms, California, where the agency went through a bidding process and at the end chose to simply take it back in house and now the general manager is under close scrutiny for a number of issues including improper use of Federal funds. Sacramento RTD, where recently the RT chose to take away a privately operated service using Federal public funds to take over a commuter service at much higher cost, the Los Angeles County Metropolitan Transportation Agency—do I need to say any more—at the cost of over $100 per hour. Several studies have been demonstrated that they could reduce their cost simply by keeping all of their labor agreements in place, and just transferring service to a private operator to be operated at a savings of more than $25 per hour. That is simply not wages and benefits savings. That is just efficiency savings.

And the fact that the TRB study says that 30 percent of GM's have not even considered contracting, and that 40 percent of agencies across the country that are Federal recipients do not contract. Clearly without a guidance, it is not being used to the maximum extent feasible. So, I think the answer is clearly no, it is not being done in cases where it should be.

Senator ALLARD. Mr. Pantuso.

Mr. PANTUSO. Mr. Chairman, for the over-the-road industry, the motorcoach industry, I think what we see more often is not an issue of whether we are included or not, it is whether the willing and able rules or the charter rules are enforced so that we can

participate in the process, so that we know when business opportunities are available, so that we can provide services when appropriate.

Senator ALLARD. Ms. Wilcox, I have another question. Private sector companies such as your members, already operate over three-quarters of all paratransit service provided by public transportation agencies. There must be some good reasons why so much paratransit service is provided under contract. What do you think are the main reasons why transit agencies contract so much for services such as those which your membership provides?

Ms. WILCOX. If you would permit me to be so bold, I think it is because we do a very good job, and that when you get down to a specialized service such as paratransit, you have really got to be attuned to the customers' needs. And it is not that the transit industry is not attuned to their needs, but for example, last month one of our dialysis clinics was going to shut down for renovation. Fourteen or so of the passengers in one of the cities that I do business in were going to be located outside of the guidelines of the transit bus system, so therefore their ADA service would cease. Well, upon hearing that from one of the call takers, I immediately contacted the general manager. We identified which customers that would affect. We contacted the mayor, and we worked together to provide a solution for those 14, 15 passengers that otherwise were going to miss some of their life-sustaining treatment, or perhaps have a scattered approach to getting there.

So, I think that when you are a small business, you are close to it. I answer the telephone. I think the specialized paratransit services, that is the reason why it has been so successful. We are very close to it.

Mr. ROSENBERG. Senator Allard, if I could add? I think that the reason, because we do a lot of that as well, is that they looked to us when ADA was implemented for the expertise, for the ability to control cost, to get the flexibility and responsiveness. And I also think that there was an incentive provided. The fact that public transit agencies could capitalize their paratransit cost and the maintenance cost and leasing of vehicles, that gave them the incentive that was needed in order to look at contracting as an option because those were costs that could be covered by what they may have felt was a mandate that was not funded.

Being able to capitalize that, the incentive that was provided, such as the incentives that we talked about earlier in terms of ridership and efficiency, that is what has promulgated them to look at that. There were a lot of variables, and they had to act very quickly.

Just to give you two examples, I know where we operate and where I had supervised service in Orange County, California, when I was VP of Operations, and we continue it in Las Vegas. We operated combined between those two over 110,000 trips a month ADA service. In both cases we helped the agencies achieve 0 percent denial. That talks to the expertise, and I am sure that you know of many cases across the country where people are alleging civil rights violations as a result of public transit agencies being unable to meet the denial expectation of the regulations relevant the ADA. We in the private sector are helping them to achieve that.

Senator ALLARD. Senator Reed.

Senator REED. Thank you, Mr. Chairman. I think the last round of questions was illustrative to me. It seems, at least in the issue of paratransit services, there is maximum feasible private participation. That is what you said, Ms. Wilcox. That is what you said, Mr. Rosenberg. This issue of maximum feasible participation, I think it is one probably relative to what service you are talking about. I do not think anyone here would necessarily jump up, certainly taxicabs or the intercity buses and say, we want to run a subway system or we can run a subway system, and that is a transit system.

Really, the right issue here in terms of feasibility is, do the people that are authorized by law think it is feasible and can they defend that to their passengers and everyone else.

I think also, just a comment about these labor protections. I think the notion that we would deny people the protection of a contract that they have entered into, a labor contract, simply on the change of management, that they would lose their benefits because of the change of management, to me is unduly harsh. I mean they are there in good faith. They bargained for this. They are working. Just because the ownership has changed, they lose those protections, would be, I think unfortunate.

Just those comments, Mr. Chairman. Thank you.

Senator ALLARD. Thank you.

I have some more questions. Mr. Rosenberg, over three quarters of paratransit service is competitively contracted and only about 10 percent of fixed-route bus service is provided by private companies. Would you comment on why such a disparity exists?

Also, in answer to the question—and this would be for all the members of the panel—are there different barriers to contracting for different modes of transportation, or are the barriers basically the same across all modes? Mr. Rosenberg.

Mr. ROSENBERG. Well, I think, as I stated in my initial testimony, I think there are attitudinal and policy barriers. There is also the lack of incentives for fixed-route services to be contracted. I think without some type of policy guidance, it does not occur. Ten percent of the fixed service to be contracted, with such a significant cut going across the country, and the economic conditions, just again seems irresponsible. I think that we both are trying through our associations. I know all of our associations make the attempt to try and change some of the attitudinal barriers.

Just yesterday I had the privilege of moderating a panel before the APTA Board members. The Board member who is the Chairman from CARTA, Mr. Patterson Smith, stood up and said, "I am talking to the Board members now, not the staff," to try and make sure that the message could get across that it is the Board members that set the policy, and often those opportunities are not presented to them on a local level. The general managers do not do that, and they are not given the incentive and guidance.

I think in order to encourage that again, I am not just saying here that you do it through a policy, that is not what we are saying. A policy is just one aspect. I think that you have to provide incentives. You cannot just give incentives as proposed within SAFETEA, with all due respect to the Administration's proposal

that says, we reward you for ridership increase year over year, because that is just taking good money and throwing it after bad. You have got to make sure that people are efficient. Say, show us that you are going to be efficient in increasing ridership. We want increased ridership. We want more people in the seats. But let us see how we can extend that dollar and stretch it because we have many people out there that are very dependent on transit. Again, the examples that I gave you where people are not considering it, it would just seem irresponsible when you have to cut service to someone who has to get to their doctor or they have to get to their work, and they have no other option but transit, you are going to cut it simply in terms of looking at the workers.

I want to respond that this again, as I said before, is not an issue or whether it is labor versus nonlabor. We have many labor agreements. Typically, in all of our fixed-route operations, there is either an agreement with the Teamsters, ATU, the Transportation Workers Union, or SEIU. Many of our paratransit operations are unionized. Why are some not? Because in many cases they may, in rural areas or suburban areas, have just 3, 4, or 10 drivers. It is not even cost effective and economical for labor to go in there, and they do not go in there to try and set up a labor agreement to protect those 3, 4 or 10 employees. This is not about trying to reduce wages or reduce benefits or not protect the collective bargaining process. This is simply about trying to stretch the dollar, and I think that the reason that 10 percent are not contracted is that traditionally, those fixed-route general managers have been very protective of those fiefdoms for many, many years, and are reluctant to look at that as an option within their toolbox even though it exists. They were mandated to look at ADA paratransit. They had to respond quickly. They had to do it as cost effectively as possible, and you gave them the incentive to do it through providing that capital funding for the contracting of services.

Senator ALLARD. Mr. Pantuso.

Mr. PANTUSO. Mr. Chairman, I would just say that from our experience, from our members' experience, the opportunities do exist but they exist differently on a location-by-location basis. I can tell you in the State of Maryland, for example, there are tremendous opportunities for local private companies to be engaged in moving people, primarily in doing commuter work from suburban Maryland into DC. There are probably 7,500–10,000 individuals that commute on private coaches every single day into Washington, DC, taking 5,000 or more cars off the highways, reducing air emissions, and congestion.

But at the same time, the example that I gave in my testimony, in downtown DC, WMATA wants to initiate the circulator system and create a new bus system, putting 80 new vehicles on the mall area, when we already have three companies that already provide this service, it seems unconscionable to me. So it is on a location-by-location basis.

Senator ALLARD. Ms. Wilcox, and then Mr. Molofsky.

Ms. WILCOX. Mr. Chairman, I think there are barriers even in paratransit. I guess the first example that comes to my mind is my own personal 13(c) experience in my Pensacola, Florida location. I was awarded the contract on an emergency basis. When we were

in a dispute with the union, I was given a call basically from the manager saying that due to the grants being held up or possibly being held up by the people that review that, and I understood that to be the union, that possibly the funding for the entire transit system in Pensacola would be halted. They would not receive any of the monies, not only just the monies to fund the ADA service. So there was somewhat of a leverage used to get me to conform to what they wanted, so I think that was a major barrier, and that was not really one of—the $13,000 I spent on attorney fees was not a part of my budgeted bid.

Senator ALLARD. That was a decision made here in Washington by the Department of Labor as opposed to a local decision?

Ms. WILCOX. Yes, sir.

Senator ALLARD. Mr. Molofsky.

Mr. MOLOFSKY. I would suggest that the description of the history involving that grant is at best incomplete and somewhat exaggerated from the full story's facts. Under the current system with respect to 13(c), no grant can be held up by the labor unions or anybody else. They have to be issued and released within 60 days of their filing at the Department of Labor, no matter what the underlying issues are. That grant ultimately was. There were some complex issues involving the transfer of employees and work from one contractor to another, and questions arose about the existing labor agreement. But to characterize that experience as one where the unions were exercising undue leverage I think is not true. To characterize that as the unions potentially taking a position that would deny funds to the city of Pensacola is not true. And to suggest that funds with regard to any issue raised in connection with a pending 13(c) grant could result in the withholding of Federal funds is just not the case. The regs do not permit it. We do not seek it.

I would just suggest that if the Committee is more fully interested in that history and circumstance, we can provide a full accounting of that case.

Senator ALLARD. Mr. Molofsky, that is a decision that was made here in Washington, and you testified earlier that you support local decisionmaking. Do you not find that contradictory?

Mr. MOLOFSKY. The decision to release the funds to Pensacola by the Federal Transit Administration was done in the normal course of its grant proceedings.

Senator ALLARD. That is true, but it is a standard that was imposed here in Washington and its rules and regulations are forced as a condition of the grant, and that takes away local decisionmaking. Obviously, they worked it out locally, and then it was delayed here in Washington. Do you think that is appropriate?

Mr. MOLOFSKY. First of all, it was not delayed, and second, we were working based on the local facts and circumstances to try and resolve that issue. It was not an imposed determination from Washington. It was reflective of trying to ensure the rights of the employees in order to allow the grant funds to be spent wisely.

Senator ALLARD. I do not want to get into 13(c) in this hearing, but we have had hearings in the past on 13(c), and we have had a number of witnesses in the past come and complain about how 13(c) was applied, how it took precedent over local decisionmaking,

and how local contracts, once they were agreed to, could not be applied. So, I guess my feeling is that it does stifle innovation, and I guess you do not have that view, and that is understandable. The other members of the panel want to discuss whether or not they think this stifles innovation.

Mr. MOLOFSKY. Our view is that 13(c) does not stifle innovation, but let me amplify that if I may.

Senator ALLARD. Okay.

Mr. MOLOFSKY. The history of transit in the United States over the last 100 years has reflected innovation and technological change and innovation with respect to service providers and the equipment, method, and means by which the service is provided.

The ATU has supported every major change in modernizing the industry, in changing the equipment, and advancing from more modern buses to bus rail. We have supported expansion of paratransit services and supported the implementation of improved devices and safety mechanisms to ensure the better transport of our communities' passengers. Transit labor has taken the lead in each and every one of these areas for more than 100 years, and I think what has been sought and what was sought many years ago under 13(c) was to make sure that the employees that were providing that service had their jobs protected and their collective bargaining rights maintained as part of Federal policy.

Senator ALLARD. Even at the risk of undoing a local agreement?

Mr. MOLOFSKY. I do not believe the history even reflects that.

Senator ALLARD. I see, Okay.

Senator REED. Mr. Chairman.

Senator ALLARD. Let me have Ms. Wilcox, Mr. Pantuso, Mr. Rosenberg respond, and then I will call on you.

Senator REED. If I may make one comment? The General Accounting Office has studied this issue, releasing a report which finds that most transit agencies report impacts are minimal. I would suggest that we get a copy of the report for the record and include it in the record.

Senator ALLARD. Without objection.

Mr. Rosenberg, Mr. Pantuso, Ms. Wilcox, do any of you have any comments in this regard?

Mr. ROSENBERG. I think as you said, Mr. Chairman, you do not want to turn it into a 13(c) hearing, but I will say that I think where general managers are looking for reasons to create barriers, 13(c) is commonly the excuse that is provided in order to prevent the opportunity for contracting. It has been used as a barrier. The fact that it is reviewed by DOL does seem inappropriate considering that it is a transportation issue, and I am not aware of other situations where that does occur, so again, I would say that it has been a barrier. Whether perceived or actual, it certainly is a barrier and has been used in many cases. Pensacola is one example. We have heard many operators say and general managers say, well, the reason we do not contract or we do not consider it is because of the 13(c) issues and implications.

I am also not aware where a contract has been transferred, either between contractors or between public agencies, where there has been any significant loss of jobs. It is generally, if you look at Foothill Transit in Los Angeles County, California, or the fact that

MTA took and contracted some lines some years ago, the employment, what happened is people are given jobs, and jobs are retained through attrition. Jobs are not lost. New jobs are actually created by the private sector and new people are employed in the transit industry.

Senator ALLARD. Mr. Pantuso, did you have any comments?

Mr. PANTUSO. No, Senator.

Senator ALLARD. Ms. Wilcox, any further comments?

Ms. WILCOX. I do personally believe that it is an impediment. I do own a business. It has been an impediment to me personally. On the other side of the protection issues, 6 years severance pay, if I happen to lose a contract, I cannot even calculate that type of arrangement. I do not know of anybody else in the United States that has a 6-year severance package. So to say that that is not an impact or it does not keep small operators like myself from even bidding on a contract such as that, I think that is not a correct statement.

Mr. MOLOFSKY. I would note that the TRB report alluded to earlier, when general managers were asked about why they may choose not to contract, referenced an absence of control, questions about cost savings, the lack of qualified firms, and some difficulties with service, safety, and maintenance issues. 13(c) was a distant seventh or eighth, and I believe the report reflected the expert views of a dozen or more individuals selected through a Congressionally mandated study, and I think it speaks for itself.

Senator ALLARD. Mr. Molofsky, would you agree though that the provisions in 13(c) as stated by Ms. Wilcox, mean that transit workers must receive 6 years of severance pay if they are laid off? Would you agree that that provision is in there?

Mr. MOLOFSKY. The purpose of 13(c)——

Senator ALLARD. No, no. Just answer the question, is it in there? Is that a provision?

Mr. MOLOFSKY. Yes. I will say to you though that——

Senator ALLARD. I know there are arguments for it, but I just wanted to make sure——

Mr. MOLOFSKY. No, no, no, no. The facts will show that the existence of that provision along with the other guarantees that Congress has agreed to for over 40 years, has served to impact the way service is designed to make sure that the employees' rights and interests are not jeopardized and that jobs are maintained, either through attrition or other restructuring and education. It has been very rare—the amount of payments that have been distributed under the 13(c) program pales—it is less than 1 percent of the total transit dollars that have ever flowed from the program since it started, and to rely on that as an argument, I think again reflects an exaggerated view of the facts.

Senator ALLARD. I have one final question and then I'll see if you have, Senator Reed, any questions.

At a recent hearing by the full Committee, we heard a comparison between San Diego and San Jose, that suggested that introducing competition to local planning can make major strides to improve both efficiency and effectiveness of transit. Since San Diego seems to have been able to produce these improvements under the current Federal law, it would appear that other areas

could do so as well. Are there any barriers in the current Federal program which we could reduce or remove to make it more likely that other areas would adopt San Diego's successful practices? What local barriers might exist that should be eliminated?

Mr. ROSENBERG. Mr. Chairman, if you assume, if I understand your question correctly, you are asking if any barriers currently exist that prevent them from doing it. I suppose that again, those barriers we have talked about, 13(c), the lack of a guidance, the lack of enforcement of the check-off in triennial reviews, I think those provide for a disincentive to San Jose to do the right thing and ensure that service is protected for their riders. I mean San Diego is considered one of the most efficient operations in the country, and as I think you pointed out, almost 50 percent of that service is contracted. Laidlaw operates a significant portion of that service in San Diego. We are quite proud of being a partner with San Diego, the MTDB down there, Metropolitan Transportation Development Board, in delivering quality service and being part of one of the most efficient transportation services in the country, constantly recognized by APTA and its peers. So, I would say that what we are looking to you again for, as we discussed, some of those barriers need to be eliminated. The repeal of 5305(e)(3), a guidance, the direction to FTA to provide a guidance so that they will be encouraged, and provide incentives. Show San Jose, not only are we asking you to look at contracting as an option, but if you are also more efficient, we are going to help you with your problem. We are going to give you dollars. There is going to be dollars available to help you because you are also more efficient, to help you deliver ridership, to help to meet your needs.

So by doing those things I think that you can accomplish it.

Senator ALLARD. Senator Reed.

Senator REED. I am fine, Mr. Chairman.

Senator ALLARD. Finished?

Senator REED. Yes, sir

Senator ALLARD. Okay. We will keep the record open for 10 days for Members to submit questions. We would appreciate it very much if you would respond to questions that are passed on to members of this panel in a prompt manner back to the Committee.

The Committee has heard a number of good issues today, and we plan to follow up on all of the comments that were made. We appreciate you taking the time to be here. It is not always easy to get away from your job and your businesses to be here, and we do appreciate it.

Thank you very much. The hearing is adjourned.

[Whereupon, at 4:11 p.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follows:]

PREPARED STATEMENT OF SENATOR JON S. CORZINE

Mr. Chairman, thank you for calling this hearing. I welcome the witnesses and look forward to their testimony.

I appreciate the role that the private sector can play in providing public transportation. Private transit operators very often fill a valuable gap in our transportation infrastructure by increasing transportation opportunities during rush hours and providing greater transportation alternatives to low-income workers as well as the handicapped. In my own State of New Jersey, for example, we have a number of bus and coach companies that supplement New Jersey Transit efforts to provide sufficient transportation to work centers in New York and Philadelphia.

However, I am concerned about efforts in the Administration's reauthorization proposal, SAFETEA, that would mandate private enterprise participation. These provisions would, among other things, allow the Department of Transportation to withhold certification if a Metropolitan Planning Organization (MPO) does not sufficiently allow private operators to compete. Such a measure would interfere with the countless decisions that departments of transportation and MPO's make regarding how transit service should be provided.

In addition, Mr. Chairman, for many States such a measure would not be needed. In my own State of New Jersey, New Jersey Transit has worked out a suitable arrangement with private bus and coach companies: It does not compete with those companies for any route, the route always goes to the private company. This arrangement was worked out without any Government intervention.

I hope, Mr. Chairman, that the reauthorization of TEA–21 will allow the Federal Government to remain neutral on the issue of which type of transportation provider is appropriate for communities. I also hope that Congress will be able to get to work and produce a reauthorization bill before the current law expires on September 30. Our States face a severe transportation funding crisis if this does not happen.

PREPARED STATEMENT OF IRWIN ROSENBERG

PRESIDENT, AMERICAN TRANSIT SERVICES COUNCIL

VICE PRESIDENT OF GOVERNMENT RELATIONS

LAIDLAW TRANSIT SERVICES, INC.

JULY 23, 2003

Mr. Chairman, Mr. Ranking Member and honorable Members of the Subcommittee, thank you for allowing me the honor to testify before you today on behalf of The American Transit Service Council. I am Irwin Rosenberg, President of the American Transit Service Council, and Vice President of Governmental Relations for Laidlaw Transit Services, Inc. one of the Nation's largest providers of contracted transit services. ATSC members provide contracted services in hundreds of America's rural, urban, and suburban communities in virtually every State represented by the distinguished Senators of this Subcommittee.

Although the competitive contracting market has grown over the past two decades, primarily during 1984–1993, it is increasingly evident there continues to be attitudinal and policy barriers toward the broad use of competitive contracting to provide public transportation services in the most cost effective and efficient means possible. According to the Transportation Research Board 2001 report "Contracting for Bus and Demand Responsive Transit Services", 40 percent of all Federal aid transit recipients contract for no services. Competitive contracting can be a very effective tool allowing public transit agencies to be more responsive to its customers, implement effective controls on cost, and most important, improve and assure quality service through establishing enforceable performance standards.

The advantages of competitive contracting include:

- The shift of risk.
- Reduced cost and cost control.
- Increased flexibility and responsiveness.
- Financing of capital investment by the private sector allowing the maximizing of limited funds.
- Ability to manage service quality and reward good performance as well as establish financial and equitable penalties for poor performance.
- Creates a competitive labor environment allowing the private and public sectors to negotiate improved work rules and appropriate but fair wages and benefits.
- Allows public sector resources to be appropriately focused on planning and policy development for systems.

Opponents historically attempt to confuse the issue by suggesting what we are advocating here is full privatization of public transit services. This is not the case. We are here to ask you to support legislative language within legislation reauthor-

izing TEA–21 (SAFETEA) that encourages the inclusion of the private sector to the maximum extent feasible, rewards efficiency and increased ridership, assures accountability for the expenditures for limited public resources, and provides for the fair and uniform application of Federal procurement guidelines. Competitive contracting for service based on competition does not eliminate the responsibility of transit agencies to determine policy, plan service, or assure it is delivered in an efficient and cost effective manner. When services are contracted, public agencies continue to set the standards, hold contractors accountable, retain overall financial responsibility and accountability for public funds, and establish the true cost for delivering service.

Competitive contracting does not mean nonunion. Many of our thousands of employees working for ATSC's member companies in operations across America are represented by collective bargaining agreements between our member companies and The Teamsters, the Amalgamated Transportation Union, The Transportation and Communication Workers, The Service Employees International Union, and many other unions. It has been clearly demonstrated and proven competitive contracting is not an attempt to avoid the collective bargaining process nor is it an attempt to save money by simply lowering wages and benefits.

ATSC members and many private companies across America are able to provide essential capital and extend to their customers the value of their resources and in depth experience along with national purchasing relationships and innovations to deliver service more cost effectively and efficiently.

From 1984 until 1993, The Congress and Administration initiated and supported growth in competitive contracting through legislation and Federal policy that encouraged the use of the private sector to the maximum extent feasible and required local participation in the planning process, for example early and constant consultation with the private sector by the metropolitan planning organizations. In addition, the FTA took a leadership role in sponsoring and supporting private/public sector initiatives, publications, and symposiums bringing together the private sector and public sectors in an effort to break down barriers and break through ideological differences thus assuring new private/public sector partnerships were created and successfully implemented. Included with my written testimony are several success stories of services contracted across the country, some in communities of States you represent that demonstrate competitive contracting for service works!*

Unfortunately, in 1993, with the change of Administrations, the rules were changed and the early consultation and the inclusion of the private sector to the maximum extent feasible no longer was required.

Some may suggest that the competitive market grew after 1993, which to some extent is true. Unfortunately, it grew in great part due to the passage of the American with Disabilities Act and the implementation of the requirement to provide complimentary ADA service between 1992 and 1995 and some strong economic forces during the late 1990's as well as growth in demand for ADA services. Many public transit agencies chose to contract for paratransit services due the numerous variables and the complexities of providing these services and the lack of financial resources and experience to provide these ADA mandated services. Today, according to FTA statistics (as reported in 2000 through the National Transit Database) contracted paratransit services represent 70.8 percent of operating expenses while competitively contracted fixed-route bus (motor bus) service is only 9.8 percent of the U.S. operating expenses. If it is good enough for our Nation's frail elderly and disabled population, isn't it good enough for the riding public? We look to you to change this and to assure opportunities are enhanced allowing greater participation by the private sector in the delivery of service through competitive contracts.

Today, I have come before you on behalf of ATSC and those who are dependent on transit across America to encourage you to consider our recommendations for enhancing the private sector's participation while you deliberate on the reauthorization of TEA–21 (SAFETEA). I respectfully encourage you to reestablish those policies that require the inclusion of the private sector to the maximum extent feasible, require FTA to certify compliance, establish tougher and enforceable regulations to prohibit violation of the charter bus regulations and competition by the public sector using publicly funded capital assets, and establish incentive funding available to agencies that not only show increased ridership but who must also show efficiency in delivering such service. Included with my submitted testimony, I have provided proposed language for inclusion in TEA–21 (SAFETEA) reauthorization legislation that can accomplish the enhancements suggested within this testimony.

Thank you for the honor of appearing before you today.

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*Held in Committee files.

Proposal to Eliminate Barriers to Competitive Contracting

Sec. ____. Local Barriers to Competition.

(a) Purpose. It is the intent of Congress that funding under the Federal Transit Act shall be made available upon a uniform set of national grant eligibility requirements in that no State or local governmental entity and no private recipient of Federal transit funds may frustrate or defeat the national policy of promoting competition and economic efficiency in the provision of federally subsidized transit services. Consistent with that purpose, it is the intention of the Congress to preempt all nonfederal legal barriers to the use of competitive contracts in the provision or management of transit services.

(b) Barriers to Competition. It shall be a condition of all grants under the Federal Transit Act that no funds may be expended to provide or manage mass transportation services, nor for any capital assistance for the purchase of equipment or facilities where the selection or utilization of private competitive operational or management services are prohibited or constrained by contractual agreement or State, regional or local laws or regulations.

Private Sector Participation Amendments for the Federal Transit Act Reauthorization (2003).

1. To fund a study of the impact of impediments to transit efficiency.

Sec. ____. Evaluation of Impediments to Transit Efficiency.

(a) Study. The Secretary shall conduct a study to evaluate administrative, regulatory and oversight, or other impediments to the utilization of private sector providers of mass transportation services under the Federal Transit Act and to recommend such changes in the implementation of the federal mass transportation program as would tend to alleviate or remove such impediments from the program. The purpose of this study is to promote the legislative intent that private equity investment in public mass transportation activities is to be encouraged to the maximum extent feasible in order to leverage the federal investment in mass transportation infrastructure, to assure the maximum availability of transportation resources to the elderly, persons with disabilities, the economically disadvantaged, to better serve the transportation needs of communities eligible for federal mass transportation assistance, and to promote the international competitiveness of the national economy. The study should also examine whether federal laws or regulations directly or indirectly impede decisions by public transit authorities which would allow them to operate in the most efficient and cost-effective manner. If any such obstacles are identified, the study should quantify the financial impact of such impediments on public mass transportation costs, projected for a minimum of five years into the future.

(b) Report. Not later than eighteen (18) months after the date of the enactment of this Act, the Secretary shall transmit to the Committee on Transportation and Infrastructure

of the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate a report of the results of the study conducted under this section, together with an assessment of the need for a national policy on transportation efficiency and recommendations for appropriate legislative and administrative actions. The report required under this section shall be conducted by the National Academy of Sciences in accordance with its customary procedures.

(c) Funding. The Secretary shall expend from administrative and research funds deducted under section ____ of this title and funds made available under section ___ of the Federal Transit Act, a total of $500,000.00 from funds made available for fiscal years 2004 and 2005. Amounts made available under this subsection shall remain available until expended and shall not be subject to any obligation limitation.

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Private Sector Participation Amendments for the Federal Transit Act Reauthorization (2003).

2. To require the adoption of guidance for the implementation of the private sector participation policies of the Federal Transit Act.

Sec. _____. Private Sector Participation Guidance.

(a) Purpose. It is the intent of Congress to encourage the leveraging of public investment in mass transportation infrastructure by the utilization of privately funded transportation resources to the maximum extent feasible, as set forth in the provisions of 49 U.S.C. sections 5323(a)(1) and 5306(a). To assure the attainment of this national policy certain implementation procedures are necessary as set forth herein.

(b) Rulemaking. Not later than 6 months from the effective date of the enactment of this Act, the Secretary shall adopt a rule setting forth minimum administrative requirements for compliance with the private sector participation provisions of 49 U.S.C. sections 5323(a) (1) and 5306(a). Such regulation shall, at a minimum, provide for private sector participation requirements as set forth in the Federal Transit Administration Private Sector Participation Guidance in effect on January 1, 1993, including the private sector guidance for the Federal Transit Administration's Capital Program, Urbanized Area Program, Nonurbanized Area Program, Elderly and Persons with Disabilities Program, and its Competition Policy for Paratransit Activities.

Proposal to recognize a right to judicial review under the Administrative Procedures Act.

Sec. _____. Judicial Review.

Judicial Review. Without limitation and to promote competitive contracting, to protect against unfair government subsidized competition and to assure implementation of the national competition policy in transit infrastructure as set forth at 49 U.S.C. sections 5306(a), 5323(a)(1), 5323(d), 5323(f), 5335(a) and similar provisions of the Federal Transit Act, any final administrative ruling of the Secretary or his designee under any bid protest, School Bus or Charter Bus complaint, Buy America complaint or other competition related matter under the Federal Transit Act, shall be subject to judicial review pursuant to the provisions of Title 5 U.S.C. sections 701-706 in a civil action brought in district court by any party to such administrative proceeding. The district courts shall have jurisdiction over such actions under this section.

Draft Private Sector Participation Amendments for the Federal Transit Act Reauthorization (2003).

1. To recognize a right to judicial review under the Administrative Procedures Act.

Sec. _____. Judicial Review.

Judicial Review. Without limitation and to promote competitive contracting, to protect against unfair government subsidized competition and to assure implementation of the national competition policy in transit infrastructure as set forth at 49 U.S.C. sections 5306(a), 5323(a)(1), 5323(d), 5323(f), 5335(a) and similar provisions of the Federal Transit Act, any final administrative ruling of the Secretary or his designee under any bid protest, School Bus or Charter Bus complaint, Buy America complaint or other competition related matter under the Federal Transit Act, shall be subject to judicial review pursuant to the provisions of Title 5 U.S.C. sections 701-706 in a civil action brought in district court by any party to such administrative proceeding. The district courts shall have jurisdiction over such actions under this section.

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2. To prohibit local barriers to competition.

Sec. ____. Local Barriers to Competition.

(a) Purpose. It is the intent of Congress that funding under the Federal Transit Act shall be made available upon a uniform set of national grant eligibility

requirements in that no State or local governmental entity and no private recipient of Federal transit funds may frustrate or defeat the national policy of promoting competition and economic efficiency in the provision of federally subsidized transit services. Consistent with that purpose, it is the intention of the Congress to preempt all nonfederal legal barriers to the use of competitive contracts in the provision or management of transit services.

(b) Barriers to Competition. It shall be a condition of all grants under the Federal Transit Act that no funds may be expended to provide or manage mass transportation services, nor for any capital assistance for the purchase of equipment or facilities where the selection or utilization of private competitive operational or management services are prohibited or constrained by contractual agreement or State, regional or local laws or regulations.

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3. To create a bus operations efficiency and effectiveness incentive program.

Sec. 5307(__). Bus Operations Efficiency and Effectiveness Incentive Program.

Section 5307 of the Federal Transit Act is hereby amended to add a new subsection 5307(__), as follows:

(1) Authorization. A Bus Operations Efficiency and Effectiveness Incentive Program is hereby created. The purpose of this program is to reward transit properties that attain greater cost efficiency and effectiveness with

additional funds that may be utilized for capital improvements. The incentives hereby created are to assure that funds distributed under the Federal Transit Act are used in an effective and efficient manner to maximize the level of transit service provided to the public.

(2) General Requirements. To qualify for funds under the Bus Operations Efficiency and Effectiveness Incentive Program, a recipient under section 5307 of the Federal Transit Act must demonstrate improved efficiency in operating costs or effectiveness in the delivery of bus services through competitive contracting, as measured by either of the following criteria:

(a) Cost efficiency. Under this criterion a grantee must achieve a ten percent (10%) reduction in operating cost per revenue hour for either fixed-route bus service or paratransit service as measured by the Cost Efficiency Performance Index. The Cost Efficiency Performance Index be determined by comparing the overall mode operating cost per revenue hour (representing both purchased services and recipient-provided service) for either fixed route or paratransit service in a base year with the overall mode operating cost per revenue hour in the next succeeding year (representing both purchased service and recipient-provided service) for either fixed route bus service or paratransit service, regardless of the mix of purchased and recipient-provided service between the two comparison years; or

(b) Effectiveness. Under this criterion a grantee must achieve a minimum five percent (5%) increase in passengers per revenue hour for either fixed-route bus service or paratransit service from the base year to the comparison year. If a recipient achieves a ten percent (10%) or greater increase in passengers per revenue hour for either fixed route or paratransit service in the comparison year over the base year, a bonus incentive will be added to the award, as set forth in subsection (4)(b), below.

National Transit Database ("NTD") data will be use to calculate the factors of the Cost Efficiency Performance Index and the Effectiveness Performance Index. NTD data from the two most recent available fiscal reporting periods shall be used to evaluate award eligibility under this section.

(3) Continuing Eligibility. Once a grantee qualifies for the incentive program in a given year, that grantee must maintain or improve the benchmark level for cost efficiency or effectiveness in the subsequent fiscal year to remain in the program. Eligibility for participation in the Bus Operations Efficiency and Effectiveness Incentive Program will be determined by the Federal Transit Administrator on an annual basis, based on a comparison of the two most recent available NTD data.

(4) Funding.

(a) Fifteen million dollars ($15,000,000.00) per year shall be made available for the Cost Efficiency and Effectiveness Incentive Program from the

Federal Transit Act section 5307 (Formula) program to fund this program over a period of six years, for a total of ninety million dollars ($90,000,000.00).

(b) Those recipients who meet the performance index criteria set forth above at subsection (2) (a) or (b) shall receive a proportionate share of ten million dollars ($10,000,000.00) weighted according to the relative service area populations of all eligible recipients. Those recipients eligible for a bonus award under the provisions of section (2), above, shall receive in addition to a share of the funds made available under subsection (4)(a), above, a proportionate share of an additional five million dollars, which shall be divided proportionately according to the relative service area populations of all eligible recipients.

(5) Report to Congress. The Federal Transit Administrator shall provide a report to Congress in Fiscal 2007 analyzing the results of the Cost Efficiency and Effectiveness Incentive Program.

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4. To Assure Uniform Administrative Standards.

Sec. _____. Uniform Administrative Standards.

The Secretary shall require national uniformity and consistency in deciding all matters affecting competition under 49 U.S.C. sections 5306(a), 5323(a)(1), 5323(d), 5323(f), 5335(a) and similar provisions of the Federal Transit Act. by requiring that all decisions or dispositions of complaints concerning competition under such sections shall be subject to final review and approval by the chief counsel of the Federal Transit Administration. All such decisions or dispositions shall be published in the Federal Register and an annual index of such decisions or dispositions shall also be published.

Proposal To Assure Uniform Administrative Standards.

Sec. _____. Uniform Administrative Standards.

The Secretary shall require national uniformity and consistency in deciding all matters affecting competition under 49 U.S.C. sections 5306(a), 5323(a)(1), 5323(d), 5323(f), 5335(a) and similar provisions of the Federal Transit Act. by requiring that all decisions or dispositions of complaints concerning competition under such sections shall be subject to final review and approval by the chief counsel of the Federal Transit Administration. All such decisions or dispositions shall be published in the Federal Register and an annual index of such decisions or dispositions shall also be published.

REVSIONS – March 19, 2003

February 27, 2003

TRANSIT BUS COMPETITION AND PENALTIES

AMENDMENT

1. Amend 49 U.S.C. § 5323(d) as follows:

(d) Condition on ~~charter~~ bus transportation service.— Financial assistance under this chapter may be used to buy or operate a bus only if the applicant governmental authority or publicly owned operator that receives assistance agrees that the governmental authority or an operator of mass transportation for the governmental authority will not provide:

(A) any charter bus transportation service;

(B) regularly scheduled mass transportation service outside the urban area in which it provides regularly scheduled mass transportation services, regardless of whether such service:

(i) connects with other scheduled mass transportation service to more distant points, or

(ii) has the capacity to transport passenger baggage; or

(C) any sightseeing bus transportation;

where such service is provided by a private operator or where there is a private operator willing and able to provide such service, as determined by the Secretary pursuant to the

procedures set forth in the regulations of the Federal Transit Administration at 49 C.F.R. § 604.11 in effect as of the date of enactment of this statute..

An agreement shall provide that any financial assistance under this chapter will not enable a governmental authority or an operator for a governmental authority to foreclose an incumbent private operator, or a private operator willing and able to provide service, from providing ~~intercity~~ such charter or sightseeing bus transportation service or regularly scheduled mass transportation service .

2. Amend 49 U.S.C. § 5323 by adding a new subsection (__) as follows:

( ) Administrative Complaints and Judicial Review.

Upon receiving a complaint about a violation of the any provision of Sections 5323(a)(1), 5323(d), 5323(f), 5335(a) or similar provisions of the Federal Transit Act designed to protect against unfair competition, including, without limitation, the minimum procurement standards established from time to time by the Federal Transit Administration, the Secretary of Transportation shall investigate and decide whether a violation has occurred. If the Secretary decides that a violation has occurred, the Secretary shall correct the violation under terms of this Chapter or any grant agreement thereunder. In addition to a remedy specified in the agreement, the Secretary shall withhold from a recipient up to five percent of funds available under this chapter for the ensuing fiscal year; furthermore, the Secretary may bar a recipient under this subsection or an operator from receiving further assistance when the Secretary finds a continuing pattern of violations of the agreement. The Secretary shall also provide for money

damages to be paid by the recipient to compensate any private operator injured as a result of a violation of an agreement.

(A) Not later than 90 days after enactment of this provision, the Secretary shall publish in the Federal Register final regulations, policy statements or guidelines establishing the procedures for acting upon a complaint filed under this subsection;

(B) Such final regulations, policy statements or guidelines shall provide the following:

(i) Not more than 180 days after the Secretary receives a complaint about a violation of an agreement, the Secretary shall issue a final order determining whether the agreement has been violated and granting relief to the injured operator as warranted.

(ii) Within 30 days after such complaint is filed with the Secretary, the Secretary shall dismiss the complaint if no colorable claim exists under this subsection.

(iii) If the Secretary, upon the expiration of 180 days after the filing of the complaint, has not issued a final order, the complaint shall be deemed to have been denied by operation of law.

(iv) Any party to the dispute may seek review of a final order of the Secretary under the authority of this subsection pursuant to the provisions

of Title 5 U.S.C. sections 701-706 in a civil action brought in any district court of appropriate venue.

(v) Any finding of fact in a final order of the Secretary under this subsection, if supported by substantial evidence, shall be conclusive if challenged in a court pursuant to this subsection. No objection to such a final order shall be considered by the court unless objection was urged before the Secretary under this subsection or, if not so urged, unless there were reasonable grounds for the failure to do so.

3. Amend 49 U.S.C. § 5302(a) by inserting the following two new paragraphs:

(2) Charter bus transportation. The term "charter bus transportation" means transportation using buses or vans, or facilities funded under the Federal Transit Act or those parts of 23 U.S.C. 103(e)(4), 142(a) and 142(c) that provide for assistance to public bodies for purchasing buses of a group of persons who pursuant to a common purpose, under a single contract, at a fixed charge for the vehicle or service, have acquired the exclusive use of the vehicle or service to travel together under an itinerary either specified in advance or modified after having left the place of origin (including the incidental use of FTA funded equipment for the exclusive transportation of school students, personnel, and equipment).

. . .

(14) Sightseeing bus transportation. The term "sightseeing bus transportation" means transportation using buses or vans designed to meet the needs of sightseers or tourists rather than the public at large, and:

(A) which includes tour guide services, admission tickets to points of interest, other accessorial services, or other substantial services in addition to transportation;

(B) where the transportation service covers several points of interest or places involving sightseeing or leisurely travel; or

(C) provides service to irregularly scheduled events, where the service offered is arranged by the recipient and is contracted individually with each patron, not with patrons as a group.

Renumber current paragraphs 49 U.S.C. § 5302(a)(2) through (12) as (a)(3) through (13), respectively, and renumber current paragraphs 49 U.S.C. § 5302(a)(13) through (17) as (a)(15) through (19), respectively.

DRAFT AMENDMENT FOR THE FEDERAL TRANSIT ACT REAUTHORIZATION (2003)

To grant discretion to the Federal Transit Administration to impose enforcement penalties.

Sec. ____. Enforcement Penalties - Agency Discretion.

Except as provided in this section, notwithstanding any other provision of law, the Secretary or the Secretary's designee shall have discretion as to the amount of funds to be withheld for the violation of any provision of any circular, rule or regulation adopted to implement the provisions of the Federal Transit Act; provided, however, that any penalty imposed under the authority of this section shall be in an amount equal to at least twenty percent (20%) of the Federal Transit funds awarded or to be awarded to any grantee or subgrantee for each fiscal year as to which such a penalty may apply. The provisions of this section shall not apply to sections 53406(a) or 5323(a)(1) of the Federal Transit Act.

Proposal to create a bus operations efficiency and effectiveness incentive program.

Sec. 5307(__). Bus Operations Efficiency and Effectiveness Incentive Program.

Section 5307 of the Federal Transit Act is hereby amended to add a new subsection 5307(__), as follows:

(1) Authorization. A Bus Operations Efficiency and Effectiveness Incentive Program is hereby created. The purpose of this program is to reward transit properties that attain greater cost efficiency and effectiveness with additional funds that may be utilized for capital improvements. The incentives hereby created are to assure that funds distributed under the Federal Transit Act are used in an effective and efficient manner to maximize the level of transit service provided to the public.

(2) General Requirements. To qualify for funds under the Bus Operations Efficiency and Effectiveness Incentive Program, a recipient under section 5307 of the Federal Transit Act must demonstrate improved efficiency in operating costs or effectiveness in the delivery of bus services through competitive contracting, as measured by either of the following criteria:

(a) Cost efficiency. Under this criterion a grantee must achieve a ten percent (10%) reduction in operating cost per revenue hour for either fixed-route bus service or paratransit service as measured by the Cost Efficiency

Performance Index. The Cost Efficiency Performance Index be determined by comparing the overall mode operating cost per revenue hour (representing both purchased services and recipient-provided service) for either fixed route or paratransit service in a base year with the overall mode operating cost per revenue hour in the next succeeding year (representing both purchased service and recipient-provided service) for either fixed route bus service or paratransit service, regardless of the mix of purchased and recipient-provided service between the two comparison years; or

(b) Effectiveness. Under this criterion a grantee must achieve a minimum five percent (5%) increase in passengers per revenue hour for either fixed-route bus service or paratransit service from the base year to the comparison year. If a recipient achieves a ten percent (10%) or greater increase in passengers per revenue hour for either fixed route or paratransit service in the comparison year over the base year, a bonus incentive will be added to the award, as set forth in subsection (4)(b), below.

National Transit Database ("NTD") data will be use to calculate the factors of the Cost Efficiency Performance Index and the Effectiveness Performance Index. NTD data from the two most recent available fiscal reporting periods shall be used to evaluate award eligibility under this section.

(3) Continuing Eligibility. Once a grantee qualifies for the incentive program in a given year, that grantee must maintain or improve the benchmark level for cost efficiency or effectiveness in the subsequent fiscal year to remain in the program. Eligibility for participation in the Bus Operations Efficiency and Effectiveness Incentive Program will be determined by the Federal Transit Administrator on an annual basis, based on a comparison of the two most recent available NTD data.

(4) Funding.

(a) Fifteen million dollars ($15,000,000.00) per year shall be made available for the Cost Efficiency and Effectiveness Incentive Program from the Federal Transit Act section 5307 (Formula) program to fund this program over a period of six years, for a total of ninety million dollars ($90,000,000.00).

(b) Those recipients who meet the performance index criteria set forth above at subsection (2) (a) or (b) shall receive a proportionate share of ten million dollars ($10,000,000.00) weighted according to the relative service area populations of all eligible recipients. Those recipients eligible for a bonus award under the provisions of section (2), above, shall receive in addition to a share of the funds made available under subsection (4)(a), above, a proportionate share of an additional five million dollars, which shall be divided proportionately according to the relative service area populations of all eligible recipients.

(5) Report to Congress. The Federal Transit Administrator shall provide a report to Congress in Fiscal 2007 analyzing the results of the Cost Efficiency and Effectiveness Incentive Program.

Private Sector Participation on Metropolitan Planning Organizations

Under Title 49 of the United States Code, - Transportation - Section 5303 defines Metropolitan Planning and Metropolitan Planning Organizations. Section 5303(c)(2) states, "In a metropolitan area designated as a transportation management area, the designated metropolitan planning organization shall include local elected officials, officials of authorities that administer or operate major modes of transportation in the metropolitan area (including all transportation authorities included in the organization on June 1, 1991) and appropriate State officials."

The President's 2004 budget proposal increases funding for FTA's Planning Formula Program by 25 percent and provides a range of assistance to improve local planning methods and technical capacity. Despite the ever-increasing emphasis on planning, neither the Federal Transit Act nor Federal Transit Administration (FTA) policies, have explicitly spelled out the role private operators should be given in the planning process. In fact, the expanded Metropolitan and State planning processes being proposed by the FTA (in the 2004 budget) call for all interested and affected parties, including both public and private transportation providers, to develop and come to a consensus on the local program of projects.

Unfortunately, there is no mechanism to include private operators at the MPO level. To the best of anyone's knowledge, nationwide, only one MPO, the Chicago Area Transportation Study (CATS), includes a private operator on its Board. CATS allows the Metropolitan Transportation Authority (MTA), an organization comprised of the private operators serving the Chicago region, a non-voting seat on its Board of Directors. Because the seat is non-voting, members of

the MTA state that they do not have an effective voice in developing the local program of projects, and no assurance that their comments and views on any projects are even considered. Not having a voting member on the MPO in effect freezes out the voices of private transportation providers who operate over 200,000 transportation vehicles and carry over 2 billion passengers annually. Because the traveling public benefits equally from using privately-provided mass transit and publicly-provided mass transit, private transit operators should have an equal voice with public transit operators in developing, designing and selecting local transit programs.

To ensure an equitable local planning process that includes private operators in the planning process to the maximum extent feasible and requires grantees to develop a local or statewide process for the consideration of private operators to perform mass transportation and related support services to the maximum extent feasible, Section 5303(c)(2) should be revised to include language to require each MPO and State transportation planning agency to have an eligible private transportation operator to be appointed as a voting member of the MPO.

REPEAL THE ANTI-PRIVATE SECTOR

FEDERAL TRANSIT PLANNING CERTIFICATION PROVISION

The Planning Program provisions applicable to transit and metropolitan planning agencies are found in Section 5303-5306 of Title 49 United States Code - Transportation. Section 5306(a) states: "A plan or program required by Section 5303, 5304, or 5305 of this title shall encourage to the maximum extent feasible the participation of private enterprise." Under Section 5306(c), the private enterprise participation requirements are defined as:

* Section 5306(c)(2) requires each recipient of a grant shall develop, in consultation with interested parties, including private transportation providers, a proposed program of projects or activities to be financed;
* Section 5306(c)(3) requires each grant recipient to publish a proposed program of projects in a way that affected citizens, private transportation providers, and local elected officials, have the opportunity to examine the proposed program and submit comments on the proposed program and the performance of the recipient;
* Section 5306(c)(6) requires each grant recipient to consider comments and views received, especially those of private transportation providers in preparing the final program of projects.

Unfortunately, the experiences of private operators with transit agencies and Metropolitan Planning Organizations (MPOs) for the past twelve years under ISTEA and TEA-21 are that these private enterprise participation provisions are being ignored. Why? Because Section 5305(e)(3) of the title states that:

> The Secretary may not withhold certification [that each metropolitan planning organization in each transportation management area is carrying out its responsibilities under applicable laws of the United States] based on the policies and criteria a metropolitan planning organization or mass transportation grant recipient establishes under Section 5306(a) of this title for deciding the feasibility of private enterprise participation.

Section 5305(e)(3) discriminates specifically against private transportation operators. The power and role of MPOs were greatly enhanced with the enactment of ISTEA in 1991 and even more so with the enactment of TEA-21 in 1998. In the transit portion of TEA-21, the MPO is required to be certified at least every three years, and it has to certify that it complies with all applicable laws and regulations except one. That one exception is the private sector provision of the Federal Transit Act. That is because the provision listed above was inserted into the ISTEA Conference Report at the last minute in 1991 by special interests opposed to competition in public transit.

This anti-competitive, anti-private sector provision should be repealed from the Federal Transit Act because the only sections of the Act that save the taxpayers' money are the Private Sector provisions of the statute that require grant recipients to consider the utilization of the private sector in the provision of public transit service. In addition, the enforcement of Section 5305(e)(3) effectively neutralizes the private sector participation requirement and removes the likelihood that the MPO will make a decision that allows for competition in public transit.

After the passage of TEA-21, the Federal Transit Administration and Federal Highway Administration issued a memorandum on how their field offices should proceed with the planning

requirements of the law. The document serves as a reminder to transit operators, state DOTs, and Metropolitan Planning Organizations to ensure a basic level of compliance with TEA-21's statutory language. There are eight requirements covered in the memorandum including the following:

> Consultation with transit users and freight shippers and service providers: "Before approving a long-range transportation plan, each metropolitan planning organization shall provide citizens, affected public agencies, representatives of transportation agency employees, freight shippers, providers of freight transportation services, **private providers of transportation**, representatives of public transit, and other interested parties with a reasonable opportunity to comment on the long-range transportation plan, in a manner the Secretary deems appropriate." (emphasis added)

The law mandates a role for the private sector, yet at the same time, Section 5305(e)(3) explicitly withdraws any enforcement of the mandate. By hiding behind Section 5305(e)(3), many agencies do

not even consider the role the private sector could play in improving the cost effectiveness of providing transportation services in their area. In the report published by the Transportation Research Board in 2001, "Contracting for Bus and Demand-Responsive Transit Services" 40% of all federal transit aid recipients do not currently contract at all. We urge the immediate repeal of this anti-private sector federal transit planning certification provision.

PREPARED STATEMENT OF ROBERT MOLOFSKY

GENERAL COUNSEL
AMALGAMATED TRANSIT UNION

JULY 23, 2003

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify today on behalf of the Amalgamated Transit Union (ATU), the largest labor organization representing public transportation, paratransit, over-the-road, and school bus workers in the United States and Canada, with nearly 180,000 members in over 270 locals throughout 46 States and nine provinces.

My name is Robert Molofsky. I have been General Counsel for the ATU since 1996. Prior to becoming General Counsel, I served as ATU's Legislative and Political Director for 15 years. Throughout the past two decades, I have participated in transit privatization cost studies, policy forums, and legislative campaigns, including initiatives in Arizona, British Columbia, California, Colorado, Maryland, Massachusetts, New Jersey, Rhode Island, and Toronto, among others. In each case, our primary efforts have focused on promoting unbiased decisionmaking in order to avoid artificially imposed cost models and antilabor motivations. Moreover, we have sought to guard against job losses and ensure the delivery of safe and efficient transportation services consistent with local policies and agreements. With this background, I am pleased to offer our views on the role of the private sector in the public transportation industry.

For years, ATU and all transportation labor have endorsed the long-standing Congressional policy that decisions involving the choice between public and private transit operators should be left to local authorities who are better equipped to make local transportation decisions. The Federal Government is clearly best suited to making broad public policy decisions rather than micromanaging the local transit choices selected to meet the needs of rural, urban, and suburban communities. We firmly believe that the public versus private question should be decided on the basis of local needs, not ideology. *The Federal Government should remain neutral, and it should not intrude on local decisionmaking.*

In the past, much has been made of the statutory references to involving the private sector to the "maximum extent feasible" when designing local and regional transit systems. Yet, Congressional intent dating back to the very first highway/transit legislation in 1964 indicates that the private enterprise participation sections of the surface transportation law, now codified under TEA–21, were designed to protect only then-existing private providers rather than any future private sector operations.

ATU's Position

ATU has never been opposed to the provision of transit services by private operators, so long as the methodology and criteria for service selection and final decisions are left to local decisionmakers, consistent with applicable laws, collective bargaining agreements, and other pertinent agreements. Without question, the participation of private enterprise in the Nation's transit sector is essential to the health and success of the industry. And, we recognize today the emerging role played by taxi and small van operations in providing paratransit service, especially to meet the transit needs of our seniors, rural residents, and those on Medicare. America's transportation needs cannot be met by one mode alone, and they certainly cannot be met by only one sector of such mode. In fact, ATU represents thousands of transit workers in the United States throughout the public and private sectors.

For purposes of our discussion, it is important to define the term "privatization." In the area of public transportation, the term has been used to refer to various projects, including those that provide for "competitive bidding," "tendering," or "subcontracting" of existing, new, or restructured transit service. The role of the private sector in these situations may involve entire operations or portions thereof. Similarly, the discussion of privatization can raise different issues depending on whether such plans involve fixed-route bus service, ADA paratransit or other specialized service, or light and heavy rail service. The most controversial aspect of these options of course involves the contracting-out of sections of route segments or portions of existing systems, and denying those operations the opportunity to address new or emerging transit needs.

With respect to transit labor, two common elements are threaded through all the variations discussed above. First, we always strive to protect the jobs of our members. Second, we seek to ensure that any potential cost savings are properly measured and weighed against potential adverse effects on safety and service.

It has been our experience that *mandated* privatization of public transit through competitive bidding serves to reduce the standard of living for workers and diminish the transportation service provided to communities. Moreover, as discussed below, transit privatization is based on questionable and at times false assumptions regarding competition, cost, and the mechanisms used to calculate these and other matters.

A Brief History

Between 1964 and 1984, UMTA (FTA) provided no separate guidance relating to the participation of private enterprise in public transportation. FTA first issued guidance on this issue in a 1984 policy statement, "Private Enterprise Participation in the (Federal Transit) Program," which set forth the factors FTA would consider in determining whether a recipient's planning process appropriately considered the participation of private enterprise. These factors included consultation with private providers in the local planning process, consideration of private enterprise in the development of the mass transit program, the existence of records documenting the participatory nature of the local planning process, and the rationale used in determining whether or not to contract with private operators for transit services.

In 1986, FTA expanded its private enterprise guidance for recipients under the current 5307, 5309, 5310, and 5311 Programs in two separate circulars *which outlined certain elements and procedures relating to private enterprise participation that grantees were to use in their planning process.* These guidelines were relied upon by the FTA to intrude on the local decisionmaking process over the objections of metropolitan planning organizations (MPO's), transit agencies, and other community-based groups.

During the 1980's, ATU, along with expert transit industry economists, including the nationally known KPMG Peat Marwick accounting firm, and the Economic Policy Institute severely criticized FTA's requirements which obligated transit grant recipients to utilize the so-called "fully allocated cost" methodology when evaluating the cost differential between public agency costs and private sector bids for service competitively bid. The experts agreed that such decisions should be made by comparing the private company's bids against a public agency's "incremental" or "marginal" costs, without requiring public bids to include costs that would not disappear with the contracted service. The exaggerated results and misleading benefits generated by the fully allocated cost methodology was a principal reason cited by FTA in rescinding the privatization guidelines in 1994.

In carrying out the policies of the 1980's, FTA all too often interfered with the local decisionmaking process affecting private sector participation. The Agency used the transit grant program to override State/local laws and referenda, rulings of State regulatory bodies, and local collective bargaining agreements that covered important worker issues such as prevailing and living wage requirements, health care matters, contracting-out, and hiring rights.

For example, in 1989, FTA required Sonoma County Transit in Santa Rosa, California, to reconsider the locally determined decision to retain the unionized Golden Gate Bridge highway and transportation district for certain fixed-route transit services rather than contract with another nonunion private operator which had in fact submitted a higher bid for the service. FTA served as an appeals bureau forcing the recipients to alter a locally determined decision reached in its best interest. Similarly, in 1990, Community Transit in Lynnwood, Washington, was compelled to enter into an agreement with FTA guaranteeing that buses purchased pursuant to a Section 5309 grant would only be used by a private operator under contract to Community Transit. The issue arose after Community Transit sought to bring the service in-house and utilize the buses in question. FTA subsequently refused their request to bring the service in-house, relying on the initial agreement which FTA unnecessarily mandated in the first place requiring that buses purchased under the contract be used only by private operators in the area.

Moreover, in correspondence to members of the St. Louis, Missouri area Congressional delegation, FTA indicated that future transit grant funding was jeopardized because of a locally established ordinance requiring prevailing wage standards for private operators bidding to perform existing public transit services. Rhode Island had a similar State law and could have been adversely affected by the policy as well. Earlier, FTA delayed funding to Phoenix, Arizona, because the Federal Agency disapproved a locally negotiated preference in hiring provision concerning the transfer of service from one private operator to another. These are only selected examples.

In an effort to restrain the Agency and ensure the return to the Federal policy of neutrality on these issues, Congress in ISTEA included the language currently codified at 49 U.S.C. 5305(e), which states:

Sec. 5305. Transportation management areas

(e) Certification.—(1) At least once every 3 years, the Secretary shall ensure and certify that each metropolitan planning organization in each transportation management area is carrying out its responsibilities under applicable laws of the United States. The Secretary may make the certification only if the organization is complying with Section 134 of Title 23 and other applicable requirements of laws of the United States and the organization and chief executive officer have approved a transportation improvement program for the area.

(3) The Secretary may not withhold certification based on the policies and criteria a metropolitan planning organization or mass transportation grant recipient establishes under Section 5306(a) of this Title for deciding the feasibility of private enterprise participation.

This provision was designed to ensure control by State and local governments, their MPO's, and transit grant recipients in developing and implementing competitive bid standards and conditions utilized for considering private sector participation in public transit services. The measure was a response to serious concerns that FTA was interfering with locally established decisions affecting such matters.

As part of a compromise, ISTEA (and later TEA–21) retained the "private enterprise participation" requirements currently codified at 49 U.S.C. 5306, which state that metropolitan plans or transportation improvement programs must *encourage,* to the maximum extent feasible, the participation of private enterprise. This compromise has worked well for all parties involved. It has allowed for the continuation of private sector involvement in public transit services. In fact, during the past 12 years, the percentage of contracted transit service in the United States (approximately 25 percent) has remained at pre-ISTEA levels. Yet, since 1991, the question of whether or not to utilize the private sector in the provision of such transit services has appropriately been a *local* decision. The Federal Government has remained *neutral* on the issue of which type of transportation provider is suitable for local communities.

The above-mentioned provision also led to FTA's 1994 Notice of Recission of Private Enterprise Participation Guidance, which was praised by the majority of transit systems that prepared comments in response to the Agency's proposed recission.

Yet, despite the success of Federal neutrality with regard to privatization under ISTEA and TEA–21, SAFETEA proposes to repeal Section 5305(e)(3). It would once again permit DOT to withhold Federal funds based on the policies and criteria established by MPO's in determining the feasibility of private enterprise participation in accordance with Section 5306, thereby *mandating* private enterprise participation in statewide and metropolitan planning.

ATU believes that it would be a giant step backward to end the long-standing Federal policy of neutrality with regard to local decisionmaking and transit grant recipients' choice of public or private transit providers, and the policies employed for their implementation.

False Promises

As noted in a report by expert economist Elliott D. Sclar, Professor of Urban Planning at Columbia University,[1] privatization establishes the wrong priority for urban transportation systems. The primary goal of urban transportation policy should be to improve the speed, safety, and convenience of metropolitan travel. The primary goal of privatization is to reduce the tax money that publicly operated systems receive to transport transit-dependent people, regardless of the effect on congestion, pollution, and the economic efficiency of the city. Thus, privatization is a significant break with past bipartisan Federal policy that viewed urban public transportation expenditures as investments in the Nation's productive capacity.

Moreover, privatization confuses the efficiency and effectiveness of transportation *systems* with lowering cost on individual routes. In fact, the measure of the success or failure of urban transportation lies in its ability to move travelers between *any* two points in a metropolitan area, not just between two points on a given route. One result is that privatization advocates typically omit from their competitive cost analysis the necessary cost of increased supervision and coordination which a privatized, route-focused approach requires.

The FTA's policies of the 1980's failed because they sought to impose privatization requirements on local government in an intrusive manner with the required use of the discredited "fully allocated cost" methodology. This accounting system grossly exaggerates potential savings which have yet to be realized. Moreover, the under-

[1] *The Emperor's New Clothes: Transit Privatization and Public Policy,* Elliot D. Sclar, K.H. Schaeffer, and Robert Brandwein, for the Economic Policy Institute.

lying premise of transit privatization schemes—that private companies can reduce the cost of service delivery and provide a chance for locally owned transportation companies to find business—has been proven unfounded in an industry in which little competition exists.

The hope for savings from privatization rests upon an inaccurate conception of how public contracting operates in practice. It is important to avoid simplistic textbook theories of competitive markets which do not take into account the real-world market strategies of public contracting in which establishing monopolies, influencing public officials, and obtaining hidden subsidies are commonly used to enrich private investors at public expense.

The Denver Experience

Nowhere in America has transit privatization failed to deliver on lofty promises more than in Denver, Colorado, where in 1988—in response to pressure from the FTA—the State Legislature passed a bill mandating that 20 percent of the bus routes operated by the Regional Transportation District (RTD) be put out for competitive bid. In 1987 and 1988 when the privatization effort was making its way through the Legislature, the 40 percent figure was continually bandied about in relation to cost savings to convince lawmakers to vote for passage of the privatization bill.

However, when the State auditor reviewed the cost issue in 1995, the findings were startling. There was virtually no difference between public and private operating costs. The differences ranged from a high of 4 percent down to a low of seven-tenths of 1 percent, depending upon route packages. In fact, between 1989–1995, the costs of contracted service rose at a rate approximately double that of the rest of the system,[2] costing the city $9 million more than it would have paid if the RTD had continued operating the service.

Since the mid-1990's, the situation in Denver has deteriorated even further. In 2000, lawmakers increased the required level of private sector participation to 35 percent. Yet, in 2002, for the third time in as many years, the RTD was forced to replace its major private contractor, as Oak Brook, Illinois-based ATC/Vancom pleaded to be released from a 5 year, $80 million deal to avoid financial penalties after having trouble meeting the terms of the contract.[3]

ATC was hired in 2000 to run two-thirds of RTD's privatized routes. It replaced Knoxville, Tennessee's TCT Transit Service, which had been fired the previous fall after only 3 months on the job. TCT had left passengers stranded and failed to meet RTD's service requirements, disrupting bus service and forcing ATU drivers employed directly by RTD to pick up the slack by working overtime. In fact, TCT missed so many runs that RTD forced ATU members to cancel their days off. Many ATU members worked for 6 or 7 weeks straight without a day off.

Since 1989, no Colorado companies have bid on any of RTD's routes, and finding companies that are both willing and able to carry the load has been an insurmountable challenge for RTD.

Private Sector Opportunities Exist; Impediments Do Not

TEA–21 and FTA current practice already empower local communities to carry out Section 5306 of Title 49, which, as indicated above, states that metropolitan plans or transportation improvement programs must encourage, to the maximum extent feasible, the participation of private enterprise:

- Local officials have the authority to determine if, when, and how routes are evaluated;
- Local officials have the authority to determine what factors they use in determining whether to use private or public transit providers. Federal policy permits locals to determine the extent to which costs are considered and whether they want to use the fully allocated cost methodology or another cost approach;
- Local officials, in determining overall local process, may determine if a dispute process is appropriate, and, if so, what that process will be;
- Local officials, at their option, may take into consideration local situations that may affect decisions on transit providers;
- FTA reviews the local process as part of Triennial Review and verifies that the local process is being observed;
- FTA certifies the local planning process, which must follow Section 5306.

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[2] *Paying More, Getting Less. The Denver Experience with Bus Privatization, 1990–1995,* by Elliott Sclar, Ph.D.

[3] *Bus Stopped: The Wheels on the Bus Go Round and Round as RTD Struggles to find a Competent Contractor,* by Jonathan Shikes. Denver Westword, January 31, 2002. (See Attachment A).

In addition, under SAFETEA, for the first time, private operators would be eligible as "sub-recipients" of Federal formula funds under Sections 5307, 5311, Job Access and Reverse Commute Program, and the proposed New Freedom Program. As direct sub-recipients, they would be permitted to do more than simply compete for contracts with a public transit provider; they would be eligible to receive grants for the provision of public transportation services that they *define* and *deliver*.

Section 13(c) Employee Protective Arrangements Not a Factor in Decisions to Contract-Out

Historically, one of the major issues raised by Section 13(c) critics has been that it impairs the ability of transit agencies to contract-out for transit services. However, transit officials in a recent GAO report[4] indicated that Section 13(c) does not directly limit an agency's actual ability to contract-out, a claim supported by another recent report, Contracting for Bus and Demand-Responsive Transit Services: A Survey of U.S. Practice and Experience, published in 2001 by the Transportation Research Board (TRB), and sponsored by the FTA, as directed by TEA–21. *These reports dispel the myths about 13(c) and clearly substantiate the ATU's long-standing position that the provision does not unduly restrict the ability of transit providers to contract-out.*

The TRB report correctly notes that, in fact, hundreds of U.S. transit systems, of all sizes and types, now contract for some transit services, and approximately one-third of the agencies contract-out more than 25 percent of their service. *Most significantly, the report indicates, neither the general managers that currently contract-out nor those that do not, identified Section 13(c) as influencing their decision.*

In fact, when asked why they do not contract-out transit services, 70 of 87 transit systems surveyed said that Section 13(c) played "No Factor" in the decision. Rather, the reasons most cited by transit systems for not contracting included:

- "Maintain control;"
- "Not cost-effective;"
- "No reason to change;"
- "Lack of qualified firms."[5]

Service Suffers

The TRB report also dispelled the myth that private firms will respond to competitive market pressures and provide much better service at a lower cost. For those agencies that do contract-out their work, the report found that privatizing transit services results in fewer, rather than more bidders. Cost savings, moreover, were far slimmer than projected—0–5 percent rather than 10–15 percent—and they decreased over time. *Also, nearly 40 percent of those transit properties that do contract-out their services reported that service quality and customer service are negatively impacted by privatizing services.* Safety, maintenance concerns, and high employee turnover all contributed to this negative impact on service quality when services are privatized, the report notes.

Recommendations

Rather than resorting to the failed policies of the 1980's, Amalgamated Transit Union recommends the Subcommittee consider adding language to the planning provisions in connection with the *diversification of MPO boards,* requiring MPO's to appoint transit workforce representatives, *private operators,* minority groups, transit riders, bicycle and pedestrian advocates, businesses, and others with a direct stake in the provision of public transportation services to sit on such panels, with the right to vote. We also support requiring the governors to appoint these representatives for statewide planning.

Under current law, private providers of transportation, along with other interested parties, are given a "reasonable opportunity to comment" on transportation plans, but like transit workforce representatives, they are not afforded a seat on the board, and they certainly have no voting rights. These constituency groups would, as intended in the original process, bring a real world and informed perspective to the MPO boards, with a genuine ability to be heard and effect the decisionmaking process.

In a major policy reversal from the Federal role of neutrality embodied in ISTEA and TEA–21, SAFETEA would allow private operators to essentially *write their own ticket.* In fact, by repealing Section 5305(e)(3), injecting private operators into the

[4] *Transit Labor Arrangements: Most Transit Agencies Report Impacts Are Minimal,* GAO–02–78, November, 2001.

[5] *Contracting for Bus and Demand-Responsive Transit Services: A Survey of U.S. Practice and Experience,* TRB, 2001, Question 19, Table D–17.

goals and objectives developed through the statewide and metropolitan planning process, and making them eligible to directly receive grants as sub-recipients, FTA is proposing that private operators be able to operate the very service they plan!

This combination of factors would discriminate against all other transit constituency groups by affording only private providers a formal role in the planning process for specialized transportation services to the exclusion of all other interest groups, including environmentalists, seniors, transit workforce representatives, and others. ATU strongly urges the Subcommittee to oppose these changes, and we recommend that it encourage labor-management partnerships to address these complicated privatization issues. We have empowered our locals to meet with their managers and professionally review the real cost issues, productivity measures, and service requirements to achieve meaningful savings when necessary.

Of course, private sector involvement in transit remains a viable option in many instances. However, such decisions should be made on a case-by-case basis after a thorough analysis of the relative costs and benefits involved. *The bottom line is that Federally controlled privatization, initiated in Washington, DC, and forced on local and State governments, is not in the best interests of either the Nation's commuters or its taxpayers.*

Thank you for the opportunity to testify today. I would be pleased to answer any questions at this time.

Attachment A

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Denver Westword (Colorado)

January 31, 2002 Thursday

SECTION: News/News

LENGTH: 789 words

HEADLINE: Bus Stopped:

The wheels on the bus go round and round as RTD struggles to find a competent contractor.

BYLINE: By Jonathan Shikes

BODY: For the third time in as many years, the Regional Transportation District will have to replace its major private contractor, as Oak Brook, Illinois-based ATC/Vancom has begged out of a 5-year, $80.1 million deal.

The company, which is a division of British conglomerate National Express Corporation, did not give a reason for its decision to abruptly leave Denver, but RTD spokesman Scott Reed says he believes ATC wants to consolidate its operations in light of the economic recession that has enveloped the United States in the last year.

"They want to pull out, and we are happy to see them do it," adds RTD board member Dick McLean. "I think they were having trouble meeting the terms of the contract, and if they cannot do the job, they take a financial penalty. My guess is that they do not want to incur that, and that they'd rather get out now."

A woman who answered the phone at ATC's Denver office said acting manager Rick Murray would have no comment on why ATC was leaving the city. No one from the company's Illinois administrative offices, including CEO Jim Long, returned phone calls from Westword.

ATC was hired in August 2000 to run two-thirds of RTD's privatized routes. It replaced Knoxville, Tennessee's TCT Transit Service, which had been fired the previous fall after only 3 months on the job. TCT had left passengers stranded and failed to meet RTD's service requirements, forcing unionized drivers employed by the district to pick up the slack by working overtime. TCT said it hadn't been able to hire enough drivers because of the tight labor market. When ATC took over, company officials promised they wouldn't have the same problem.

But only a year later, the company asked to be relieved of half of its routes, Reed says, which were bid out to another transportation conglomerate, First Transit Inc. of Cincinnati. In December, ATC asked to be released from the rest of its contract, and RTD is currently negotiating with the company on how to accomplish that as soon as possible without disrupting bus service again. It has also asked First Transit to step in and take over the remainder of ATC's routes.

"We have had numerous service problems with ATC," Reed explains, "so this is probably the best solution and will hopefully provide better service to the riding public." He adds that the financial arrangements with both companies won't be revealed until the discussions are completed sometime in February.

In 1989, the Colorado Legislature passed a law requiring RTD to privatize 20 percent of its routes. Two years ago, lawmakers upped that number to 35 percent. The theory was that private companies would reduce the cost of providing bus service and provide a chance for locally owned transportation companies to find business.

But no Colorado companies have bid on any of RTD's routes, and finding companies that are both willing and able to carry the load has been a nightmare for the district. Laidlaw Inc., which is based in Canada, had the job before TCT; it now provides service to about one-third of RTD's privatized routes.

"The whole thing has been a sham since the start," says Bill Jones, a lobbyist for the Amalgamated Transit Union, Local 1001, which represents bus drivers employed directly by RTD. "Privatization might sound good for the taxpayer except for the crappy service we have gotten. We have always said that the privatized buses should be painted bright yellow, because we want people to know the difference between them and us."

While union drivers were able to bail RTD out of the situation with TCT, Jones says the district will be out of luck next time. "The first part is that at the time, we were under 20 percent privatization. The problem now is that with 35 percent contracted, RTD drivers cannot possibly step in and take over—we do not have the manpower. The second part is, we, the union, are not going to lift one finger to help. Last time, with TCT, they missed so many runs that they forced our members to cancel their vacations and they would not allow anyone to take days off. We literally

had people here who worked for 6 or 7 weeks straight without a day off. It was just horrible."

Whether First Transit will be any better than the previous companies is anyone's guess, however. "It is to the point where board members do not want to have the private contractors supply the routes in their districts because they get all the complaints," says RTD board chairwoman Mary Blue. Blue, who could not remember the name of the new company, doesn't know if RTD has looked into the finances of First Transit any more carefully than it did those of ATC or TCT. "I think our staff does research to the extent that it is possible."

PREPARED STATEMENT OF PETER J. PANTUSO

PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMERICAN BUS ASSOCIATION

JULY 23, 2003

Introduction

Good afternoon, Mr. Chairman and Members of the Committee. My name is Peter J. Pantuso, and I serve as President and Chief Executive Officer of the American Bus Association. The ABA is the trade organization of the private over-the-road bus industry, and composed of 3,400 organizations, approximately 800 of which are bus operators. ABA members engage in all manners of transportation services across the Nation. ABA members provide commuter service, intercity service, travel, tour, and charter service, and shuttle service to and from our Nation's airports.

The private bus operators provide scheduled service to 5,000 communities and to 774 million passengers each year. This is more service to more locations and more people than the airlines and Amtrak combined deliver. In fact, we transport more people in 2 weeks than Amtrak does in 1 year. In many areas throughout the country, motorcoach or intercity bus travel is the only form of public transportation available to citizens, particularly in rural areas.

For example, a half dozen charter bus operators in Colorado provide service to 20 States west of the Mississippi. A similar number of operators based in Rhode Island provide service to all the States east of that river. Academy Bus Lines provide commuter service throughout New York, New Jersey, and Connecticut. Finally, New Hampshire's Concord Trailways Bus Company and its affiliate, Dartmouth Coach, one of the larger independent motorcoach carriers in New England, provide daily intercity service to Boston and Logan Airport from 34 cities and towns in Maine and New Hampshire. Thirty-one of these cities have no other form of intercity public transportation.

ABA members provide these many motorcoach services with less Federal subsidy, by far, than any other mode of transportation. At the end of my testimony is a copy of a report by Nathan Associates, Inc., which details the Federal subsidies to passenger modes between 1960 and 2001. This report is dramatic evidence of the lack of subsidy given to intercity bus transportation. We buy our own equipment, maintain our own terminals, train our own employees, and still manage to maintain our position as the safest mode of transportation.

On behalf of the 3,400 members of the ABA, I want to thank you very much for this opportunity to appear before the Committee to address the issue of enhancing private participation in providing public transportation. As you might expect, the ABA and its members have very specific ideas about how private participation can be enhanced.

Intercity Motorcoach Security Funding

Before turning to our recommendations that fall within the Committee's jurisdiction, I want to raise the subject of intercity bus security. Support for intercity bus security is a critical step in strengthening the private sector's ability to provide public transportation. Intercity bus companies need that support in order to continue to provide their services, particularly in rural areas.

Fortunately, Congress has spoken on this issue, and in the last 2 years has appropriated $25 million for intercity bus security. The problem is that the Transportation Security Administration (TSA) has refused to spend this money. Instead, TSA has tried to get Congressional approval to reprogram these funds to aviation security. Congress has thus far refused TSA, but the Agency will still not release these funds.

You will note our industry's frustration in light of the TSA's spending billions on aviation security but refusal to spend the relatively small amount Congress has ap-

propriated specifically for intercity bus security. Our members want to take proactive measures that further protect the traveling public, such as increasing passenger screening, installing driver shields, putting disabling switches on buses, and improving emergency communications, but we need some help. We do not have the capital both to acquire and maintain buses, garages, and terminals and to fund these security programs. We welcome any help this Committee can give in encouraging TSA to release the intercity bus security funds.

That said, let me turn to ABA's recommendations for enhancing private participation in providing transportation. Perhaps surprisingly to those who are unfamiliar with the private bus industry, our ideas do not come with pleas for "set-asides," a radical restructuring of the Federal Transit Administration (FTA), significant changes in the Federal Transit Act, or even a huge "price tag." Rather, what the ABA advocates is several steps this Committee could take to help the private bus operators continue to provide service to the American traveling public at little or reduced cost to the taxpayers.

ADA Funding

First, ABA believes that additional funds are needed in one area. That area is the provision in TEA–21 that sets up a competitive grant program to place wheelchair lifts on motorcoaches. The program, administered by the FTA, uses criteria such as the applicant's service area, fleet size, and population served, to put these funds where they will do the most good. But the program is underfunded. For this, the last year of TEA–21, the fund provides $7.1 million for wheelchair lifts. Since the Transportation Research Board (TRB) estimates the cost of equipping a motorcoach with a wheelchair lift is approximately $35,000, and the $7 million provides roughly enough money to equip 200 buses with wheelchair lifts. However, the Americans with Disabilities Act (ADA) requires that by 2012 all of the Nation's private motorcoaches in fixed-route service be wheelchair lift equipped and all other motorcoach operators must provide a lift-equipped vehicle on 48 hours notice. The need for additional funds for this program is obvious.

Moreover, the private motorcoach industry cannot afford to meet this Federal mandate without Federal help. The average ABA member has fewer than 10 motorcoaches and I know of no ABA member who could find the $350,000 in their budgets to equip all of its coaches with wheelchair lifts. Failure to meet the ADA mandate will require ABA members to go out of business to the detriment of the traveling public as well as to the detriment of the small business community, as a majority of motorcoach companies in the Nation are small businesses. It must be said that only the private operators face this dismal prospect. The publicly funded transit agencies can get up to 90 percent of their costs (equipment, facilities, etc.) paid for by the Federal Government. ABA members, as I stated earlier, pay for their own equipment, training their own personnel, build their own facilities. A fully funded wheelchair lift accessibility fund is critical to the health of the industry and the provision of transportation in this country.

Appended to my testimony is a recent letter from Congressman Jim Langevin to Chairman Young and Ranking Member Oberstar of the House Transportation and Infrastructure Committee. The letter speaks more eloquently than I about the need for more funds for wheelchair lifts. Congressman Langevin writes, "Our Nation's bus owners and operators wish to comply with the requirements of the ADA to guarantee access to people with disabilities, and the Federal Government must be an active partner in reaching this goal through appropriate funding of the Wheelchair Lift Accessibility Fund."

Intermodal Facilities Funding

Another way to enhance private participation in providing public transportation is to provide a dedicated source of Federal funding to create a network of intermodal passenger facilities that will provide seamless intercity and local public transportation. The Nation's surface public transportation system comprises four different modes—motorcoaches, intercity rail, urban mass transit, and rural local transit. To be truly effective alternatives to the private automobile, these modes must be linked to each other and to airports at intermodal transfer facilities that provide seamless transportation for the traveling public. Today, there are perhaps 150 true intermodal passenger terminals in the country, although few bring together all modes.

Yet, there is a critical need for connections between local transit and intercity services, and between rural transit and intercity bus services, with through connections to intercity rail and air services not available locally. Moreover, buses picking up charter or tour groups arriving by airplane or rail need parking facilities at those terminals. And people in suburban areas need park and ride facilities for convenient access to public transportation.

It is true that under TEA–21, intermodal facilities are eligible for funding under a variety of programs including Surface Transportation Program (STP), Congestion Mitigation and Air Quality Program (CMAQ), and the transit discretionary programs. However, very few intermodal facilities have been funded under these programs. In our view there are three reasons for this lack of intermodal facilities.

One, there is no dedicated funding stream for intermodal facilities. Two, spending decisions at the State and local level are not dependant on how a project relates to and enhances other transportation modes. Three, these facilities do not enjoy a mode-specific constituency like highway or transit improvements. Given these three factors it is no surprise that intermodal facilities rarely become a high enough planning priority to receive funding.

However, the need is there and for the reauthorization of TEA–21 a solution is at hand. The Administration's reauthorization bill, SAFETEA, contains a provision (Section 6002) to establish a Federal fund dedicated exclusively to the development of intermodal passenger transfer facilities and integrated public transportation information systems. Funding would be used as seed money for a variety of intermodal projects distributed throughout the country and would be awarded on a competitive basis. Eligible projects are those that connect intercity bus service and any other mode of public transportation through intermodal facilities and integrated information systems.

SAFETEA has $85 million for this new intermodal transportation facilities fund. House bill H.R. 1394, The Intermodal Transportation Act, contains the same provision and funds it at $100 million. ABA certainly supports this provision but not only for the facilities themselves. In addition to the prospect of new and needed facilities, experience has shown that such facilities aid the economic development of the entire area. Meridian, Mississippi, Minneapolis, Minnesota, and Everett, Washington have each recently built such a facility, and one of the benefits of the transfer facility at each location has been the development of shops, stores, and services. In the case of Everett, a community college has also located in the area near the facility. These types of intermodal facilities are needed across the country to connect the rural, urban and suburban populations. ABA asks that the Banking Committee include this proposal in its TEA–21 reauthorization bill.

The lack of intermodal transportation facilities brings another issue and problem for the bus industry into sharp focus. Intercity buses are rarely included in the State or local planning process required for Federal funding, and as a result, intercity buses and those that rely on them rarely receive the Federal support that is needed. Most intercity bus service is provided by the private sector without subsidies. But with rising costs, much of that service, especially rural service, has disappeared, leaving many communities without intercity public transportation. Because of the lack of intermodal passenger facilities, intercity bus patrons are left without the means to make needed public transportation connections. These are issues that should be addressed by transportation planning. They frequently are not addressed.

Why this situation goes uncorrected is the product of several factors. First, bus projects are typically small in scope and therefore, are not on the "radar screen," especially when private bus operators and riders are often not involved in the planning process. Second, States can currently divert designated rural intercity bus funds to other causes by asserting that they face no "unmet intercity bus needs," without engaging in a planning process involving the private bus operators and riders. Third, FTA policy restricts the use of Section 5309 funds to use for only the "transit" and intercity rail portions of intermodal facilities, barring the use of those funds for the intercity bus portions of those facilities.

The result is that critical bus facilities and services do not get funded. The solution is to first authorize FTA to withhold funds from any metro planning organization or transit agency within its jurisdiction that omitted private operators in the planning and transportation improvement program. Second, the law should be clear that inclusion of private operators in the planning program is intended to preserve private services that already exist, as well as to involve the private sector in new services. Third, the law should clarify that Section 5309 intermodal funds may be used for the intercity bus portions of intermodal facilities, as well as the transit and intercity rail portions. And States should be required to use rural intercity bus program funding for its intended purpose and should include private bus operators in the planning process for that funding.

Rural Transportation

Another opportunity for this Committee to enhance private participation in transportation services is to increase the funding for the so-called 5311(f) program. Section 5311(f) provides funds for private operators to provide rural transportation. The

rural areas of the country are most in need of additional transportation services. Over the last 30 years, some 20,000 rural communities have lost bus service. First, in ISTEA and then in TEA–21, the 5311(f) program has been instrumental in reversing the decline in bus service to rural communities. In this regard, the ABA and its members congratulates the States of Pennsylvania and Colorado, which have been the leaders in the effective use of 5311(f) funds to restore rural bus service. Rural bus service not only provides essential passenger transportation, but also its incidental package express service is the only form of daily, scheduled freight service for many of these small towns. The program is funded at slightly more than $30 million. It has proved its effectiveness and its worth and should be reauthorized and funding to it should be increased.

The program's effectiveness can be measured. Greyhound Lines, Inc., an ABA member, reports that in 2002, it received $4.7 million in section 5311(f) operating funds. With these funds, Greyhound served 332 communities, which otherwise would not have service. That works out to approximately $14,000 per community. In addition, the aforementioned Nathan Study (pg. 9, fig. 9) represents the increase in the number of cities which have had bus service restored since the mid-1990's, not coincidentally the beginning of the 5211(f) program.

By comparison, the Essential Air Service program serves approximately 125 communities with roughly $125 million in annual subsidies, or approximately $1 million per community. Certainly, the EAS program is providing a valuable public service, but in these tight budget times, it will be very difficult to expand that program even though many communities are clamoring to be tied into the Nation's commercial aviation program.

We believe the answer to this problem is to supplement EAS with an essential bus service program, which would be patterned after the section 5311(f) program and funded at about the same level. Under this program, States would contract with intercity bus operators to provide surface transportation services from rural communities directly to commercial airports. H.R. 1394, the Intermodal Transportation Act, proposes such a program. We believe that this program could connect many times the number of communities served by EAS to the national aviation system.

Motorcoach Operations

Everyday motorcoaches bring people, as tourists, commuters, and shoppers into the Nation's cities. And everyday these motorcoaches are confronted with obstacles to their safe and efficient operations. Obstacles put in place by public officials who do not seem to consider the good that motorcoaches do. One area that is ripe for change and a change necessary to allow the private bus operators to participate fully in providing public transportation is to find adequate bus parking. In most cities across the country, motorcoach operators face limited options for parking vehicles used for charter, tour, and commuter services. Also, operators are penalized for idling their buses and must often circulate city streets while waiting for their groups. This wastes fuel and contributes to traffic congestion and engine emissions in urban centers.

Buses provide an important public benefit by providing an alternative to private cars. These bus services reduce the level of traffic congestion and the ills associated with it, including air pollution and reduced productivity. Also tour and charter services bring an economic boost to the local economy. By one study (a copy of which is appended to the end of my testimony), one bus of tourists staying overnight in a destination leaves as much as $11,000 in the local economy. Inadequate bus parking reduces these benefits to the local area and economy.

ABA also understands communities' efforts to curtail emissions; in fact, buses are a part of any equation to solve the problem. However, there is a problem where communities go too far and restrict bus operations in the false hope that to do so would restrict harmful emissions. Unreasonable idling rules and parking restrictions are just as harmful. Buses need at least 10 minutes idling time to provide sufficient braking power and air conditioning for the passengers' comforts.

There is a solution to this problem. It has been under discussion between the ABA and the American Public Transportation Association (APTA is the association that represents publicly funded transit agencies). The remedy is to allow the private bus operators to use the terminal facilities of public transit agencies. Transit agencies usually operate terminals with parking facilities and during their peak daytime hours of operation, most of the transit buses are on the streets, leaving the terminal facilities available for other uses.

The private motorcoach operators could use the transit agency's parking facilities to park off of city streets and in a safe and accessible facility thereby saving fuel and reducing traffic congestion and engine emissions. This would also ease the need for local governments to provide separate parking facilities for charter, tour, and

commuter motorcoaches. We have also suggested that Congress consider a demonstration program for some of the most frequently visited tourist destinations to develop solutions to the parking challenges facing urban areas.

Another obstacle is any prohibition against buses using HOV lanes when "deadheading" (that is, running empty) to its terminal after or before a run. A motorcoach can take as many as 50 cars off a highway. What better way to provide for the public than to facilitate on time, frequent service than to allow buses to access these lanes? For the same reasons, motorcoaches should be exempt from paying tolls while engaging in transportation operations.

Public Funds vs. Private Operators

Another area that requires attention is the tendency of some Federal, State, and community funded transportation services; transit services which want to compete with private operators who have limited funds. Simply stated, *Federal funds should not be used to compete with private bus operators where the private sector is willing and able to provide service.* Public funds would be better spent on necessary services leaving the provision of most transportation to the private sector. In addition to providing transit service, some public transit agencies are beginning to "link" up with each other to provide intercity bus service and even tour and sightseeing services.

No other transportation mode has to face this subsidized competition. The Nation does not have a national airline and Amtrak was formed only after it became abundantly clear that the privately owned U.S. railroads could not profitably transport passengers. The private motorcoach industry should likewise be free from competition by government entities.

A recent example of this problem is found within the District of Columbia where there is a plan to establish a bus "circulator" to take tourists around the Washington monuments and sights. The plan, as reported in *The Washington Post,* would cost $37 million the first year and would be in direct competition with the three private tour bus services currently operating within Washington. There is no reason for such a service, and it certainly cuts against the notion that the public sector should not be engaged in any service that is provided, safely, and at reasonable cost, by the private sector.

A related problem is that of publicly funded transit agencies which illegally provide charter services to the public in contravention of the Federal Transit Administration charter rules. The rules provide that private companies be given the first opportunity to provide charter service and that only if a "willing and able" private operator is not available, may a publicly funded transit agency, with its Federally funded equipment and cost advantage, operate the charter.

However, ABA has catalogued many instances where the charter rules are not followed. Either the public transit agency does not notify the FTA, ABA, or local operators of the charter opportunity or it uses its cost advantage to operate the charter below cost and below what the private operator can charge.

Finally, with budgets tight and transit agencies seeking riders some are exploring the idea of two agencies linking up at the edge of each agency's service area to provide intercity bus service, in direct competition to the network of private bus operators currently active.

ABA and APTA are in discussions to find ways to eliminate these charter violations. The two organizations have discussed several ideas. One idea of particular merit would entail realistic penalties for violations of the transit competition rules. Currently, if a transit agency is found to have violated the rules, FTA's only recourse is to deprive that agency of its Federal funding—the entire agency's Federal funding. As a practical matter, ABA believes that such a penalty will never be imposed. As an alternative, the two organizations are discussing the necessity of a graduated series of penalties, perhaps the profit or cost of providing the charter or a percentage of the agency's funding. To the ABA, this approach makes more sense and the penalties have a greater chance of being imposed.

A second ABA goal is the clarification of the definitions of "charter service," "sightseeing" and "regular and continuing service" in connection with shuttle service to prevent confusion as to which transportation provider can provide what service. Finally, in aid of preventing the public sector from doing what the private sector does best, ABA believes that the public transit agencies should not be allowed to operate scheduled bus service beyond the urban area where it provides regularly scheduled mass transportation services.

Finally, it goes without saying that the ABA opposes any attempt to weaken the current charter regulations. Our major disagreement with the Administration's SAFETEA bill is in the bill's Section 3020 which would allow the Secretary of Transportation to eliminate the FTA charter rules if a transit agency can say that it is providing service to the elderly or the disabled. That is service the private sec-

tor provides and provides well and represents at least 40 percent of our current customer base. It bears repeating that public funds should not be used when there is a vibrant private sector willing and able to do the job.

Conclusion

Mr. Chairman, Members of the Committee, the ABA and its members have really one goal. That is to ensure that the private bus companies are allowed the opportunity to compete for business on a level playing field, allowing us to do what we do best: Provide the greatest number of Americans with the widest array of transportation services at the lowest cost with the least amount of Government subsidy.

Please note that all of the suggestions I outline in my testimony carry a relatively small "price tag," require no intrusion on other modes of transportation and serve only to strengthen the Nation's transportation system. The needs of the private bus industry are small, but the payoff to the traveling public is great. The ABA and its 3,400 members and the 774 million people it serves each year hope that you will agree with these suggestions and use them to enhance private participation in providing transportation to the Nation. Thank you for your consideration and I will be happy to answer any questions from the Members of the Committee.

JAMES R. LANGEVIN
2ND DISTRICT, RHODE ISLAND

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July 11, 2003

The Honorable Don Young
Chairman
House Committee on Transportation and Infrastructure
B-370A Rayburn House Office Building
Washington, DC 20515

The Honorable James L. Oberstar
Ranking Member
House Committee on Transportation and Infrastructure
B-375 Rayburn House Office Building
Washington, DC 20515

Dear Congressmen Young and Oberstar:

As you prepare to reauthorize TEA-21, I ask that you increase authorization levels for the Wheelchair Lift Accessibility Fund. The Administration's reauthorization vehicle, SAFETEA, reauthorizes this program but does not increase funding amounts.

The Wheelchair Lift Accessibility program is a competitive grant program overseen by the Federal Transit Administration (FTA). Publicly funded transit agencies have their wheelchair lifts paid for with up to 90% federal funding. Private bus companies apply for limited funds for the express purpose of equipping their vehicles with wheelchair lifts. Each year since enactment of TEA-21, the program has been oversubscribed, with many more operators requesting funds than were available.

Under the Americans with Disabilities Act (ADA), all motorcoach companies must provide lift-equipped coaches for a passenger on 48 hours notice. For scheduled service providers, every motorcoach must be equipped with a wheelchair lift by 2012, and "demand responsive" providers (e.g. charter and tour operators) must have enough lift-equipped coaches to meet demand. The cost for compliance is high. Wheelchair lifts cost $40,000 each, and according to the Transportation Research Board (TRB), the estimated cost of equipping, maintaining and training the over-the-road industry in wheelchair lifts is $40 million a year. Obviously, the $7 million available under TEA-21 is insufficient to do the job. The American Bus Association, the trade association of the over-the-road bus industry, estimates that all of the funds available for wheelchair lifts in TEA-21 have led to 500 wheelchair lift-equipped buses in a universe of 40,000.

The motorcoach industry consists mostly of small business carriers that lack company funds to add wheelchair lifts to buses. According to the ABA, the average bus operator has fewer than ten motorcoaches. Our nation's bus owners and operators wish to comply with the requirements of the ADA to guarantee access to people with disabilities, and the federal government must be an active partner in reaching this goal through appropriate funding for the Wheelchair Lift Accessibility Fund.

Thank you for your consideration of this request.

Sincerely,

Jim Langevin

James R. Langevin
Member of Congress

PRINTED ON RECYCLED PAPER

FINAL REPORT

Net Federal Subsidies to Passenger Transportation Systems and Modes, 1960-2001

NATHAN
ASSOCIATES INC.
www.nathaninc.com

SUBMITTED BY
Nathan Associates Inc.

April 2003

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Background

This report updates a 1989 Nathan Associates study of total net federal subsidies[1] to all primary modes of passenger transportation, including specific modes of intercity transportation (Amtrak, commercial airlines, general aviation, automobiles, and buses), as well as all modes of mass transit.[2] Subsidy estimates are presented for 1960 through 2001, the most recent year for which all data are available. Although incomplete, available data for 2002 and 2003 are also presented and discussed.

An update is particularly important now, as Congress proceeds with reauthorization of the Transportation Equity Act for the Twenty-first Century (TEA-21), the Aviation Investment and Reform Act for the Twenty-first Century (AIR-21), and Amtrak. These transportation reauthorization bills will determine the extent to which Congress is willing to support intercity passenger transportation. In particular, TEA-21 reauthorization will determine Congressional support for intercity bus service, a mode that serves low income families and rural residents to a far greater extent than commercial airlines and Amtrak.[3] Yet the only economic assistance intercity buses received from 1960 through 1991 was partial exemption from the federal fuel tax.[4]

The primary conclusion of the earlier 1989 Nathan study was that intercity bus service is disadvantaged by inequities in the distribution of federal subsidies. Between 1960 and 1988, the total net federal subsidy to all modes (intercity and mass transit) was $254.5 billion.[5] Intercity buses received $794 million—just 0.3 percent of the total. In contrast, the total net subsidy to commercial airlines was $57.7 billion (22.7 percent of total); the total net subsidy to Amtrak, which spanned 1971 through 1988 or only 18 years of the 29 year period, was $24.7 billion—more than 30 times greater than the intercity bus subsidy. On a per passenger mile basis, Amtrak received 32¢; buses received 0.1¢. On a per passenger trip basis, commercial airlines received $9.52; buses received $0.07.

The inequitable distribution of subsidies had a damaging effect on intercity bus service, particularly in rural areas. Between 1960 and 1988, the number of communities served by the intercity bus fell from 23,500 to only 10,000.

This updated study takes into account developments in Congressional support for all primary modes of passenger transportation since 1988. During that period, several modest steps have been

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[1] Here, as well as in the 1989 study, net federal subsidy was estimated as the difference between federal outlays for transportation and revenues collected from users. Mode specific estimates are based on the cost responsibility and revenue contribution of users of each mode.

[2] See *Federal Subsidies for Passenger Transportation, 1960-1988: Winners, Losers, and Implications for the Future*, Robert R. Nathan Associates, Inc., Washington, DC, May 1989.

[3] See Figures 8, 9, and 10 in the 1989 Nathan report.

[4] Currently, intercity bus operators pay 7.3 cents of the 24.3 cent federal diesel fuel tax.

[5] See Table A-1 in the appendix to this report. Estimate is in 2001 dollars.

taken to support intercity bus service. In the Intermodal Surface Transportation Efficiency Act (ISTEA), enacted in 1991, Congress created the Rural Intercity Bus Program, which provides funding to states to support and enhance rural intercity bus service. In 2001, $14.9 million was obligated from that program for intercity bus services. In TEA-21, Congress adopted the Rural Over-the-Road Bus Accessibility Program to help intercity bus (otherwise known as over-the-road bus) operators comply with the new federal mandate to equip all of their new fixed route buses (and some of their charter buses) with wheelchair lifts. In 2001, $4.7 million was appropriated for the program.[6]

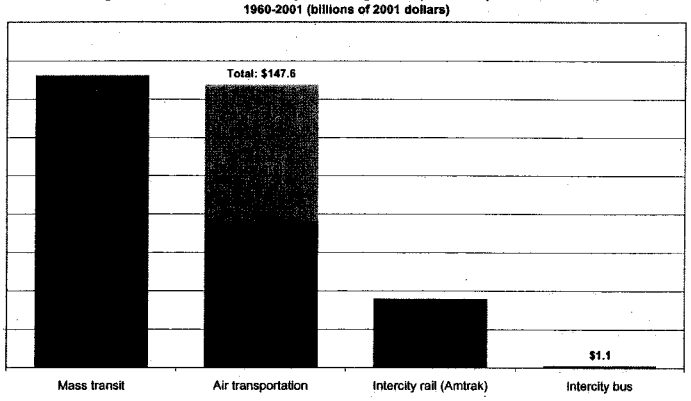
Despite additional federal support, intercity bus service remains disadvantaged by inequities in the distribution of federal subsidies. Between 1989 and 2001, the bus's share of total net federal subsidies was unchanged from the 0.3 percent share it received from 1960 through 1988. Federal support for intercity bus transportation service continues to lag far behind support for the other modes of intercity transport and mass transit.

[6] The over-the-road bus operators' annual cost of complying with this federal mandate is between $38 million and $40 million. See *Cost of Meeting Accessibility Requirements for Over-the-Road Buses*, prepared for Transit Cooperative Research Program, Transportation Research Board, April 2000, pp. ES-6 and 4-10.

Subsidy Comparisons, 1960-2001

Over the expanded 41 year period, we find that large disparities remain in the amount of net federal subsidy received by the major systems and modes of passenger transportation (see Figure 1). Between 1960 and 2001, mass transit received the largest share—$152.6 billion or 45 percent—of the total net federal subsidy. Commercial airlines received 23 percent of the total. Amtrak received 11 percent. The intercity bus, as noted earlier, received just 0.3 percent of the total.

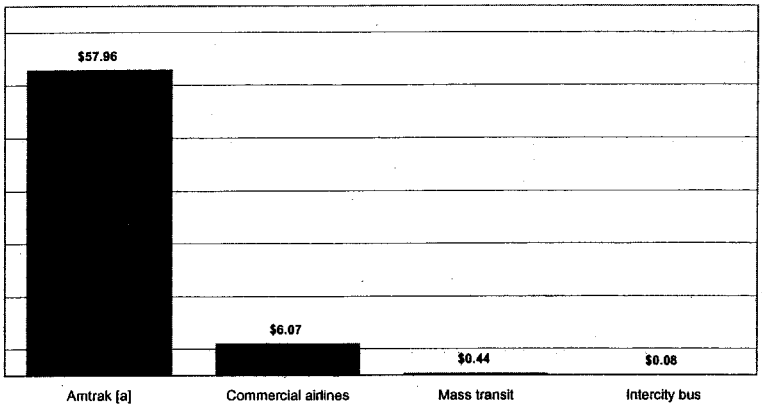
Figure 1. Total Net Federal Subsidy to Passenger Transportation Systems and Modes, 1960-2001 (billions of 2001 dollars)



Source: Nathan Associates Inc.

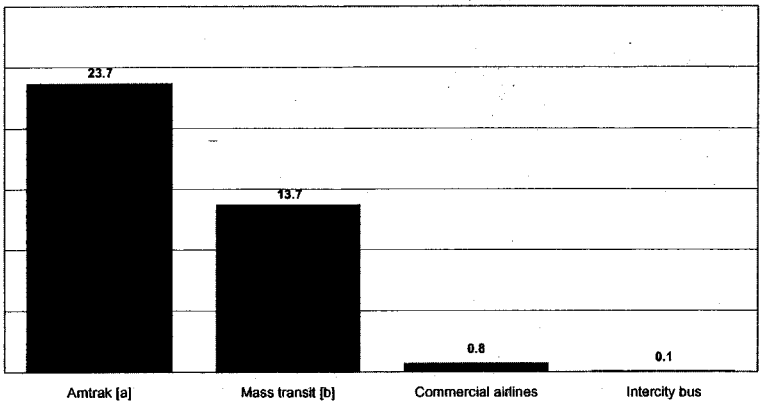
On a per passenger trip or per passenger mile basis, these subsidy disparities are even greater (see Figures 2 and 3). Amtrak received a total net federal subsidy of $57.96 per passenger trip; commercial airlines received $6.07 per passenger trip. In contrast, the intercity bus received $0.08 per passenger trip. Amtrak received 23.7¢ per passenger mile; the intercity bus received 0.1¢ per passenger mile. Regardless of the measurement basis, the intercity bus received significantly less than any other mode.

Figure 2. Total Net Federal Subsidy Per Passenger Trip by Mode, 1960-2001 (2001 dollars)



[a] For 1971-2001.
Source: Nathan Associates Inc.

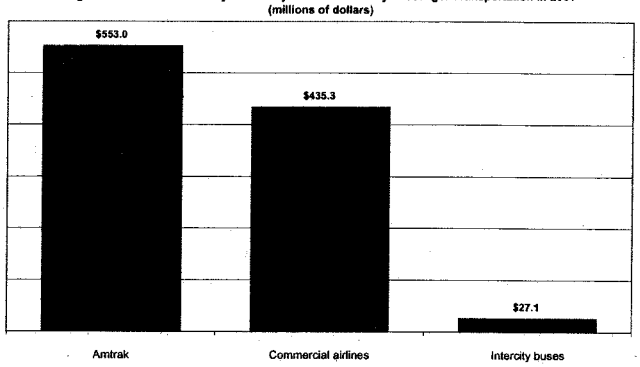
Figure 3. Total Net Federal Subsidy Per Passenger Mile by Mode, 1960-2001 (2001 cents)



[a] For 1971-2001.
[b] For 1978-2000.
Source: Nathan Associates Inc.

A closer look at 2001, the most recent year for which all data are available, reveals the subsidy inequity that exists today among the primary commercial modes of intercity passenger transportation (see Figure 4). In 2001, Amtrak received 20 times more net federal subsidy than intercity buses; commercial airlines received 16 times more than intercity buses.

Figure 4. Net Federal Subsidy to Primary Modes of Intercity Passenger Transportation in 2001
(millions of dollars)



Source: Nathan Associates Inc.

Although statistics for 2002 and 2003 have not been included in this study, it is important to note recent dramatic changes that will leave intercity bus service even more disadvantaged. On September 22, 2001, Congress authorized $15 billion of economic assistance to compensate commercial airlines for the events of September 11, 2001.[7] In 2002, the airlines received a net subsidy of $58 million for additional security measures.[8] In 2003, commercial airlines will receive a net subsidy of at least $2.1 billion for security measures.[9] Amtrak subsidies doubled to approximately $1.1 billion in 2002, and will be roughly the same in 2003. Meanwhile, financial assistance to intercity buses remained relatively unchanged since 2001. Unlike the airlines, intercity buses have received no federal support for increased security costs since September 11, 2001.[10]

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[7] See *Air Transportation Safety and System Stabilization Act*, P.L. 107-42.

[8] The Transportation Security Administration (TSA) had outlays of $1.186 billion and collections of $1.128 billion in 2002. The net subsidy (difference between outlays and collections), which benefited primarily commercial airlines, was $58 million.

[9] The *Fiscal Year 2003 Omnibus Appropriations Bill* appropriated $4,516 million of TSA funds for aviation security and TSA estimated $2,405 million in collections. At the time this report is being completed, Congress is considering further airline subsidies in excess of $3 billion.

[10] Congress appropriated $15 million for intercity bus security in the *Fiscal Year 2002 Supplemental Appropriations Bill* and another $10 million in the *Fiscal Year 2003 Omnibus Appropriations Bill*. However, TSA has not yet distributed any of those funds.

Benefit Comparisons

While receiving far less federal support than any other passenger transportation mode, intercity buses continue to perform uniquely important public services.

- Intercity buses carry a far higher percentage of passengers from low income families than any other mode. Almost 40 percent of intercity bus passengers are from families with incomes that are less than $20,000 per year. In contrast, fewer than 10 percent of Amtrak and commercial aviation passengers are from low income families (see Figure 5).

- Intercity buses also play a vital role in serving communities throughout the United States (see Figure 6). Intercity buses currently serve 4,939 communities with at least daily, regularly scheduled service. Amtrak serves 521 locations. Commercial airlines serve 536 airports.

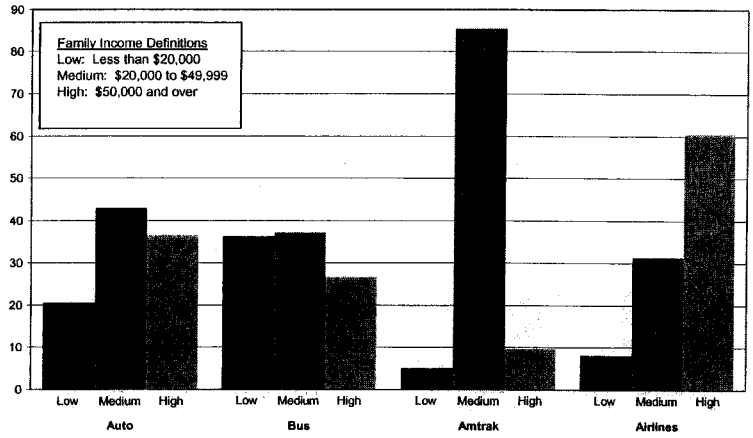
- The intercity bus serves rural passengers to a far greater extent than any other mode (see Figure 7). Approximately one-third of intercity bus passenger miles are traveled by people who live in rural areas. Fewer than 10 percent of passenger miles on Amtrak and commercial airlines are traveled by people who live in rural areas.

- Intercity buses also are the most fuel efficient mode of transportation (see Figure 8). Intercity buses use less than 1 Btu per passenger mile. The bus is at least three times more fuel efficient than other modes.

Although the number of communities served by intercity buses in 2003 is multiple times more than any other mode of intercity passenger transportation, the number dropped dramatically between 1968 and 1997 (see Figure 9). However, soon after Congress enacted the only federal program designed to support rural intercity bus service,[11] the industry was able to begin serving more communities. Since1997, the number of communities served has increased 16 percent (from 4,274 in 1997 to 4,939 today).

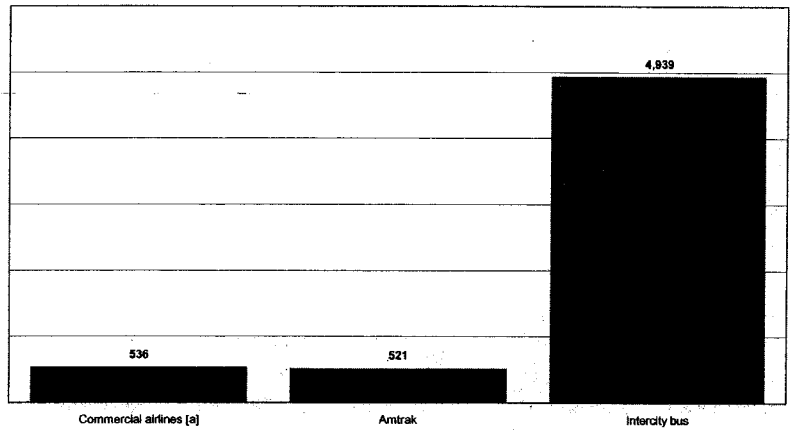
[11] The Rural Intercity Bus Program, 49 U.S.C. Section 5311(f).

Figure 5. Intercity Passenger Miles by Family Income and Transportation Mode in 1995 (percent)



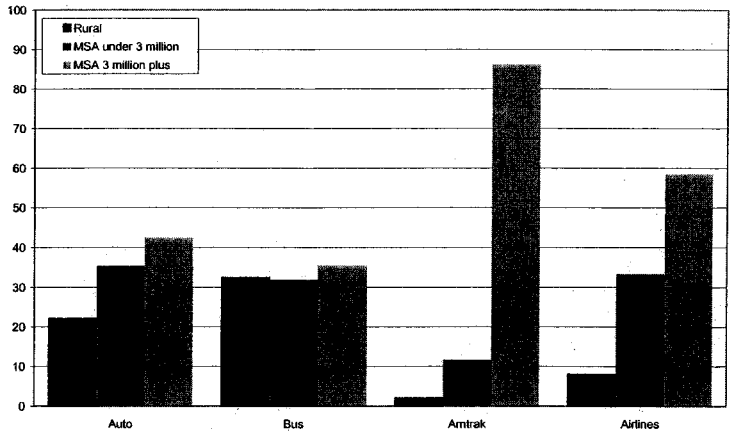
Source: Nathan Associates Inc. from *1995 National Personal Transportation Survey*, U.S. Department of Transportation.

Figure 6. Communities Served by Regularly Scheduled Intercity Transportation Service by Mode in 2003, Except as Noted



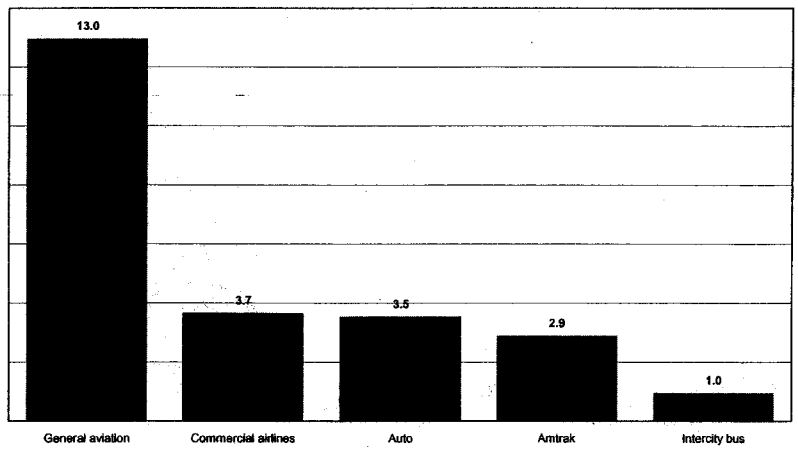
[a] 2001
Sources: *Russell's Official National Motor Coach Guide*, March 2003; FAA Enplanement Reports, CY 2001; and Amtrak National Timetable, 2003.

Figure 7. Intercity Passenger Miles by Traveler's Area of Residence and Transportation Mode in 1995 (percent)



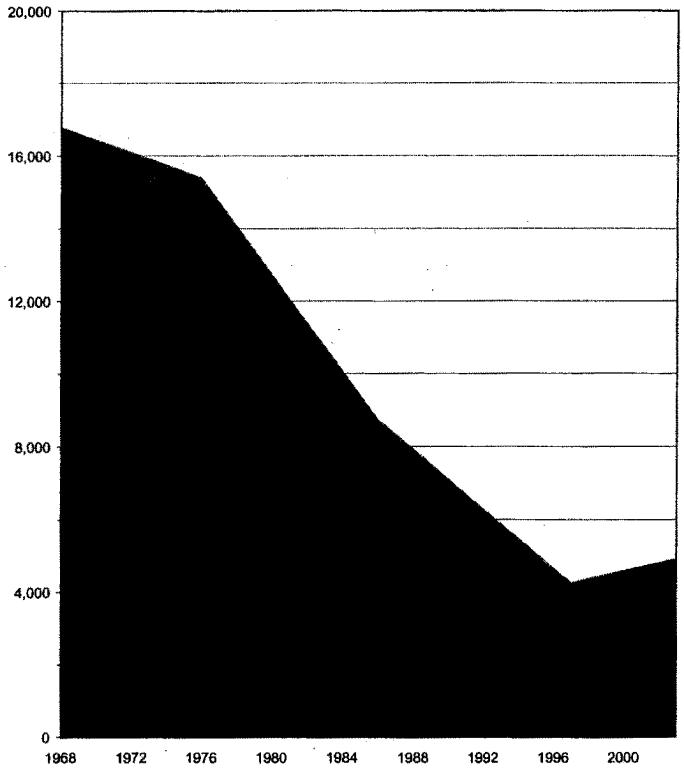
Source: Nathan Associates Inc. from *1995 National Personal Transportation Survey*, U.S. Department of Transportation.

Figure 8. Energy Consumption by Intercity Passenger Transportation Modes in 2000 (Btu per passenger mile)



Source: *Transportation Energy Data Book: Edition 22*, U.S. Department of Energy, 2002.

Figure 9. Communities Served by Regularly Scheduled Intercity Bus Service, 1968-2003



Sources: U.S. General Accounting Office for 1968, 1977, 1982, and 1986; the American Bus Association for 1997; and *Russell's Official Motorcoach Guide*, March 2003, for 2003.

Conclusion

This study demonstrates that the subsidy and benefit trends that were apparent in the 1989 Nathan study have continued. Although Congress has taken some modest steps to recognize the importance of intercity bus service, the fact remains that over the past four decades, intercity buses have received far less federal subsidy than the other modes of passenger transportation, while continuing to deliver unique public benefits. TEA-21 reauthorization offers Congress a new opportunity to provide fair and appropriate levels of support to intercity bus service.

Appendix

ESTIMATION OF NET FEDERAL SUBSIDIES

Table A-1. Total Net Federal Subsidies to Passenger Transportation Systems and Modes, 1960-2001 (2001 dollars)

System and mode	Subsidy (millions of dollars)	Share of grand totals [a]	Subsidy per trip (dollars)	Subsidy per passenger mile (cents)
Mass transit				
1960-1988	84,038.7	33.0%	0.35	15.0 [b]
1989-2001	68,590.3	56.9%	0.62	12.6 [c]
Total	152,629.0	43.8%	0.44	13.7 [d]
Intercity passenger transportation				
Air transportation				
Commercial airlines				
1960-1988	57,661.3	22.7%	9.52	1.3
1989-2001	18,782.7	15.6%	2.87	0.3
Subtotal	76,444.0	22.0%	6.07	0.8
General aviation				
1960-1988	49,328.3	19.4%	na	17.5
1989-2001	21,870.0	18.1%	na	13.5
Subtotal	71,198.3	20.4%	na	16.0
Total air transportation				
1960-1988	106,989.7	42.0%	na	2.3
1989-2001	40,652.7	33.7%	na	0.7
Total	147,642.3	42.4%	na	1.4
Intercity rail (Amtrak) [e]				
1971-1988	24,738.2	9.7%	72.82	32.0
1989-2001	11,051.7	9.2%	39.78	15.0
Total	35,789.9	10.3%	57.96	23.7
Highways				
Intercity bus				
1960-1988	794.0	0.3%	0.07	0.1
1989-2001	346.7	0.3%	0.08	0.1
Total	1,140.7	0.3%	0.08	0.1
Auto [f]				
1960-1988	37,981.8	14.9%	na	na
1989-2001	(26,961.1)	-	na	na
Total	11,020.7	3.2%	na	na
Total highways				
1960-1988	38,775.8	15.2%	na	na
1989-2001	(26,614.4)	-	na	na
Total	12,161.4	3.5%	na	na
Total intercity transportation				
1960-1988	170,503.7	67.0%	na	na
1989-2001	25,090.0	43.1%	na	na
Total	195,593.7	56.2%	na	na
Grand total				
1960-1988	254,542.4	73.1%	na	na
1989-2001	93,680.2	26.9%	na	na
Grand total	348,222.6	100.0%	na	na

Note: Items might not sum to totals because of rounding. An entry of "na" indicates data are not applicable or available.

[a] Shares for 1989-2001 are based on grand total adjusted to exclude auto.

[b] Only in years during period for which passenger miles are available (1978-1988).

[c] Only in years during period for which passenger miles are available (1989-2000).

[d] Only in years during period for which passenger miles are available (1978-2000).

[e] Amtrak was created in 1970.

[f] Includes motorcycles, pickups, and vans beginning in 1977; SUVs beginning in 2000.

Source: Nathan Associates Inc. See Table-A2 for subsidy detail, Table A-12 for passenger trip detail, and Table A-13 for passenger mile detail.

Table A-2. Total Net Federal Subsidies to Passenger Transportation Systems and Modes, 1960-2001 (millions of dollars)

	Current dollars							Constant 2001 dollars						
	Air transportation		Highway					Air transportation		Highway				
Fiscal year	Commercial air carrier	General aviation	Auto [a]	Intercity bus	Intercity rail [b]	Mass transit	Total	Commercial air carrier	General aviation	Auto [a]	Intercity bus	Intercity rail [b]	Mass transit	Total
1960	320.6	155.3	490.3	6.4	-	0.0	972.5	2,109.8	1,022.2	3,227.2	41.9	-	0.0	6,401.0
1961	403.5	195.5	129.5	3.4	-	0.1	732.0	2,607.1	1,263.1	836.6	22.1	-	0.6	4,729.6
1962	439.8	213.1	160.0	3.8	-	0.8	817.5	2,770.8	1,342.4	1,007.9	24.0	-	5.0	5,150.1
1963	455.6	220.7	134.8	3.9	-	2.3	817.2	2,803.1	1,358.0	829.1	23.7	-	14.2	5,028.1
1964	470.8	228.1	398.3	6.4	-	1.2	1,104.6	2,818.3	1,365.4	2,384.3	38.1	-	7.2	6,613.3
1965	493.9	239.3	544.1	6.8	-	11.7	1,295.7	2,879.1	1,394.9	3,171.6	39.5	-	68.2	7,553.4
1966	495.7	240.1	467.3	5.8	-	20.7	1,229.6	2,776.6	1,345.2	2,617.6	32.4	-	116.0	6,887.8
1967	533.2	258.3	188.0	3.3	-	45.9	1,028.8	2,866.3	1,388.6	1,010.9	17.9	-	246.8	5,530.5
1968	534.9	259.1	362.5	4.1	-	67.5	1,228.2	2,723.0	1,319.3	1,845.6	20.7	-	343.6	6,252.3
1969	680.0	329.4	232.2	2.2	-	148.2	1,392.0	3,266.3	1,582.5	1,115.4	10.7	-	711.9	6,686.8
1970	730.4	353.9	-54.7	0.5	-	124.1	1,154.1	3,248.2	1,573.7	-243.3	2.1	-	551.9	5,132.6
1971	885.4	602.0	-23.4	0.7	24.3	212.4	1,701.4	3,650.8	2,482.5	-96.5	2.8	100.2	875.8	7,015.5
1972	1,014.2	712.2	9.8	0.8	77.9	316.4	2,131.3	3,891.6	2,732.6	37.7	3.0	298.9	1,214.0	8,177.8
1973	599.6	540.4	-3.8	0.6	105.8	491.4	1,734.0	2,142.6	1,930.8	-13.7	2.2	378.0	1,755.9	6,195.9
1974	535.8	514.6	-495.8	-2.6	128.6	590.5	1,271.1	1,741.1	1,672.0	-1,610.9	-8.5	417.9	1,918.7	4,130.3
1975	509.2	575.3	-286.3	-1.7	299.0	928.8	2,024.2	1,505.5	1,700.9	-846.6	-5.2	884.0	2,746.2	5,984.9
1976	602.7	616.3	2,431.4	10.0	354.5	1,492.3	5,507.2	1,675.0	1,712.5	6,756.9	27.8	985.1	4,147.0	15,304.3
1977	510.7	682.9	213.5	-0.3	812.6	2,000.2	4,219.7	1,327.1	1,774.6	554.9	-0.8	2,111.6	5,197.6	10,964.9
1978	642.3	807.8	137.0	-0.4	919.8	2,176.8	4,683.3	1,568.2	1,972.4	334.5	-1.0	2,245.9	5,315.1	11,435.0
1979	545.1	823.5	905.4	25.3	977.8	2,542.3	5,819.3	1,227.6	1,854.9	2,039.2	56.9	2,202.3	5,726.1	13,107.1
1980	423.6	919.8	2,373.0	30.1	1,064.3	3,306.5	8,117.2	859.9	1,867.1	4,816.9	61.0	2,160.5	6,712.0	16,477.4
1981	1,091.7	977.8	2,762.0	31.1	1,069.6	3,916.7	9,848.9	2,017.2	1,806.8	5,103.5	57.5	1,976.4	7,237.3	18,198.8
1982	968.2	902.5	1,429.1	27.1	1,051.5	3,929.5	8,307.9	1,676.0	1,562.4	2,474.0	47.0	1,820.3	6,802.6	14,382.3
1983	354.0	987.8	600.1	28.7	961.4	3,758.7	6,690.7	588.9	1,643.6	998.5	47.8	1,599.6	6,253.6	11,131.9
1984	272.6	1,080.5	-1,006.3	32.9	2,196.2	3,811.4	6,389.3	431.3	1,709.3	-1,592.0	52.0	3,477.5	6,029.6	10,107.8
1985	208.3	1,212.8	-182.4	30.7	917.1	3,426.9	5,613.4	319.9	1,862.1	-280.1	47.2	1,408.2	5,261.8	8,619.1
1986	601.6	1,306.0	681.8	32.7	777.4	3,399.2	6,798.6	907.7	1,970.5	1,028.7	49.3	1,173.0	5,128.9	10,258.2
1987	388.2	1,374.6	146.7	27.8	392.4	3,351.1	5,680.8	569.5	2,016.6	215.2	40.8	575.7	4,916.2	8,333.9
1988	484.9	1,471.4	181.0	28.8	646.4	3,315.4	6,128.0	692.6	2,101.5	258.6	41.1	923.2	4,735.0	8,752.0
1989	572.9	1,595.2	-1,611.8	16.9	615.9	3,593.2	4,782.2	792.4	2,206.5	-2,229.5	23.3	851.9	4,970.1	6,614.8
1990	910.9	1,815.6	-252.7	22.8	584.6	3,830.1	6,911.3	1,211.5	2,414.9	-336.1	30.4	777.6	5,094.4	9,192.7
1991	324.8	2,026.4	-2,571.6	21.3	719.0	3,912.0	4,431.8	417.8	2,607.1	-3,308.6	27.4	925.0	5,033.1	5,701.8
1992	1,327.3	1,957.5	-764.1	26.4	831.2	3,668.0	7,046.4	1,668.5	2,460.6	-960.5	33.2	1,044.8	4,610.7	8,857.4
1993	1,704.6	1,801.7	-341.7	28.6	732.0	3,510.0	7,435.3	2,088.7	2,207.7	-418.7	35.1	896.9	4,300.9	9,110.7
1994	2,047.6	1,348.8	1,206.5	27.2	745.1	3,901.9	9,277.1	2,445.5	1,610.9	1,440.9	32.4	889.9	4,660.2	11,079.9
1995	2,474.6	1,035.1	-451.4	33.7	933.0	5,138.0	9,163.0	2,873.1	1,201.8	-524.1	39.1	1,083.2	5,965.4	10,638.5
1996	5,023.8	1,147.7	-2,276.4	24.7	891.0	4,373.0	9,183.8	5,690.5	1,300.0	-2,578.5	28.0	1,009.2	4,953.3	10,402.5
1997	3,835.1	1,104.8	-944.1	21.5	1,003.0	4,581.0	9,601.4	4,249.3	1,224.1	-1,046.0	23.8	1,111.3	5,075.7	10,638.2
1998	127.2	1,096.7	-3,132.6	17.7	928.0	4,479.0	3,516.0	138.9	1,197.7	-3,421.1	19.3	1,013.4	4,891.4	3,839.8
1999	-1,828.5	988.8	-8,668.4	8.5	270.0	4,259.0	-4,970.5	-1,944.4	1,051.5	-9,217.7	9.1	287.1	4,528.9	-5,285.5
2000	-1,254.6	1,015.7	-3,925.2	18.0	594.0	7,285.0	3,732.9	-1,284.5	1,039.9	-4,018.5	18.5	608.1	7,458.2	3,821.7
2001	435.3	1,347.1	-342.8	27.1	553.0	7,048.0	9,067.7	435.3	1,347.1	-342.8	27.1	553.0	7,048.0	9,067.7
Total	31,897.3	37,082.3	-11,151.4	643.1	22,178.4	102,967.2	183,617.0	76,444.0	71,198.3	11,020.7	1,140.7	35,789.9	152,629.0	348,222.6
						Average annual amount		1,820.1	1,695.2	262.4	27.2	1,154.5	3,634.0	8,291.0

Note: Negative numbers indicate revenue contribution in excess of cost responsibility.

[a] Includes motorcycles, pickups, and vans beginning in 1977; sport utility vehicles beginning in 2000.

[b] Amtrak only.

Source: Nathan Associates Inc. See Tables A-3 for air carriers and general aviation, A-4 for auto, A-5 for bus, A-6 for intercity rail, and A-7 for mass transit. Current dollars converted to constant 2001 dollars using the implicit price deflator for gross domestic product, total government purchases (see Table A-11).

Table A-3. Estimation of Net Federal Subsidies to Air Passenger Transportation, 1960-2001
(millions of dollars, except as noted)

Fiscal year	Total outlays for cost of air transportation system	Air passenger cost responsibility (percent)		Outlays for cost of air passenger transportation		Airport and Airway Trust Fund Excise Taxes		Net subsidy to air passenger transportation		
		Commercial air carriers	General aviation	Commercial air carriers	General aviation	Commercial air carriers	General aviation	Commercial air carriers	General aviation	Total
	(1)	(2)	(3)	(4)=(2)x(1)	(5)=(3)x(1)	(6)	(7)	(8)=(4)-(6)	(9)=(5)-(7)	(10)=(8)+(9)
1960	575.2	55.7 [a]	27.0 [a]	320.6	155.3	-	-	320.6	155.3	475.9
1961	724.0	55.7 [a]	27.0 [a]	403.5	195.5	-	-	403.5	195.5	599.0
1962	789.2	55.7 [a]	27.0 [a]	439.8	213.1	-	-	439.8	213.1	652.9
1963	817.5	55.7 [a]	27.0 [a]	455.6	220.7	-	-	455.6	220.7	676.3
1964	844.7	55.7 [a]	27.0 [a]	470.8	228.1	-	-	470.8	228.1	698.8
1965	886.2	55.7 [a]	27.0 [a]	493.9	239.3	-	-	493.9	239.3	733.2
1966	889.4	55.7 [a]	27.0 [a]	495.7	240.1	-	-	495.7	240.1	735.8
1967	956.7	55.7 [a]	27.0 [a]	533.2	258.3	-	-	533.2	258.3	791.5
1968	959.8	55.7 [a]	27.0 [a]	534.9	259.1	-	-	534.9	259.1	794.0
1969	1,220.1	55.7 [a]	27.0 [a]	680.0	329.4	-	-	680.0	329.4	1,009.4
1970	1,310.6	55.7 [a]	27.0 [a]	730.4	353.9	-	-	730.4	353.9	1,084.3
1971	2,444.6	55.7 [a]	27.0 [a]	1,362.4	660.0	477.0	58.0	885.4	602.0	1,487.4
1972	2,826.5	55.7 [a]	27.0 [a]	1,575.2	763.2	561.0	51.0	1,014.2	712.2	1,726.4
1973	2,249.5	55.7 [a]	27.0 [a]	1,253.6	607.4	654.0	67.0	599.6	540.4	1,140.0
1974	2,235.5	55.7 [a]	27.0 [a]	1,245.8	603.6	710.0	89.0	535.8	514.6	1,050.4
1975	2,408.4	55.7 [a]	27.0 [a]	1,342.2	650.3	833.0	75.0	509.2	575.3	1,084.5
1976	2,556.5	55.7 [a]	27.0 [a]	1,424.7	690.3	822.0	74.0	602.7	616.3	1,219.0
1977	2,822.0	55.7 [a]	27.0 [a]	1,572.7	761.9	1,062.0	79.0	510.7	682.9	1,193.6
1978	3,277.0	55.7	27.0	1,826.3	884.8	1,184.0	77.0	642.3	807.8	1,450.1
1979	3,392.2	56.0 [b]	27.0 [b]	1,899.1	914.5	1,354.0	91.0	545.1	823.5	1,368.6
1980	3,758.5	56.2 [b]	26.9 [b]	2,113.6	1,011.8	1,690.0	92.0	423.6	919.8	1,343.4
1981	3,849.8	56.5 [b]	26.9 [b]	2,174.7	1,034.8	1,083.0 [c]	57.0 [c]	1,091.7	977.8	2,069.5
1982	3,563.8	56.7 [b]	26.8 [b]	2,022.2	956.5	1,054.0 [c]	54.0 [c]	968.2	902.5	1,870.7
1983	4,044.2	57.0 [b]	26.8 [b]	2,305.0	1,083.8	1,951.0	96.0	354.0	987.8	1,341.8
1984	4,426.3	57.2 [b]	26.8 [b]	2,533.9	1,184.5	2,261.3	104.0	272.6	1,080.5	1,353.1
1985	4,913.8	57.5	26.7	2,825.4	1,313.0	2,617.1	100.2	208.3	1,212.8	1,421.1
1986	5,320.6	58.2	26.5	3,096.6	1,410.0	2,495.0	104.0	601.6	1,306.0	1,907.5
1987	5,529.6	57.5	26.8	3,179.5	1,483.6	2,791.3	109.0	388.2	1,374.6	1,762.8
1988	5,870.2	57.8	27.0	3,394.7	1,582.6	2,909.8	111.2	484.9	1,471.4	1,956.3
1989	6,622.5	58.4 [b]	26.8 [b]	3,869.1	1,771.5	3,296.2	176.3	572.9	1,595.2	2,168.1
1990	7,303.8	59.0 [b]	26.5 [b]	4,310.5	1,938.4	3,399.6	122.8	910.9	1,815.6	2,726.5
1991	8,190.9	59.6	26.3	4,882.6	2,156.7	4,557.8	130.3	324.8	2,026.4	2,351.1
1992	9,308.9	62.8 [b]	22.7 [b]	5,842.2	2,109.6	4,514.9	152.1	1,327.3	1,957.5	3,284.9
1993	10,042.9	65.9 [b]	19.0 [b]	6,619.3	1,907.6	4,914.7	105.9	1,704.6	1,801.7	3,506.3
1994	9,837.7	69.1 [b]	15.3 [b]	6,793.9	1,507.9	4,746.3	159.1	2,047.6	1,348.8	3,396.4
1995	10,352.0	72.2	11.7	7,475.2	1,207.0	5,000.6	171.9	2,474.6	1,035.1	3,509.7
1996	9,843.0	72.2 [a]	11.7 [a]	7,107.6	1,147.7	2,083.8	-	5,023.8	1,147.7	6,171.5
1997	10,273.0	72.2 [a]	11.7 [a]	7,418.1	1,197.8	3,583.0	93.0	3,835.1	1,104.8	4,940.0
1998	10,756.0	72.2 [a]	11.7 [a]	7,766.9	1,254.1	7,639.7	157.4	127.2	1,096.7	1,224.0
1999	10,897.0	72.2 [a]	11.7 [a]	7,868.7	1,270.6	9,697.2	281.8	-1,828.5	988.8	-839.7
2000	10,731.0	72.2 [a]	11.7 [a]	7,748.9	1,251.2	9,003.5	235.5	-1,254.6	1,015.7	-238.9
2001	12,496.0	72.2 [a]	11.7 [a]	9,023.4	1,457.0	8,588.1	109.9	435.3	1,347.1	1,782.4
Total	202,117.1	na	na	129,432.2	40,466.7	97,534.9	3,384.4	31,897.3	37,082.3	68,979.6

Note: "na" indicates not applicable.

[a] Assumed values.

[b] Interpolated values.

[c] Includes excise tax revenues that remained in the general fund and were not credited to the trust fund.

Sources: See Table A-8 for column one and Table A-10 for columns two and three. Data in columns six and seven are from *The Status of the Airport and Airway Trust Fund*, December 1988, Congressional Budget Office, U.S. Congress; *Allocation and Recovery of Federal Airport and Airway Costs*, February 1992, Federal Aviation Administration (FAA), U.S. Department of Transportation (USDOT); *Aviation Revenue from Taxes*, 1990-1999, FAA data provided by the Association of Airport Executives; *FAA Budget in Brief*, 1998-2002, FAA; and unpublished FAA statistics on general aviation, jet, and commercial fuels.

Table A-4. Estimation of Federal Subsidies to Auto Passenger Highway Transportation, 1960-2001 (millions of dollars, except as noted)

Fiscal year	Total outlays for cost of highway transportation system	Cost responsibility of autos (percent)	Outlays for highway cost of autos	Highway Trust Fund receipts	Share of Trust Fund contributed by autos (percent)	Highway Trust Fund receipts from autos	Net subsidy to auto highway transportation
	(1)	(2)	(3)=(1)x(2)	(4)	(5)	(6)=(5)x(4)	(7)=(3)-(6)
1960	3,176.0	64.10 [a]	2,035.8	2,539.0	60.87 [a]	1,545.5	490.3
1961	2,859.0	64.10 [a]	1,832.6	2,798.0	60.87 [a]	1,703.1	129.5
1962	3,050.0	64.10 [a]	1,955.1	2,949.0	60.87 [a]	1,795.1	160.0
1963	3,324.0	64.10 [a]	2,130.7	3,279.0	60.87 [a]	1,995.9	134.8
1964	3,963.0	64.10	2,540.3	3,519.0	60.87	2,142.0	398.3
1965	4,317.0	64.11 [b]	2,767.6	3,659.0	60.77 [b]	2,223.6	544.1
1966	4,435.0	64.12 [b]	2,843.7	3,917.0	60.67 [b]	2,376.4	467.3
1967	4,487.0	64.13 [b]	2,877.5	4,441.0	60.56 [b]	2,689.5	188.0
1968	4,693.0	64.14 [b]	3,010.1	4,379.0	60.46 [b]	2,647.5	362.5
1969	4,725.0	64.15	3,031.1	4,637.0	60.36	2,798.9	232.2
1970	5,075.0	64.13 [b]	3,254.6	5,354.0	61.81 [b]	3,309.3	-54.7
1971	5,432.0	64.11 [b]	3,482.5	5,542.0	63.26 [b]	3,505.9	-23.4
1972	5,388.0	64.09 [b]	3,453.2	5,322.0	64.70 [b]	3,443.3	9.8
1973	5,842.0	64.08 [b]	3,743.6	5,665.0	66.15 [b]	3,747.4	-3.8
1974	5,832.0	64.06 [b]	3,736.0	6,260.0	67.60 [b]	4,231.8	-495.8
1975	6,225.0	64.04 [b]	3,986.5	6,188.0	69.05 [b]	4,272.8	-286.3
1976	9,758.0	64.02 [b]	6,247.1	5,413.0	70.49 [b]	3,815.6	2,431.4
1977	7,875.0	64.00	5,040.0	6,709.0	71.94	4,826.5	213.5
1978	8,069.0	63.20 [b]	5,099.6	6,904.0	71.88 [b]	4,962.6	137.0
1979	9,724.0	62.40 [b]	6,067.8	7,189.0	71.81 [b]	5,162.4	905.4
1980	11,563.0	61.60 [b]	7,122.8	6,620.0	71.75 [b]	4,749.9	2,373.0
1981	11,977.0	60.80 [b]	7,282.0	6,305.0	71.69 [b]	4,520.1	2,762.0
1982	10,433.0	60.00 [b]	6,259.8	6,744.0	71.63 [b]	4,830.7	1,429.1
1983	11,043.0	59.20 [b]	6,537.5	8,297.0	71.56 [b]	5,937.3	600.1
1984	12,654.0	58.40 [b]	7,389.9	11,743.0	71.50	8,396.2	-1,006.3
1985	14,820.0	57.60	8,536.3	13,015.0	66.99	8,718.7	-182.4
1986	16,075.0	57.69 [b]	9,274.2	13,363.0	64.30	8,592.4	681.8
1987	14,439.0	57.79 [b]	8,343.8	13,032.0	62.90	8,197.1	146.7
1988	15,529.0	57.88 [b]	8,988.2	14,114.0	62.40	8,807.1	181.0
1989	14,600.0	57.97 [b]	8,464.1	15,628.9	64.47	10,076.0	-1,611.8
1990	15,587.0	58.07 [b]	9,050.9	13,867.3	67.09	9,303.6	-252.7
1991	15,850.0	58.16 [b]	9,218.4	16,978.7	69.44	11,790.0	-2,571.6
1992	16,909.0	58.25 [b]	9,850.1	15,663.6	67.76 [b]	10,614.2	-764.1
1993	17,743.0	58.35 [b]	10,352.4	16,046.3	66.65 [b]	10,694.2	-341.7
1994	19,975.0	58.44 [b]	11,673.4	16,250.5	64.41	10,466.9	1,206.5
1995	20,081.6	58.53 [b]	11,754.4	18,828.9	64.83 [b]	12,205.8	-451.4
1996	20,636.5	58.63 [b]	12,098.5	22,033.9	65.24 [b]	14,374.9	-2,276.4
1997	21,323.8	58.72 [b]	12,521.3	20,509.3	65.66 [b]	13,465.4	-944.1
1998	20,669.8	58.81 [b]	12,156.6	23,140.9	66.07 [b]	15,289.2	-3,132.6
1999	23,457.1	58.91 [b]	13,817.8	33,821.4	66.49 [b]	22,486.2	-8,668.4
2000	27,757.8	59.00	16,377.1	30,347.2	66.90	20,302.3	-3,925.2
2001	29,939.6	59.00 [a]	17,664.4	26,916.5	66.90 [a]	18,007.1	-342.8
Total	491,312.2	na	293,869.1	459,929.4	na	305,020.5	-11,151.4

Notes: Includes motorcycles, pickups, and vans beginning in 1977. "na" indicates not applicable.

[a] Assumed value.

[b] Interpolated value.

Sources: See Table A-9 for column one. Data in columns two and five are from the following sources: For the 1964 cost responsibility and Trust Fund contribution shares, see *Supplementary Report of the Highway Cost Allocation Study*, House Document No. 124, 89th Congress, 1st Session, 1965, Table 4; for the 1969 shares, see *Allocation of Highway Cost Responsibility and Tax Payments*, 1969, Bureau of Public Roads, Federal Highway Administration (FHWA), USDOT, May 1970, Table 25; for the 1977 cost and contribution shares and the 1985 cost share, see *Final Report of the the Federal Highway Cost Allocation Study*, FHWA, May 1982, Tables VI-10 and VI-13; the 1984-1991 contribution shares were calculated from unpublished FHWA data; for the 1994 contribution share, see *1997 Federal Highway Cost Allocation Study: Final Report*, FHWA, August 1997, Table IV-5; and for the 2000 cost and contribution shares, see *Addendum to 1997 Federal Highway Cost Allocation Study*, FHWA, May 2000, Table 6. Data in column four are from *Highway Statistics 2001*, FHWA, USDOT, Tables FE-210 and FE-10.

Table A-5 Estimation of Federal Subsidies to Intercity Bus Passenger Highway Transportation, 1960-2001
(millions of dollars, except as noted)

Fiscal year	Total outlays for highway cost	Cost responsibility of intercity buses (percent)	Outlays for highway cost of intercity buses	Other outlays: FTA non-urban transit grant for intercity bus service [a]	Other outlays: FTA bus accessibility program [b]	Total outlays for intercity bus passenger transportation	Highway Trust Fund receipts	Share of Trust Fund contributed by intercity buses (percent)	Highway Trust Fund receipts from intercity buses	Net subsidy to intercity bus passenger transportation
	(1)	(2)	(3)=(1)x(2)	(4)	(5)	(6)=(3)+(4)+(5)	(7)	(8)	(9)=(7)*(8)	(10)=(6)-(9)
1960	3,176.0	0.56 [c]	17.8	-	-	17.8	2,539.0	0.45 [c]	11.4	6.4
1961	2,859.0	0.56 [c]	16.0	-	-	16.0	2,798.0	0.45 [c]	12.6	3.4
1962	3,050.0	0.56 [c]	17.1	-	-	17.1	2,949.0	0.45 [c]	13.3	3.8
1963	3,324.0	0.56 [c]	18.6	-	-	18.6	3,279.0	0.45 [c]	14.8	3.9
1964	3,963.0	0.56	22.2	-	-	22.2	3,519.0	0.45	15.8	6.4
1965	4,317.0	0.53 [d]	22.9	-	-	22.9	3,659.0	0.44 [d]	16.1	6.8
1966	4,435.0	0.51 [d]	22.6	-	-	22.6	3,917.0	0.43 [d]	16.8	5.8
1967	4,487.0	0.48 [d]	21.5	-	-	21.5	4,441.0	0.41 [d]	18.2	3.3
1968	4,693.0	0.46 [d]	21.6	-	-	21.6	4,379.0	0.40 [d]	17.5	4.1
1969	4,725.0	0.43	20.3	-	-	20.3	4,637.0	0.39	18.1	2.2
1970	5,075.0	0.41 [d]	20.8	-	-	20.8	5,354.0	0.38 [d]	20.3	0.5
1971	5,432.0	0.39 [d]	21.2	-	-	21.2	5,542.0	0.37 [d]	20.5	0.7
1972	5,388.0	0.37 [d]	19.9	-	-	19.9	5,322.0	0.36 [d]	19.2	0.8
1973	5,842.0	0.35 [d]	20.4	-	-	20.4	5,665.0	0.35 [d]	19.8	0.6
1974	5,632.0	0.32 [d]	18.7	-	-	18.7	6,260.0	0.34 [d]	21.3	-2.6
1975	6,225.0	0.30 [d]	18.7	-	-	18.7	6,188.0	0.33 [d]	20.4	-1.7
1976	9,758.0	0.28 [d]	27.3	-	-	27.3	5,413.0	0.32 [d]	17.3	10.0
1977	7,875.0	0.26	20.5	-	-	20.5	6,709.0	0.31	20.8	-0.3
1978	8,069.0	0.26 [d]	21.0	-	-	21.0	6,904.0	0.31 [c]	21.4	-0.4
1979	9,724.0	0.26 [d]	25.3	-	-	25.3	7,189.0	0.00 [c]	-	25.3
1980	11,563.0	0.26 [d]	30.1	-	-	30.1	6,620.0	0.00 [c]	-	30.1
1981	11,977.0	0.26 [d]	31.1	-	-	31.1	6,305.0	0.00 [c]	-	31.1
1982	10,433.0	0.26 [d]	27.1	-	-	27.1	6,744.0	0.00 [c]	-	27.1
1983	11,043.0	0.26 [d]	28.7	-	-	28.7	8,297.0	0.00 [c]	-	28.7
1984	12,654.0	0.26 [d]	32.9	-	-	32.9	11,743.0	0.00 [c]	-	32.9
1985	14,820.0	0.26	38.5	-	-	38.5	13,015.0	0.06	7.8	30.7
1986	16,075.0	0.25 [d]	40.7	-	-	40.7	13,363.0	0.06	8.0	32.7
1987	14,439.0	0.25 [d]	35.6	-	-	35.6	13,032.0	0.06	7.8	27.8
1988	15,529.0	0.24 [d]	37.3	-	-	37.3	14,114.0	0.06	8.5	28.8
1989	14,600.0	0.23 [d]	34.1	-	-	34.1	15,628.9	0.11	17.2	16.9
1990	15,587.0	0.23 [d]	35.3	-	-	35.3	13,867.3	0.09	12.5	22.8
1991	15,850.0	0.22 [d]	34.9	-	-	34.9	16,978.7	0.08	13.6	21.3
1992	16,909.0	0.21 [d]	36.1	3.8	-	39.9	15,663.6	0.09 [d]	13.5	26.4
1993	17,743.0	0.21 [d]	36.7	6.7	-	43.4	16,046.3	0.09 [d]	14.7	28.6
1994	19,975.0	0.20 [d]	40.0	3.1 [e]	-	43.0	16,250.5	0.10	15.9	27.2
1995	20,081.6	0.19 [d]	38.8	14.9 [e]	-	53.7	18,828.9	0.11	20.0	33.7
1996	20,636.5	0.19 [d]	38.5	11.6 [e]	-	50.1	22,033.9	0.12	25.4	24.7
1997	21,323.8	0.18 [d]	38.4	8.5 [e]	-	46.9	20,509.3	0.12	25.4	21.5
1998	20,669.8	0.17 [d]	35.8	12.6	-	48.4	23,140.9	0.13	30.7	17.7
1999	23,457.1	0.17 [d]	39.1	16.3	1.0	56.4	33,821.4	0.14	47.9	8.5
2000	27,757.8	0.16	44.4	18.3 [e]	1.0	63.7	30,347.2	0.15	45.7	18.0
2001	29,939.6	0.16 [c]	47.9	14.9	4.7	67.5	26,916.5	0.15 [c]	40.4	27.1
Total	491,312.2	na	1,216.4	110.7	6.7	1,333.8	459,929.4	na	690.7	643.1

Notes: "na" indicates not applicable.

[a] Under ISTEA and TEA-21 states are obligated to spend a percentage (5 pecent in 1992, 10 percent in 1993, and 15 percent thereafter) of non-urban transit grants on intercity bus service. See United States Code title 49, 5311(f).

[b] TEA-21,Section 3038, created the over-the-road bus accessibility program to encourage compliance with the American Disabilities Act.

[c] Assumed values.

[d] Interpolated values.

[e] Estimated by Nathan Associates Inc. from available data on obligations after state certification.

Sources: See Table A-9 for column one. Data in columns two and eight are from the following sources: For the 1964 cost responsibility and Trust Fund contribution shares, see *Supplementary Report of the Highway Cost Allocation Study*, House Document No. 124, 89th Congress, 1st Session, 1965, Table 4; for the 1969 shares, see *Allocation of Highway Cost Responsibility and Tax Payments, 1969*, Bureau of Public Roads, Federal Highway Administration (FHWA), USDOT, Table 25, May 1970; for the 1977 cost and contribution shares and the 1985 cost share, see *Final Report of the the Federal Highway Cost Allocation Study*, FHWA, May 1982, Tables VI-10 and VI-13; the 1984-1991 contribution shares were calculated from unpublished FHWA data; the 1994 contribution share is the total bus contribution share reported in *1997 Federal Highway Cost Allocation Study*, FHWA, August 1997, Table IV-5; the 2000 cost responsibility share is estimated by Nathan Associates by adjusting the total bus cost responsibility share reported in *Addendum to 1997 Federal Highway Cost Allocation Study*, FHWA, May 2000, Table 6, to account for historical (1977) relationship between intercity bus cost responsibility and total bus cost responsibility and intercity bus miles share of total bus miles; and, finally, the 2000 contribution share is total bus contribution reported in *Addendum to 1997 Federal Highway Cost Allocation Study*, FHWA, May 2000, Table 6. Data in column seven are from *Highway Statistics 2001*, FHWA, USDOT, Tables FE-210 and FE-10.

Table A-6. Federal Outlays for Intercity Rail (Amtrak) Passenger Transportation by Program, 1960-2001 (millions of dollars)

Fiscal Year	Northeast Corridor Improvement Program	National Railroad Passenger Corporation	Mandatory Passenger Rail Service Payments	Total
1960	-	-	-	-
1961	-	-	-	-
1962	-	-	-	-
1963	-	-	-	-
1964	-	-	-	-
1965	-	-	-	-
1966	-	-	-	-
1967	-	-	-	-
1968	-	-	-	-
1969	-	-	-	-
1970	-	-	-	-
1971	-	24.3	-	24.3
1972	-	77.9	-	77.9
1973	-	105.8	-	105.8
1974	-	128.6	-	128.6
1975	-	299.0	-	299.0
1976	-	354.5	-	354.5
1977	82.5	730.1	-	812.6
1978	203.8	716.0	-	919.8
1979	198.8	779.0	-	977.8
1980	240.9	823.4	-	1,064.3
1981	218.2	851.4	-	1,069.6
1982	333.8	717.7	-	1,051.5
1983	296.0	665.4	-	961.4
1984	241.1	1,957.1	-	2,198.2
1985	153.3	763.8	-	917.1
1986	97.1	680.3	-	777.4
1987	95.1	297.3	-	392.4
1988	55.3	591.1	-	646.4
1989	41.5	574.4	-	615.9
1990	23.9	560.7	-	584.6
1991	39.0	535.0	145.0	719.0
1992	173.0	508.0	150.2	831.2
1993	121.0	465.0	146.0	732.0
1994	117.0	491.2	137.0 [a]	745.1
1995	127.0	806.0	-	933.0
1996	264.0	627.0	-	891.0
1997	390.0 [b]	613.0	-	1,003.0
1998	449.0 [b]	479.0	-	928.0
1999	26.0	244.0	-	270.0
2000	-	594.0	-	594.0
2001	-	553.0	-	553.0
Total	3,987.3	17,613.0	578.2	22,178.4

[a] After 1994 these funds were included in National Railroad Passenger Corporation.

[b] Includes Amtrak High-speed Rail Train Sets and Facilities funds, but not the Next Generation High-Speed Rail Program. Outlays for the Next Generation High-Speed Rail program were $121 million from its inception in 1995 until 2001.

Source: *Budget of the United States Government*, Executive Office of the President, Office of Management and Budget, fiscal years 1960-2001.

Table A-7. Federal Outlays for Mass Transit, 1960-2001 (millions of dollars)

Fiscal year	Department of Transportation, Urban Mass Transportation Administration [a] Federal Funds	Trust Funds [c]	Total	Department of Housing and Urban Development [b]	Washington Metropolitan Area Transit Authority	Total
1960	-	-	-	-	-	-
1961	-	-	-	-	0.1 [d]	0.1
1962	-	-	-	-	0.8 [d]	0.8
1963	-	-	-	-	2.3 [d]	2.3
1964	-	-	-	0.2	1.0 [d]	1.2
1965	-	-	-	11.1	0.6 [d]	11.7
1966	-	-	-	18.7	2.0 [d]	20.7
1967	-	-	-	42.9	3.0 [d]	45.9
1968	-	-	-	65.9	1.6	67.5
1969	140.1	-	140.1	2.0 [e]	6.1	148.2
1970	106.1	-	106.1	2.2	15.8	124.1
1971	176.0	-	176.0	1.6	34.8	212.4
1972	232.1	-	232.1	0.3	84.0	316.4
1973	415.0	-	415.0	0.6	75.8	491.4
1974	419.0	-	419.0	1.0	170.5	590.5
1975	753.2	-	753.2	0.3	175.3	928.8
1976	1,322.1	-	1,322.1	0.4	169.8	1,492.3
1977	1,708.9	-	1,708.9	1.5	289.8	2,000.2
1978	2,027.5	-	2,027.5	-	149.3	2,176.8
1979	2,458.0	-	2,458.0	-	84.3	2,542.3
1980	3,206.7	-	3,206.7	-	99.8	3,306.5
1981	3,855.4	-	3,855.4	-	61.3	3,916.7
1982	3,864.2	-	3,864.2	-	65.3	3,929.5
1983	3,705.4	3.1	3,708.5	-	50.2	3,758.7
1984	3,545.6	233.2	3,778.8	-	32.6	3,811.4
1985	2,849.3	507.0	3,356.3	-	70.6	3,426.9
1986	2,710.7	632.6	3,343.3	-	55.9	3,399.2
1987	2,631.9	667.5	3,299.4	-	51.7	3,351.1
1988	2,570.6	695.7	3,266.3	-	49.1	3,315.4
1989	2,693.0	848.5	3,541.5	-	51.7	3,593.2
1990	2,891.4	879.0	3,770.4	-	59.7	3,830.1
1991	2,803.0	1,054.0	3,857.0	-	55.0	3,912.0
1992	2,347.0	1,268.0	3,615.0	-	53.0	3,668.0
1993	1,541.0	1,916.0	3,457.0	-	53.0	3,510.0
1994	492.9	3,363.7	3,856.6	-	45.3	3,901.9
1995	1,257.0	3,179.0	4,436.0	-	702.0	5,138.0
1996	1,036.0	3,336.0	4,372.0	-	1.0 [f]	4,373.0
1997	918.0	3,663.0	4,581.0	-	-	4,581.0
1998	346.0	4,133.0	4,479.0	-	-	4,479.0
1999	-1,517.0	5,776.0	4,259.0	-	-	4,259.0
2000	-193.0	7,478.0	7,285.0		-	7,285.0
2001	25.0	7,023.0	7,048.0	-	-	7,048.0
Total	53,338.1	46,656.3	99,994.4	148.7	2,824.1	102,967.2

Note: Federal funds appears negative in years for which the programs were reimbursed by trust fund outlays in excess of program outlays.

[a] After 1991 data represents Federal Transit Administration.

[b] Urban Transportation Program. Federal Funds only.

[c] Federal Highway Trust Fund.

[d] National Capital Transportation Agency.

[e] Activities transferred to Department of Transportation.

[f] In 1993 the Department of Transportation (DOT) refinanced its share of WMATA bonds ($665 million) with a loan from the Federal Financing Bank (FFB) and is no longer making interest payments on those bonds. In 1995 the DOT

Source: *Budget of the United States Government*, Executive Office of the President, Office of Management and Budget, fiscal years 1960-2001.

Table A-8. Federal Outlays for Cost of Air Transportation System, 1960-2001 (millions of dollars)

	Department of Transportation						National	Civil	All agencies		
	Federal Aviation Administration			Office of the Secretary [a]			Aeronautics	Aeronautics			
Fiscal Year	Federal funds	Trust funds	Total	Federal funds	Trust funds	Total	and Space Administration	Board	Federal funds	Trust funds	Total
1960	508.0	-	508.0	-	-	-	-	67.2	575.2	-	575.2
1961	638.5	-	638.5	-	-	-	-	85.5	724.0	-	724.0
1962	698.4	-	698.4	-	-	-	-	90.8	789.2	-	789.2
1963	726.3	-	726.3	-	-	-	-	91.2	817.5	-	817.5
1964	750.6	-	750.6	-	-	-	-	94.1	844.7	-	844.7
1965	794.6	-	794.6	-	-	-	-	91.6	886.2	-	886.2
1966	803.9	-	803.9	-	-	-	-	85.5	889.4	-	889.4
1967	882.9	-	882.9	-	-	-	-	73.8	956.7	-	956.7
1968	895.8	-	895.8	-	-	-	-	64.0	959.8	-	959.8
1969	998.0	-	998.0	-	-	-	168.5 [b]	53.6	1,220.1	-	1,220.1
1970	1,075.1	-	1,075.1	-	-	-	187.9 [b]	47.6	1,310.6	-	1,310.6
1971	1,880.3	287.3	2,167.6	-	-	-	209.6 [b]	67.4	2,157.3	287.3	2,444.6
1972	1,135.0	1,388.5	2,523.5	-	-	-	226.9 [b]	76.1	1,438.0	1,388.5	2,826.5
1973	1,223.4	698.1	1,921.5	-	-	-	241.6 [b]	86.4	1,551.4	698.1	2,249.5
1974	1,334.0	521.1	1,855.1	-	-	-	291.9 [b]	88.5	1,714.4	521.1	2,235.5
1975	1,432.5	579.1	2,011.6	-	-	-	315.9 [b]	80.9	1,829.3	579.1	2,408.4
1976	1,585.8	547.0	2,132.8	-	-	-	332.8 [b]	90.9	2,009.5	547.0	2,556.5
1977	1,516.2	852.7	2,368.9	-	-	-	350.4 [b]	102.7	1,969.3	852.7	2,822.0
1978	1,662.6	1,115.4	2,778.0	-	-	-	397.6 [b]	101.4	2,161.6	1,115.4	3,277.0
1979	1,735.5	1,114.1	2,849.6	-	-	-	443.3 [b]	99.3	2,278.1	1,114.1	3,392.2
1980	1,912.7	1,223.6	3,116.2	-	-	-	505.5 [b]	116.7	2,534.9	1,223.6	3,758.5
1981	1,852.6	1,305.8	3,158.4	-	-	-	544.2 [b]	147.2	2,544.0	1,305.8	3,849.8
1982	1,379.6	1,511.7	2,891.3	-	-	-	562.5 [b]	110.0	2,052.1	1,511.7	3,563.8
1983	1,612.1	1,791.6	3,403.7	-	-	-	563.0 [b]	77.5	2,252.6	1,791.6	4,044.2
1984	2,453.8	1,364.8	3,818.5	-	-	-	586.3 [b]	21.4	3,061.5	1,364.8	4,426.3
1985	1,681.0	2,586.0	4,267.0	-	-	-	643.3 [b]	3.5	2,327.8	2,586.0	4,913.8
1986	2,334.3	2,338.6	4,672.9	-	-	-	647.7 [b]	-	2,982.0	2,338.6	5,320.6
1987	2,293.2	2,601.5	4,894.8	-	-	-	634.9 [b]	-	2,928.1	2,601.5	5,529.6
1988	2,323.9	2,867.7	5,191.7	-	-	-	678.6 [b]	-	3,002.5	2,867.7	5,870.2
1989	2,912.3	2,827.7	5,740.0	-	27.2	27.2	855.3 [b]	-	3,767.6	2,854.9	6,622.5
1990	2,892.8	3,498.1	6,390.9	-	24.1	24.1	888.8 [b]	-	3,781.6	3,522.2	7,303.8
1991	2,006.0	5,236.0	7,242.0	-	28.9	28.9	920.0 [b]	-	2,926.0	5,264.9	8,190.9
1992	2,275.0	5,881.0	8,156.0	-	30.9	30.9	1,122.0 [b]	-	3,397.0	5,911.9	9,308.9
1993	2,211.0	6,589.0	8,800.0	-	30.9	30.9	1,212.0 [b]	-	3,423.0	6,619.9	10,042.9
1994	2,361.5	6,422.6	8,784.1	-	31.5	31.5	1,022.1 [b]	-	3,383.6	6,454.1	9,837.7
1995	1,965.0	7,242.0	9,207.0	-	29.0	29.0	1,116.0 [b]	-	3,081.0	7,271.0	10,352.0
1996	2,372.0	6,554.0	8,926.0	-	22.0	22.0	895.0 [c]	-	3,267.0	6,576.0	9,843.0
1997	3,137.0	5,678.0	8,815.0	-	21.0	21.0	1,437.0 [d]	-	4,574.0	5,699.0	10,273.0
1998	3,346.0	5,869.0	9,215.0	37.0	3.0	40.0	1,501.0 [d]	-	4,884.0	5,872.0	10,756.0
1999	1,451.0	8,056.0	9,507.0	43.0	1.0	44.0	1,346.0 [d]	-	2,840.0	8,057.0	10,897.0
2000	518.0	9,043.0	9,561.0	45.0	-	45.0	1,125.0 [d]	-	1,688.0	9,043.0	10,731.0
2001	1,573.0	9,486.0	11,059.0	55.0	-	55.0	1,382.0 [d]	-	3,010.0	9,486.0	12,496.0
Total	69,141.2	107,077.0	176,198.2	180.0	249.5	429.5	23,354.6	2,114.8	94,790.6	107,326.5	202,117.1

[a] Outlays are for the Essential Air Service program, which was created in 1978 in the Airline Deregulation Act. Through 1997 this program was funded from the Airport and Airway Trust Fund. Starting in 1998 the FAA reauthorization funded it as a mandatory program supported by overflight fees. Outlay statistics were not available until 1989.

[b] Includes only air transportation R&D, construction of facilities, and research and program management.

[c] Includes only aeronautical research, research program management, and research construction obligations.

[d] Includes only aero-space technology program and aeronautical construction obligations.

Source: *Budget of the United States Government*, Office of Management and Budget, Executive Office of the President, fiscal years 1960-2001.

Table A-9. Federal Outlays for Cost of Highway Transportation System, 1960-2001 (millions of dollars)

Fiscal year	Federal Highway Adminis-tration [a]	National Highway Traffic Safety Admin-istration	U.S. Forest Service [b]	National Park Service	Bureau of Indian Affairs	Bureau of Reclamation	U.S. Army Corps of Engineers	Bureau of Land Management	Federal Emergency Management Agency	Depart-ment of Housing and Urban Development	Depart-ment of Defense Agencies	Other [c]	Total
1960	3,001.0	-	2.0	25.0	15.0	7.0	49.0	8.0	-	-	24.0	45.0	3,176.0
1961	2,681.0	-	3.0	30.0	16.0	2.0	51.0	9.0	-	-	22.0	45.0	2,859.0
1962	2,852.0	-	20.0	35.0	21.0	12.0	58.0	14.0	-	-	22.0	16.0	3,050.0
1963	3,108.0	-	23.0	36.0	21.0	8.0	92.0	14.0	-	-	-	22.0	3,324.0
1964	3,729.0	-	27.0	39.0	17.0	3.0	87.0	14.0	-	-	-	47.0	3,963.0
1965	4,101.0	-	32.0	39.0	21.0	3.0	79.0	16.0	-	-	-	26.0	4,317.0
1966	4,216.0	-	35.0	44.0	23.0	15.0	68.0	20.0	-	8.0	-	6.0	4,435.0
1967	4,166.0	-	134.0	28.0	20.0	9.0	89.0	16.0	-	15.0	-	10.0	4,487.0
1968	4,382.0	-	142.0	25.0	24.0	9.0	73.0	18.0	-	8.0	-	12.0	4,693.0
1969	4,423.0	-	146.0	24.0	23.0	8.0	63.0	15.0	-	2.0	-	21.0	4,725.0
1970	4,686.0	-	184.0	27.0	26.0	8.0	76.0	15.0	-	5.0	-	48.0	5,075.0
1971	5,008.0	-	198.0	28.0	26.0	4.0	76.0	21.0	-	4.0	-	67.0	5,432.0
1972	4,811.0	145.0	212.0	15.0	47.0	9.0	77.0	23.0	-	7.0	-	42.0	5,388.0
1973	4,934.0	157.0	207.0	18.0	47.0	13.0	78.0	22.0	-	7.0	-	359.0	5,842.0
1974	4,673.0	164.0	175.0	30.0	63.0	12.0	86.0	29.0	-	6.0	-	594.0	5,832.0
1975	4,900.0	156.0	204.0	40.0	76.0	16.0	83.0	39.0	-	9.0	-	702.0	6,225.0
1976	8,417.0	177.0	213.0	43.0	71.0	20.0	97.0	42.0	-	4.0	-	674.0	9,758.0
1977	6,266.0	197.0	346.0	41.0	76.0	19.0	82.0	49.0	-	8.0	-	791.0	7,875.0
1978	6,225.0	231.0	356.0	47.0	91.0	10.0	86.0	36.0	-	2.0	-	985.0	8,069.0
1979	7,608.0	272.0	402.0	45.0	98.0	15.0	156.0	25.0	-	-	-	1103.0	9,724.0
1980	9,642.0	280.0	401.0	42.0	83.0	15.0	52.0	50.0	-	410.0	-	588.0	11,563.0
1981	9,655.0	279.0	550.0	44.0	67.0	13.0	90.0	48.0	-	442.0	-	789.0	11,977.0
1982	8,606.0	223.0	417.0	50.0	77.0	8.0	77.0	71.0	-	350.0	-	554.0	10,433.0
1983	9,359.0	193.0	387.0	51.0	76.0	13.0	54.0	80.0	-	350.0	-	480.0	11,043.0
1984	10,760.0	201.0	396.0	54.0	120.0	21.0	27.0	81.0	-	308.0	-	686.0	12,654.0
1985	12,927.0	208.0	402.0	53.0	118.0	13.0	63.0	82.0	-	266.0	-	688.0	14,820.0
1986	14,314.0	227.0	360.0	51.0	18.0	14.0	57.0	65.0	-	307.0	-	662.0	16,075.0
1987	12,906.0	211.0	433.0	56.0	23.0	19.0	43.0	60.0	-	270.0	-	418.0	14,439.0
1988	14,136.0	205.0	418.0	59.0	22.0	79.0	17.0	73.0	-	203.0	-	317.0	15,529.0
1989	13,172.0	204.0	439.0	59.0	22.0	123.0	20.0	71.0	-	168.0	-	322.0	14,600.0
1990	14,636.0	209.0	183.0	60.0	33.0	58.0	26.0	86.0	-	171.0	-	125.0	15,587.0
1991	14,744.0	202.0	227.0	60.0	44.0	35.0	53.0	27.0	-	173.0	-	285.0	15,850.0
1992	15,787.0	216.0	209.0	24.0	48.0	30.0	41.0	14.0	-	179.0	-	381.0	16,909.0
1993	16,768.0	242.0	216.0	60.0	35.0	8.0	84.0	17.0	-	31.0	-	282.0	17,743.0
1994	19,053.0	261.0	216.0	53.0	38.0	12.0	52.0	19.0	59.0	28.0	-	184.0	19,975.0
1995	19,248.6	275.7	185.5	31.9	55.4	6.0	43.8	17.0	32.0	15.7	-	170.0	20,081.6
1996	19,698.6	258.7	169.1	28.5	28.6	5.5	43.7	27.1	100.6	19.8	-	256.3	20,636.5
1997	20,223.5	269.9	176.2	46.7	56.9	3.4	38.2	26.5	128.5	20.1	-	342.9	21,323.8
1998	19,385.9	306.2	215.6	42.4	201.2	4.2	65.8	5.4	108.9	18.9	-	315.3	20,669.8
1999	22,231.0	306.2	205.0	42.4	199.1	4.1	39.3	5.4	119.4	18.9	-	286.3	23,457.1
2000	26,227.5	461.6	301.6	54.2	250.4	2.0	23.9	18.7	69.3	26.0	-	322.6	27,757.8
2001	28,163.6	531.1	492.5	38.4	230.7	2.0	24.0	18.6	67.7	26.2	-	344.8	29,939.6
Total	445,810.7	7,260.4	10,060.5	1,719.5	2,668.3	690.2	2,640.7	1,407.7	685.4	3,886.6	68.0	14,414.2	491,312.2

[a] Includes federal-aid account expenditures administered jointly with other agencies.

[b] Excludes Forest Development Trails Program trails for timber access and forest management that do not provide full public access.

[c] Includes the Mineral Management Service and the Bureau of Transportation Statistics, among others.

Sources: For years 1960-1994, *Highway Statistics Summary to 1995*, FHWA, USDOT, Table FA-205; for years 1995-2001 *Highway Statistics*, FHWA, USDOT, fiscal years 1996-2001, Table FA-5R for 1995-2000 and Table FA-5 for 2001.

Table A-10. Federal Airport and Airway Cost Allocation by User Group

User type	1978	1985	1986	1987	1988	1991	1995
Private sector							
Commercial							
Domestic jet	na	41.56	41.72	40.85	40.84	40.56	53.47
Charter	na	na	na	na	na	na	1.71
International	na	2.32	2.31	2.23	2.24	2.32	6.10
Air taxi	na	na	na	na	na	na	3.13
Commuter	na	13.62	14.17	14.42	14.75	16.73	7.80
Subtotal, passengers	55.73	57.50	58.20	57.50	57.83	59.61	72.21
Cargo	2.27 [a]	2.35	2.36	2.43	2.41	2.10	8.46
Subtotal, commercial	58.00	59.85	60.56	59.93	60.24	61.71	80.67
General Aviation							
Piston	na	13.04	13.16	13.26	13.26	12.40	5.18
Air taxi	na	2.52	2.52	2.69	2.76	2.65	na
Turbine	na	9.94	9.59	9.61	9.64	10.04	5.96
Rotor	na	1.22	1.23	1.27	1.30	1.24	0.52
Subtotal, general aviation	27.00	26.72	26.50	26.83	26.96	26.33	11.66
Total, private	85.00	86.57	87.06	86.76	87.20	88.04	92.33
Public sector							
Military	na	12.37	11.83	12.11	11.64	10.70	6.14
Government	na	0.59	0.58	0.60	0.60	0.58	0.49
Public interest	na	0.48	0.52	0.53	0.56	0.68	na
Overflights	na	na	na	na	na	na	1.04
Total, public	15.00	13.44	12.93	13.24	12.80	11.96	7.67
Grand total	100.00	100.00	99.99	100.00	100.00	100.00	100.00

Note: Items might not sum to totals because of rounding. An entry of "na" indicates not available.

[a] Estimated from the 1985 ratio of total commercial cost to cargo cost.

Sources: *Allocation of Federal Airport and Airway Costs for FY 1985*, FAA, USDOT, December 1986; *Allocation of Future Federal Airport and Airway Costs*, FAA, USDOT, December 1986; *Allocation and Recovery in the 1980s*, FAA, USDOT, February 1987; *Allocation and Recovery of Federal Airport and Airway Costs, 1991*, FAA, USDOT, February 1992, Table 2; and *A Cost Allocation Study of FAA's 1995 Costs*, GRA Incorporated, March 1996, Table 6-8.

Table A-11. Implicit Price Deflator for Gross Domestic Product, Government Purchases, 1960-2001

Year	1996 dollars	2001 dollars
1960	0.1721	0.1519
1961	0.1753	0.1548
1962	0.1798	0.1587
1963	0.1841	0.1625
1964	0.1892	0.1670
1965	0.1943	0.1715
1966	0.2022	0.1785
1967	0.2107	0.1860
1968	0.2225	0.1964
1969	0.2358	0.2082
1970	0.2547	0.2249
1971	0.2747	0.2425
1972	0.2952	0.2606
1973	0.3170	0.2799
1974	0.3486	0.3078
1975	0.3831	0.3382
1976	0.4076	0.3598
1977	0.4359	0.3848
1978	0.4639	0.4096
1979	0.5029	0.4440
1980	0.5580	0.4926
1981	0.6130	0.5412
1982	0.6543	0.5776
1983	0.6808	0.6010
1984	0.7160	0.6321
1985	0.7377	0.6513
1986	0.7507	0.6628
1987	0.7721	0.6816
1988	0.7931	0.7002
1989	0.8189	0.7230
1990	0.8516	0.7518
1991	0.8804	0.7773
1992	0.9011	0.7955
1993	0.9244	0.8161
1994	0.9484	0.8373
1995	0.9756	0.8613
1996	1.0000	0.8828
1997	1.0223	0.9025
1998	1.0372	0.9157
1999	1.0652	0.9404
2000	1.1064	0.9768
2001	1.1327	1.0000

Source: National Income and Product Accounts, Table 7.1, Bureau of Economic Analysis, U.S. Department of Commerce, March 2003.

Table A-12. Passenger Trips by Mode, 1960-2001 (millions)

Fiscal year	Commercial air carriers	Intercity bus	Amtrak	Mass transit
1960	56.8	366.0	-	9,600.0
1961	57.3	358.0	-	9,083.0
1962	61.2	355.0	-	8,891.0
1963	69.9	354.0	-	8,591.0
1964	79.8	360.0	-	8,595.0
1965	92.7	378.0	-	8,526.0
1966	106.6	402.0	-	8,446.0
1967	129.7	400.0	-	8,278.0
1968	147.2	398.0	-	8,371.0
1969	159.9	396.0	-	8,222.0
1970	155.0	401.0	-	9,010.0
1971	158.1	395.0	10.6	7,538.0
1972	174.4	393.0	16.6	7,048.0
1973	185.4	381.0	17.0	6,758.0
1974	191.7	386.0	18.3	6,846.0
1975	191.1	351.0	16.8	7,132.0
1976	209.6	340.0	18.6	7,219.0
1977	225.9	329.0	19.0	7,326.0
1978	257.0	336.0	19.2	7,868.0
1979	295.2	368.0	21.5	8,394.0
1980	275.2	370.0	20.8	8,500.0
1981	267.3	375.0	20.6	8,217.0
1982	277.0	370.0	19.4	7,985.0
1983	299.7	365.0	18.9	8,148.0
1984	325.2	351.0	19.9	8,706.0
1985	362.6	348.0	20.1	8,514.0
1986	398.4	336.0	20.2	8,661.0
1987	420.8	333.0	20.7	8,601.0
1988	423.9	334.0	21.5	8,513.0
1989	421.3	337.0	21.4	8,784.0
1990	428.8	334.0	22.4	8,652.0
1991	417.4	337.0	21.7	8,423.0
1992	436.1	339.0	21.4	8,352.0
1993	450.6	339.9	21.5	8,211.0
1994	481.8	343.2	21.2	7,781.0
1995	499.0	366.5	20.3	7,595.0
1996	538.4	347.9	19.7	7,774.0
1997	542.0	350.6	20.2	8,183.0
1998	559.7	357.6	21.2	8,566.0
1999	582.9	358.9	20.3	8,977.0
2000	610.6	364.6	23.0	9,165.0
2001	570.1	356.9	23.5	9,292.9
Total	12,593.3	15,162.1	617.5	347,342.9

Note: A round trip by one passenger counts as two passenger trips. General aviation and auto travel passenger trip data are not available.

Sources: *Transportation in America*, Eno Transportation Foundation, 10th and 19th editions, 1992 and 2002, respectively.

Table A-13. Passenger Miles Traveled by Mode, 1960-2001 (billions)

Fiscal year	Commercial air carriers	General aviation	Auto	Intercity bus	Intercity rail		Mass transit
					Amtrak	Other	
1960	31.7	2.3	706.1	19.3	-	17.1	na
1961	32.3	2.3	713.6	20.3	-	16.1	na
1962	34.8	2.7	735.9	21.8	-	15.9	na
1963	39.4	3.4	765.9	22.5	-	14.4	na
1964	45.5	3.7	801.8	23.3	-	14.0	na
1965	53.7	4.4	817.7	23.8	-	13.3	na
1966	63.7	5.7	856.4	24.6	-	12.9	na
1967	80.2	7.0	889.8	24.9	-	10.9	na
1968	93.0	8.2	936.4	24.5	-	8.7	na
1969	111.1	8.8	977.0	24.9	-	7.6	na
1970	109.5	9.1	1,026.0	25.3	-	6.2	na
1971	110.7	9.2	1,071.0	25.5	2.0	2.3	na
1972	123.0	10.0	1,129.0	25.6	3.0	1.3	na
1973	132.4	10.7	1,162.8	26.4	3.8	1.2	na
1974	135.4	11.2	1,121.9	27.7	4.3	1.5	na
1975	136.9	11.4	1,170.7	25.4	3.8	1.6	na
1976	152.3	12.1	1,259.6	25.1	4.3	1.6	na
1977	164.2	12.8	1,316.0	26.0	4.2	1.6	na
1978	189.1	14.1	1,362.0	25.6	4.2	1.4	37.9
1979	212.7	15.5	1,322.4	27.7	4.9	1.5	39.3
1980	204.4	14.7	1,210.3	27.4	4.5	-	39.5
1981	201.4	14.6	1,215.0	27.1	4.4	-	38.1
1982	213.6	13.1	1,226.0	26.9	4.2	-	36.7
1983	232.2	12.7	1,243.6	25.6	4.2	-	37.2
1984	250.7	13.0	1,277.4	24.6	4.6	-	38.7
1985	277.8	12.3	1,310.3	23.8	4.8	-	38.8
1986	307.9	12.4	1,367.8	23.7	5.0	-	39.4
1987	329.2	12.1	1,430.3	23.0	5.4	-	39.8
1988	334.3	12.6	1,494.7	23.1	5.7	-	40.7
1989	335.2	13.1	1,550.8	24.0	5.9	-	40.3
1990	345.9	13.0	1,452.3	23.0	6.1	-	40.3
1991	338.1	12.1	1,491.4	23.1	6.3	-	39.8
1992	354.3	10.8	1,544.8	22.6	6.1	-	39.3
1993	362.2	9.9	1,575.0	24.7	5.9	-	38.3
1994	388.4	9.8	1,624.8	28.1	5.9	-	38.5
1995	403.9	10.8	1,641.2	28.1	5.4	-	38.7
1996	434.7	12.0	1,693.1	28.8	5.1	-	40.5
1997	450.6	12.5	1,739.7	30.6	5.2	-	40.9
1998	463.3	13.1	1,805.5	31.7	5.3	-	42.7
1999	488.4	14.1	1,872.8	34.7	5.3	-	44.3
2000	515.4	15.2	1,910.6	37.9	5.6	-	46.0
2001	487.9	15.9	1,937.8	41.5	5.6	-	na
Total	9,771.4	444.4	53,757.2	1,094.2	150.8	151.1	915.8

Note: "na" indicates not available.

Sources: *Transportation in America*, Eno Transportation Foundation, 6th edition supplement, 1979, 10th edition supplement, 1992 and 19th edition, 2002; *Yearbook of Railroad Facts*, Association of American Railroads, 1961, 1962, 1977, and 1980 editions; *Public Transportation Fact Book*, American Public Transportation Association, 2002, 1991, and 1985.

Bus Tours and Bus Passengers: Impact on Local Economies

American Bus Association

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Bus Tours and Bus Passengers: Impact on Local Economies

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Executive Summary

INTRODUCTION

Destination marketers and travel industry suppliers have long known that a significant share of their visitors either arrive by motorcoach or join a group for sightseeing or transportation at some point in their visit. Now, with the publication of this report on a series of surveys performed by a research team from The George Washington University (GWU), tourism stakeholders can better quantify the nature and economic impact of those visitors on the places they visit. The GWU team conducted five separate surveys to profile the nature and scope of bus tour expenditures among five distinct groups:

- Motorcoach operators
- Local businesses that serve travelers
- Overnight tour passengers
- Single-day charter passengers
- Passengers in scheduled intercity bus terminals

The primary objectives of the study were to:

- Identify bus tour characteristics including frequency, duration, type of accommodations, local attractions, tour size, and average price of package.
- Create three distinct formulas based on the data collected that cities can use to determine the economic impact of bus tours in their specific area.
- Determine the impact of bus tours on local businesses in the areas studied.
- Estimate the economic impact of bus passengers on regular scheduled bus service.

METHODOLOGY

All work for the study was done in the field in New York City, Washington, D.C., and Lancaster, Pa., three tourism destinations with unique attractions and characteristics. The study, commissioned by the American Bus Association, was implemented between January 2001 and July 2001.

Data for this study was collected from nine major bus companies primarily located in the North East, over 900 bus tour passengers on day and over night tours in Washington, D.C., Lancaster, Pa. and New York, N.Y., 394 bus passengers on regular scheduled bus service from either Washington, D.C. or New York City and 28 local businesses. Surveys were mailed to the bus companies with follow-up phone interviews. Trained data collectors met bus tours at specific points in their itineraries and distributed surveys to individual bus tour passengers. These same data collectors

were assigned to bus terminals to collect data from regular service passengers. Local businesses were mailed surveys and also interviewed in person. [1]

SURVEY RESULTS

Survey One: Bus Company Profile

Bus companies–that is, operators of motorcoach charters or tours–were asked to provide information on tour itineraries, passenger loads, and costs in each of the destinations studied. The average total hours spent by bus tours were reported to be 20.4 hours in Washington, 14.1 hours in Lancaster, and 14.6 hours in New York. The average total number of nights spent in each destination was reported to be 1.3 in Washington, 0.7 in Lancaster, and 1.0 in New York. The average number of day passengers per bus was 39.1 for Washington, 45.7 for Lancaster, and 45.0 for New York. The average number of overnight passengers was 45.4 for Washington, 38.1 for Lancaster, and 38.4 for New York.

For overnight tours, the bus companies tended to stay in three and four star accommodations with Best Western, Choice Hotels, Hampton Inn, Holiday Inn, and Travelodge being cited most frequently. For meals, most of the bus companies reported using full-service restaurants that were unique to the area versus chain establishments.

The average amount spent per bus on accommodations, meals, attractions, fuel and additional fees in each of the destinations was $4,780.31 in Washington, $4302.01 in Lancaster, and $7,107.47 in New York. The average price of tours ranged from $58.80 for a Washington, day tour to $900.00 for a 3-day trip to New York City. Of this price, approximately 63.9% remained in Washington, 62.1% remained in Lancaster, and 47.1% remained in New York.

Survey Two: Local Business Survey

Local restaurants, retailers, hotels, and attractions were surveyed in each of the three destinations to determine the importance of bus tours to their individual businesses. The estimated share of total business generated from bus tours per quarter ranged from a low of 18.3 percent January through March to a high of 40% April through June. The estimated amount spent per bus passenger at each of these establishments was $15 at restaurants, $35 at retail locations, $268.12 at hotels and $35 at attractions. Ninety percent of the businesses rated the importance of bus tours to their business as "Very Important" or "Somewhat Important."

Survey Three: Day Trip Passenger Survey

Day trip bus passengers were asked to complete a survey regarding their expenditures and demographics. The average price paid for a day-trip bus tour was $74.34. Sixty-

[1] All data was analyzed using StatView, a statistical software package.

two percent reported that lunch was included and 21% reported that dinner was included. Passengers spent an additional $22.69 on meals, retail, transportation and tourist attractions. More females (62%) than males (38%) completed the survey. The majority of passengers fell between 45-74 years in age, 58% were married, 47% were retired, 16% were students, 42% completed college, and 37% made less than $50,000 per year. Ninety-two percent (92%) of the passengers said that they would like to return to the destination and 98% would recommend the destination to their friends and family.

Survey Four: Overnight Passenger Survey

Passengers on overnight bus tours (tours including one or more overnight stays) were asked to complete a survey regarding their expenditures and demographics. The average price paid for an overnight bus tour was $448.71 with the average length of stay being 3.1 nights. Most of the tours included some meals in the package price with the average including 2.3 breakfasts, 2.4 lunches, and 2.1 dinners. Passengers spent an additional $75.84 on meals, retail, transportation and tourist attractions. More females (61%) than males (39%) completed the survey. Approximately half of the respondents were 17 years old or under representing school groups, 56% were single (never married) and 47% had an income level of $50,000 or less. Ninety-five percent (95%) of the passengers said that they would like to return to the destination and 99% would recommend the destination to their friends and family.

Survey Five: Bus Terminal Survey

Passengers traveling independently on regularly scheduled buses were asked to complete a survey regarding their expenditures, travel behaviors, and demographics. The majority of passengers (51%) were traveling between Washington, DC and New York City with the other passengers traveling to various destinations across the United States but primarily on the East Coast. The main reason for traveling by bus was cost (63%), followed by ease of travel (21%). The main reason for selecting a particular bus company was also cited as cost. Twenty-eight percent (28%) said that they travel by bus "very often" or "fairly often" with 15% reporting this to be their first time traveling by scheduled bus service. The average amount spent on a bus ticket was $67.14. The amount spent in the travel destination was $91.71. Of the 43.4% that reported staying in paid accommodations (not staying with family or friend), the average amount spent on accommodations was $46.47. The largest percent of passengers were between 18-24 years old (45%) followed by 20% in the 25-34 year old category. More males (58%) than females (42%) responded to the bus terminal survey. Thirty-six percent were students and 33% had finished college. Fifty-four percent (54%) had an income level of $50,000 or less.

ANALYSIS

Based on the figures reported by bus companies and tour passengers, there is little doubt that the economic impact of bus travel is significant, and that charter and tour bus passengers experience a high level of satisfaction with both individual tour components and the destinations visited. The local businesses studied proved well aware of the economic importance of bus visits to their own business, in terms of both the revenues taken in from bus groups and their relative share of overall business.

By applying the survey data to a mathematical formula that takes into account these new findings (average package price, the percent that remains in the local area, the number of passengers per bus, and the additional amount spent per passenger), the total economic impact of a bus visit can be estimated for each of the three destinations studied. In addition, though every destination has its own unique mix of attractions and hospitality offerings, the new data yielded by these formulas offers a starting point for other destinations to estimate their own local stake in the motorcoach tourism market.

To use the formulas, local data will still be required. Specifically, local businesses that serve travelers must be surveyed to determine how many overall bus visits they receive on either a weekly, monthly, quarterly or other relevant seasonal basis. Because obtaining specific revenue data traditionally has been the biggest barrier to bus impact data collection in the past, destination marketing organizations may find their data collection burden substantially eased by the formulas in this report.

Next, it will be necessary to determine the average trip duration to the local destination. Annual bus visit data from local lodging businesses can be compared to annual bus visit data from the destination's major local attraction(s) to roughly determine the overall percentage of local bus visits that remain overnight. An inquiry should be made to local lodging businesses as to what rough percentage of motorcoach groups stay for more than one night, as this figure varies most from place to place based on the nature and number of nearby attractions that support it as a motorcoach tour "hub." A general U.S. and Canadian finding has been that 72 percent of bus visits are day trips and 28 percent of bus visits are by groups staying one night or more.[2]

Motorcoach operators can utilize this data to support their efforts for enhanced bus amenities such as access and parking and more informed oversight at the local level. In addition, destinations can use this data to help shape their own marketing efforts and determine the appropriate level of attention and investment to dedicate to bus tour operators and the group travel segment. To aid in this analysis and planning, the full report offers a formula for calculating the overall economic impact of bus tours on the three surveyed destinations. Destinations interested in applying this formula to their own situation should consider which of the three studied sites most closely matches their own and use or adapt the data provided for that destination. To use the model

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[2] Breakout of day trips versus overnights is based on an October 1996 survey of 33 million U.S. and Canadian motorcoach travelers by Longwoods International, sponsored by the American Bus Association.

below, choose a "destination type" and combine the products of the three corresponding columns to estimate annual economic impact.

Destination Type:	Multiply the number of **day-trip** buses by this number	Multiply the number of **one-night bus tours** per year by this number	Multiply the number of **two-night bus tours** per year by this number
Historical/ Cultural Destination, like Washington D.C., with a number of popular monuments, museums, and places of historical interest, use these per-bus value figures:	$2,536	$7,685	$12,199
Rural/ Ethnic Destination like Lancaster, Pa., in a more rural setting, with outlet shopping, local food and flavor, and an emphasis on cultural heritage and ethnic tourism, use these per-bus value figures:	$2,415	$5,094	$9,021
Major Cosmopolitan Destination like New York City, in or close to a major city, dense with restaurants and lots of entertainment and shopping, use these per-bus value figures	$4,563	$11,264	$16,080

CONCLUSION

No two travel destinations are the same. The characteristics of local geography, regional populations, attractions, weather, accessibility, history and cultural relevance make it difficult to precisely assign dollar values and estimate impacts to the diverse motorcoach tourism that may be experienced in various locales. Still, the survey findings demonstrate that motorcoach tour groups comprise a dynamic and powerful economic force that should be considered when formulating public policy, transportation and overall city planning. Destination marketers can now engage in more informed planning and budgeting in order to both attract motorcoach tour groups, and serve them successfully, so that tour operators will be encouraged to return, ultimately as partners in their success.

Bus Tours and Bus Passengers: Impact on Local Economies

INTRODUCTION

The American Bus Association commissioned the George Washington University to conduct a study to determine the economic impact of bus tours on first and second tier cities, specifically New York City, Washington, D.C. and Lancaster, PA. These cities were selected for their unique tourism characteristics and sampling convenience. The objectives of this study were to:

1. Create three distinct formulas based on the data collected that cities can use to determine the economic impact of bus tours in their specific area.
2. Estimate the economic impact of bus tours in the three cities studied.
3. Determine the impact of bus tours on local businesses in the areas studied.
4. Identify bus tour characteristics including frequency, duration, type of accommodations, local attractions, tour size and average price of package.
5. Estimate the economic impact of bus passengers on regular scheduled bus routes from Washington, D.C. and New York City.

To achieve these objectives, five different surveys were created and disseminated:

- Bus company survey
- Local business survey
- Overnight passenger survey
- Day passenger survey
- Bus terminal surveys

Findings from these surveys are included in this report.

SURVEY FINDINGS

Survey One: Bus Company Survey

The "Bus Company Survey" (see appendix A) collected data on tour characteristics and bus company expenditures in local areas. A list of bus companies conducting day trip and overnight business in each of the three study areas was received from the ABA. The companies conducting the most tours in each area were selected to participate in the study. A total of 20 bus companies were mailed the survey at the end of January 2001. Follow-up phone calls and e-mails were made every two weeks in an attempt to increase the response rate. Nine companies ultimately responded for a 45% response rate.

The sample included three companies that took day and night trips to all three cities, two companies that took just day trips to all three cities, one company that took just night trips to all three cities, one company that took just night trips to Washington and just day trips to Lancaster and New York, one company that took just day trips to Washington and Lancaster and just night trips to New York and one company that took just night trips to Washington and New York and both day and night trips to Lancaster.

On average, the companies reported taking 69.3 day trips to Washington, 33.0 to Lancaster and 14.6 to New York. The average overnight trips reported by these companies were 25.4 to Washington, 18.9 to Lancaster and 8.3 to New York.

The bus companies reported traveling an average of 458 miles to Washington, 327 miles to Lancaster and 433 miles to New York.

The average number of nights spent in each destination was 1.3 for Washington, 0.7 for Lancaster and 1.0 for New York.

The average total hours spent in each destination were reported to be 20.4 hours in Washington, 14.1 hours in Lancaster and 14.6 hours in New York.

The average number of day passengers per bus was 39.1 for Washington, 45.7 for Lancaster and 45.0 for New York. The average number of overnight passengers was 45.4 for Washington, 38.1 for Lancaster and 38.4 for New York.

As far as the **type of hotels** used in each of the destinations:

- **Washington:** four companies (44%) reported using four star hotels, three (33%) reported using three star hotels, one (11%) company reported using less than three star hotels and one company did not answer this question.
- **Lancaster:** three companies (43%) reported using four star hotels, three (43%) reported using three star hotels and one (14%) reported using less than three star hotels.
- **New York:** three companies (43%) reported using four star hotels, three (43%) reported using three star hotels and one (14%) reported using less than three star hotels.

The **hotels most commonly visited** by the bus companies:

- **Washington:** Best Western, Holiday Inn, Days Inn, Econolodge, Hampton Inn, Comfort Inn, Howard Johnson, Quality Inn, Ramada Inn, Choice Hotels, Fairfield Inn and Travelodge.
- **Lancaster:** Best Western, Choice Hotels, Comfort Inn, Holiday Inn, Hampton Inn, Travelodge, Milford Plaza and Your Place Country Inn.
- **New York:** Best Western, Choice Hotels, Days Inn, Hampton Inn, Quality Inn, Ramada Inn, Holiday Inn, Travelodge and La Quinta Inn.

The **restaurants most commonly visited** by the bus companies:

- **Washington:** Old Country Buffet, Phillips Seafood, Filomena, Hogate's, Union Station, Hard Rock Café, Pier 7, Tony & Joe's and Odyssey Cruise. Of restaurants listed for Washington, one was fast food while the rest were full-service restaurants.
- **Lancaster:** Amish Experience, Hershey Farms, Miller's Smorgasbord, Strasberg Inn, Willow Valley, Plain and Fancy, Bird in the Hand, Cracker Barrel, Good & Plenty, Stoltzfus Restaurant and Your Place Country Inn. Of restaurants listed for Lancaster, all were full-service restaurants.
- **New York:** Crust-On Own, Lisa's Catering, Tavern on the Green, Carmine's, Ernie's, Marriott Marquis, Tutto Bene, World Yacht Lunch, Bradigano, Hard Rock Café and Sparks. Of restaurants listed for New York, all were full-service restaurants.

The **attractions most commonly** visited by bus companies:

- **Washington:** Ford's Theater, The Smithsonian, Step-on-Guide, Washington Monument, Arlington Cemetery, Lincoln Memorial, the White House, the Air and Space Museum, Capitol Hill, the Holocaust Museum, the Kennedy Center, the Vietnam War Memorial and Odyssey Cruise
- **Lancaster:** the American Music Theater, Millennium Theater, Rainbow Theater, Dutch Apple Dinner Theater, Amish Country, Dutch Country, Rockvale Mall, Outlet Center, Sturgis Pretzel, Kitchen Kettle Village, Strasberg Railroad and Moravian Church Tour.
- **New York:** Broadway, the Theater District, NASDAQ, Ellis Island, Yankee Stadium, Empire State Building, Museum of Natural History, Radio City Music Hall, United Nations and World Yacht Cruise.

The **shopping areas most commonly** visited by bus companies:

- **Washington:** Union Station, Georgetown and the Old Post Office Pavillion
- **Lancaster**: Outlet Centers, Rackvale Square, Tangiers Mall and Kitchen Kettle Village.
- **New York:** Grand Central Station, South Street Seaport, 5th Avenue and Macy's.

The **average amount spent per bus (by bus companies) on hotel accommodations:**

- **Washington:** $2,547.14
- **Lancaster:** $2,089.17
- **New York:** $3,655.83

The **average meal spending per bus (by bus companies):**

- **Washington:** $1,059.50
- **Lancaster:** $898.13
- **New York:** $1,437.14

The **average spent on attractions per bus (by bus companies):**

- **Washington:** $1,000.00
- **Lancaster:** $1,170.71
- **New York:** $1,891.00

The **average spending on fuel per bus (by the bus companies)**:

- **Washington:** $98.67
- **Lancaster:** $69.00
- **New York:** $91.00

And for **additional fees**, the bus companies reported spending an average of $75.00 in Washington, $75.00 in Lancaster and $32.50 in New York.

	Washington	Lancaster	New York
Accommodations	$2,547.14	$2,089.17	$3,655.83
Meals	$1,059.50	$898.13	$1,437.14
Attractions	$1,000.00	$1,170.71	$1,891.00
Fuel	$98.67	$69.00	$91.00
Fees	$75.00	$75.00	$32.50

Table 1. Amounts spent, listed by city

In terms of the **total bus tour package price** (see table 2 below), the average price reported for a day trip was $58.80 to Washington, $64.17 to Lancaster and $81.38 to New York. The average price for a one-night trip was $179.00 to Washington, $171.00 to Lancaster and $316.00 to New York. The average price for a two-night trip was $334.60 to Washington, $337.00 to Lancaster and $579.00 to New York. The only company reporting to have a three-night trip to New York reported $900.00.

	Washington	Lancaster	New York
Day Trip	$58.80	$64.17	$81.38
One Night Trip	$179.00	$171.00	$316.00
Two Night Trip	$334.60	$337.00	$579.00
Three Night Trip	N/A	N/A	$900.00

Table 2. Amount spent on specified number of days, listed by city

When asked what percentage of the total tour package price per person remains in the local area, the bus companies reported that 63.9% remained in Washington, 62.1% remained in Lancaster and 47.1% remained in New York.

Survey Two: Local Business Survey Findings

Local businesses were surveyed in each of the three destinations to determine the importance of bus tours to their individual business. Of the 50 local businesses asked to participate, 33 responded. In Washington, the responses were from eight hotels, three restaurants and two retailers. In Lancaster, the responses were from two attractions, two hotels, four restaurants and two retailers. In New York, the responses were from six hotels, two restaurants and one retailer. This constitutes a 66 percent response rate. The businesses that responded were restaurants, hotels, retailers and attractions. From those that responded from each of the three tourism destinations, the following data was collected.

On average, the **percent of business** (see tables 3-6 below) attributed to bus tour passengers per quarter in Washington was 20.5% for January to March and 33% for April to June, 21.3% for July to September and 18.8% for October to December. In Lancaster, the business attributed to bus passengers per quarter was 15.6% for January to March, 49.8% from April to June, 49.7% for July to September and 49.8% for October to December. In New York, the business attributed to bus passengers per quarter was 18.1% for January to March, 17.5% for April to June, 11.9% for July to September and 19.1% for October to December. The total average of all three destinations combined was 18.3% for January to March, 40.0% for April to June, 27.7% for July to September and 28.9% for October to December.

The businesses were asked **how many buses** frequented their place of business per quarter. On average, the number of buses stopping at businesses in Washington was 55.6 from January to March, 144.5 from April to June, 106.3 from July to September and 57.9 from October to December. In Lancaster the average was 94.9 from January to March, 694.8 from April to June, 737.4 from July to September and 753.7 from October to December. In New York the average number of stops per quarter were 70.3 from January to March, 151.4 from April to June, 69.6 from July to September and 70.8 from October to December. The total average of all stops in all three destinations was 71.6 from January to March, 323.3 from April to June, 298.7 from July to September and 285.2 from October to December.

	Jan – Mar	April - June	July - Sept	Oct - Dec
% business	18.3	40.0	27.7	28.9
# of stops	71.6	323.3	298.7	285.2

Table 3. Quarterly percentages of business attributed to bus tours for Washington, Lancaster, and New York combined and number of buses stopping at businesses

	Jan – Mar	April - June	July - Sept	Oct - Dec
% business	20.5	33.0	21.3	18.8
# of stops	55.6	144.5	106.3	57.9

Table 4. Quarterly percentages of business attributed to bus tours and numbers of buses stopping at businesses for Washington

	Jan - Mar	April – June	July - Sept	Oct - Dec
% business	15.6	49.8	49.7	49.8
# of stops	94.9	694.8	737.4	753.7

Table 5. Quarterly percentages of business attributed to bus tours for Lancaster

	Jan - Mar	April – June	July - Sept	Oct – Dec
% business	18.1	17.5	11.9	19.1
# of stops	70.3	151.4	69.6	70.8

Table 6. Quarterly percentages of business attributed to bus tours for New York

The average amount that each passenger spent at their place of business reported for all three destinations was $192.34. This average was $167.46 in Washington, $53.28 in Lancaster and $310.50 in New York. When broken down into the different types of businesses, the resulting averages for Washington were $225.38 for hotels, $13.00 for restaurants and $32.50 for retailers. In Lancaster, the averages were $30.00 for attractions, $170.00 for hotels, $15.90 for restaurants and $40 for retailers. In New York, the averages were $409.00 for hotels, $15.00 for restaurants and $45 for retailers.

When asked to rate the **importance of bus tours to their business** (see table 7 below), 21 companies (64%) reported that they were very important, seven (21%) considered them somewhat important, four (12%) remained neutral and one (3%) reported that buses were not very important to their business. From the businesses in Washington, seven considered buses very important to business, five considered buses somewhat important and one was neutral. In Lancaster, all of the businesses reported that buses were very important to their business except one that was neutral. In New York, four businesses considered buses very important, two reported somewhat important, two remained neutral and one said that buses are not very important to their business.

	Very Important	Somewhat Important	Neutral	Not Very Important	Not Important At All
Washington	7	5	1	0	0
Lancaster	10	0	1	0	0
New York	4	2	2	1	0
Total	21	7	4	1	0

Table 7. Importance of bus tours as reported by local businesses, by city

The final question on the survey asked the business to report **the dollar figure that each bus contributes to their business.** The average from all three destinations was $6,381.25. The average was $6,525.90 in Washington, $2,232.22 in Lancaster and $10,850.00 in New York. When broken down into the different types of businesses, the resulting averages for Washington were $8,768.75 for hotels and $545.00 for restaurants. One food court with 22 vendors reported that the bus business contributed $2 million dollars worth of business and was very important. In Lancaster the averages were $1,200.00 for attractions, $7,250.00 for hotels and $638.00 for restaurants. In New York the averages were $14,250.00 for hotels and $650.00 for restaurants.

Tour Passenger Survey Findings

Surveys were collected from bus tour passengers on both day and overnight tours. These surveys were designed to determine the amount spent by each passenger in the local area. Demographic information was also gathered to learn more about the people traveling to each destination. A total of 900 surveys were collected from all three cities. The breakdown is shown in table 8 below.

	Washington	Lancaster	New York	Total
Day Surveys	56	200	142	398
Overnight Surveys	244	100	158	502

Table 8. Total number of surveys collected, listed by city

Survey Three: Day Passengers

In the "Day Passenger Survey," passengers were asked **which meals were included** in their tour package price (see table 9 below). In the combined destinations, 247 (62%) reported that lunch was included and 83 (21%) reported that dinner was included. In the individual destinations, 14 (25%) passengers reported receiving lunch in Washington, in Lancaster 186 (93%) passengers received lunch and 18 (9%) passengers received dinner, in New York 46 (32%) passengers received lunch and 65 (46%) passengers received dinner. No snacks were reported as included for any of the three destinations.

	Washington	Lancaster	New York	Total
Breakfast	0	0	0	0
Lunch	14	186	46	247
Dinner	0	18	65	83
Snacks	0	0	0	0

Table 9. Total number of meals included, listed by city

Passengers were also asked the **additional amount spent on each meal** (see table 10 below). The total average amount spent in the three destinations combined was $0.91 on breakfast, $4.73 on lunch, $2.04 on dinner and $1.60 on snacks. When broken down into destinations, those visiting Washington reported spending an additional $1.09 on lunch, $6.07 on dinner and $0.80 on snacks, Lancaster passengers spent $0.10 on breakfast, $0.27 on lunch and $2.01 on snacks and New York passengers spent $2.42 on breakfast, $11.43 on lunch, $1.98 on dinner and $1.33 on snacks. This comes to a total average spending of $7.96 for Washington, $4.23 for Lancaster and $17.16 for New York.

	Washington	Lancaster	New York	All Destinations
Breakfast	$0.00	$0.10	$2.42	$0.91
Lunch	$1.09	$0.27	$11.43	$4.73
Dinner	$6.07	$0.00	$1.98	$2.04
Snacks	$0.80	$2.01	$1.33	$1.60
Total	$7.96	$4.23	$17.16	$9.28

Table 10. Additional amounts spent by passengers on meals, listed by city

Questions were also asked about other spending in the local areas such as groceries and necessities bought at retail outlets, gifts and souvenirs, sports equipment rental and antiques and crafts (see table 11 below). The averages spent on these categories for all three destinations were $0.34 in retail outlets, $9.64 on gifts/souvenirs, $0.73 on sport rental and $1.05 on antiques/crafts. The averages for Washington were $0.00 in retail outlets, $16.00 on gifts/souvenirs, $1.43 on sport rental and $0.00 on antiques/crafts. The averages for Lancaster were $0.00 in retail outlets, $7.08 on gifts/souvenirs, $0.05 on sport rental and $1.59 on antiques/crafts. The averages for New York were $0.97 in retail outlets, $11.72 on gifts/souvenirs, $1.40 on sport rental and $ 0.70 on antiques/crafts.

	Washington	Lancaster	New York	All Destinations
Retail Outlets	$0.00	$0.00	$0.97	$0.34
Gifts/Souvenirs	$16.00	$7.08	$11.72	$9.64
Sport Rental	$1.43	$0.05	$1.40	$0.73
Antiques/Crafts	$0.00	$1.59	$0.70	$1.05
Total	$17.43	$8.72	$14.79	$11.76

Table 11. Additional amounts spent on meals, listed by city

Spending on transportation while in the destination was reported (see table 12 below). For all day passengers an average of $0.07 was spent on taxis and $0.11 was spent on metro buses. No additional spending on transportation was reported for Washington. In Lancaster, the averages were $0.04 on taxis and $0.01 on buses. The averages for New York were $0.14 on taxis and $0.28 on buses.

	Washington	Lancaster	New York	Total
Taxi	$0.00	$0.04	$0.14	$0.07
Metro	$0.64	$0.01	$0.28	$0.11
Total	$0.64	$0.05	$0.42	$0.18

Table 12. Amount spent on additional transportation, by city

Additional **spending on tourist attractions** was reported (see table 13 below). The combined averages were $0.10 for sightseeing, $0.01 for attractions and $1.14 for theatre. In both Washington and Lancaster no additional tourist spending was reported. The averages for New York were $0.27 for sightseeing and $3.10 for theatre.

	Washington	Lancaster	New York	All Destinations
Sightseeing	$0.00	$0.00	$0.27	$0.10
Attractions	$0.00	$0.00	$0.01	$0.00
Theatre	$0.00	$0.00	$3.10	$1.14
Sports Activity	$0.00	$0.00	$0.00	$0.00
Tips (Total)	$1.25	$0.00	$2.89	$1.21
Total	$1.25	$0.00	$6.27	$2.45

Table 13. Amount spent at additional attractions, by city

The **amount spent on tips** was also gathered (see table 14 below). The averages from all three destinations were $1.17 in restaurants and $0.04 for taxis. In Washington the average was $1.25 in restaurants. In Lancaster no additional tips were reported. In New York the averages were $2.78 in restaurants and $0.11 for taxis.

	Washington	Lancaster	New York
Tips in Restaurants	$1.25	$0.00	$2.78
Tips in Taxis	$0.00	$0.00	$0.11

Table 14. Average passenger amounts spent on tips, by city

Passengers were asked to report the **price of their tour package** (see table 15 below). The average price for all three destinations was reported to be $74.34. The individual averages were $52.38 for Washington, $54.02 for Lancaster and $111.63 for New York.

	Washington	Lancaster	New York
Price averages	$52.38	$54.02	$111.63

Table 15. Average passenger tour package prices, by city

	Washington	Lancaster	New York	Total
Would Return	56 (100%)	177 (87%)	131 (92%)	364 (95%)
Would Not Return	0 (0%)	23 (13%)	11 (8%)	34 (5%)

Table 16. Visitors choosing to return to destination, by city

Passengers were asked if they would **recommend the destination that they visited to their friends and families** (see table 17 below). Of those who visited Washington, all 56 said that they would recommend the city. Of those who visited Lancaster, two passengers reported that they would not recommend Lancaster while 298 said that they would. Ninety-nine percent would recommend Lancaster. Of those who visited New York, 136 reported that they would recommend New York, while six reported that they would not. This is a 96% recommendation rate. Overall 390 said that they would recommend the destination that they visited while eight would not. This is a 98% recommendation rate.

	Washington	Lancaster	New York	Total
Would Recommend	56 (100%)	298 (99%)	136 (96%)	390 (98%)
Would Not Recommend	0 (0%)	2 (1%)	6 (4%)	8 (2%)

Table 17. Visitors who would recommend the destination, by city

Day Passenger Demographic Information

Gender

(See table 18 below.) Of all day passengers, 245 (62%) were female and 153 (48%) were male. Of those traveling to Washington, 31 (55%) were female and 25 (45%) were male. Of those traveling to Lancaster, 124 (62%) were female and 67 (38%) were male. Of those traveling to New York, 90 (63%) were female and 52 (47%) were male.

	Male	Female
Washington	25 (45%)	31 (55%)
Lancaster	124 (62%)	67 (38%)
New York	90 (63%)	52 (47%)
Total	153 (38%)	245 (62%)

Table 18. Visitor gender by city

Age

(See table 19 below.) Of all day passengers, 30 were under 14, 13 were between 14 and 17, 23 were between 18 and 24, 15 were between 25 and 34, 42 were between 35 and 44, 62 were between 45 and 54, 61 were between 55 and 64, 112 were between 65 and 74 and 40 were older than 74 years old. Of the day travelers to Washington, 28 were under 14 years old, three were between ages 14 to 17, 12 were between 18 and 24, four were between 25 and 34, six were between 35 to 44 and three were between 45 to 54. Of those traveling to Lancaster, two were under 14, seven were between 14 and 17, five were between 18 and 24, three were between 25 and 34, 13 were between 35 and 44, 31 were between 45 and 54, 31 were between 55 and 64, 82 were between 65 and 74 and 26 were older than 74. Of those traveling to New York, three were between 14 and 17, six were between 18 and 24, eight were between 25 and 34, 23 were between 35 and 44, 28 were between 45 and 54, 30 were between 55 and 64 and 30 were older than 74.

	Washington	Lancaster	New York	Total
Under 14	28 (50%)	2 (1%)	0 (0%)	30 (8%)
14 to 17	3 (5%)	7 (4%)	3 (2%)	13 (3%)
18 to 24	12 (22%)	5 (3%)	6 (4%)	23 (6%)
25 to 34	4 (7%)	3 (2%)	8 (6%)	15 (4%)
35 to 44	6 (11%)	13 (6%)	23 (16%)	42 (11%)
45 to 54	3 (5%)	31 (15%)	28 (20%)	62 (16%)
55 to 64	0 (0%)	31 (15%)	30 (21%)	61 (15%)
65 to 74	0 (0%)	82 (41%)	30 (21%)	112 (28%)
75 or older	0 (0%)	26 (13%)	14 (10%)	40 (9%)

Table 19. Visitor age by city

Marital Status

(See table 20 below.) Of the combined destinations, 80 (20%) were single, 230 (58%) were married and 88 (22%) were divorced, separated, or widowed. Of those visiting Washington, 44 (79%) were single, 12 (21%) were married and none were divorced. Of those traveling to Lancaster, 17 (9%) were single, 118 (59%) were married and 65 (32%) were divorced. Of the passengers to New York, 19 (13%) were single, 100 (71%) were married and 23 (16%) were divorced, separated, or widowed.

	Washington	Lancaster	New York	Total
Single	44 (79%)	17 (9%)	19 (13%)	80 (20%)
Married	12 (21%)	118 (59%)	100 (71%)	230 (58%)
Divorced/ separated/ widowed	0 (0%)	65 (32%)	23 (16%)	88 (22%)

Table 20. Visitor marital status by city

Employment

(See table 21 below.) Of the combined destinations, 2 (0.5%) were executives, 120 (30%) were professionals, 18 (5%) were labor/service workers, 189 (47%) were retired, 65 (16%) were students and 4 (1%) reported having no job. Of the day passengers that visited Washington, 12 (21%) were professionals, 42 (75%) were students and 2 (4%) reported no job. Of those visiting Lancaster, 48 (24%) were professionals, 7 (4%) were labor/service workers, 128 (64%) were retired, 15 (7%) were students and 2 (1%) reported no job. Of those in New York, 2 (1%) were executives, 60 (42%) were professionals, 11 (8%) were labor/service worker, 61 (43%) were retired and 8 (6%) were students.

	Washington	Lancaster	New York	Total
Executive	0 (0%)	0 (0%)	2 (1%)	2 (0.5%)
Professional	12 (21%)	48 (24%)	60 (42%)	120 (30%)
Labor/Service Worker	0 (0%)	7 (4%)	11 (8%)	18 (5%)
Retired	0 (0%)	128 (64%)	61 (43%)	189 (47%)
Student	42 (75%)	15 (7%)	8 (6%)	65 (16%)
None	2 (4%)	2 (1%)	0 (0%)	4 (1%)

Table 21. Visitor work status by city

Highest Educational Level

(See table 22 below.) Of all three destinations combined, 38 (10%) reported grade school, 27 (7%) reported some high school, 153 (38%) reported high school, 11 (3%) reported technical school, 60 (32%) reported college or university and 40 (10%) reported master or Ph.D. Of those visiting Washington, 28 (50%) reported grade school, 3 (5%) reported some high school, 15 (27%) reported high school, 4 (7%) reported college or university and 6 (11%) reported master or Ph.D. Of those passengers in Lancaster, 10 (5%) reported grade school, 17 (9%) reported some high school, 82 (41%) reported high school, 7 (3%) reported technical school, 65 (32%) reported college or university and 19 (10%) reported master or Ph.D. Of those who traveled to New York, 7 (10%) reported some high school, 56 (39%) reported high school, 4 (3%) reported technical school, 60 (42%) reported college or university and 15 (11%) reported master or Ph.D.

	Washington	Lancaster	New York	Total
Grade School	28 (50%)	10 (5%)	0 (0%)	38 (10%)
Some High School	3 (5%)	17 (9%)	7 (10%)	27 (7%)
High School	15 (27%)	82 (41%)	56 (39%)	153 (38%)
Technical School	0 (0%)	7 (3%)	4 (3%)	11 (3%)
College or University	4 (7%)	65 (32%)	60 (42%)	129 (32%)
Master or Ph.D.	6 (11%)	19 (10%)	15 (11%)	40 (10%)

Table 22. Visitor education level by city

Income Level

(See table 23 below.) Of the combined destinations, 146 (37%) reported less than $50,000, 47 (12%) reported between $50,000 and $74,000, 25 (6%) reported between $75,000 and $99,999, 18 (4%) reported between $100,000 and $124,999, 1 (0.3%) reported more than $150,000 and 162 (41%) did not know or refused. Of those visiting Washington, 8 (15%) reported less than $50,000, 3 (5%) reported between $50,000 and $74,000, 3 (5%) reported between $75,000 and $99,999, 3 (5%) reported between $100,000 and $124,999 and 39 (70%) did not know or refused. Of those that traveled to Lancaster, 99 (49%) reported less than $50,000, 22 (11%) reported between $50,000 and $74,000, 6 (3%) reported between $75,000 and $99,999, 9 (5%) reported between $100,000 and $124,999 and 64 (32%) did not know or refused. Of those in New York, 39 (27%) reported less than $50,000, 22 (15%) reported between $50,000 and $74,000, 15 (11%) reported between $75,000 and $99,999, 6 (4%) reported between $100,000 and $124,999, one (1%) reported more than $150,000 and 59 (42%) did not know or refused.

	Washington	Lancaster	New York	Total
Less than $50,000	8 (15%)	99 (49%)	39 (27%)	146 (37%)
Between $50,000 and $74,999	3 (5 %)	22 (11%)	22 (15%)	47 (12%)
Between $75, 000 and $99,999	3 (5%)	6 (3%)	15 (11%)	25 (6%)
Between $100,000 and $124,999	3 (5%)	9 (5%)	6 (4%)	18 (4%)
Between $125,000 and $149,999	0 (0%)	0 (0%)	0 (0%)	0 (0%)
More than $150,000	0 (0%)	0 (0%)	1 (1%)	1 (0.3%)
Don't Know/Refused	39 (70%)	64 (32%)	59 (42%)	162 (41%)

Table 23. Visitor income by city

When asked how many people contributed to their household income, the averages were 1.36 from Washington, 1.32 from Lancaster and 1.45 from New York. The average from all three combined was 1.37.

Survey Four: Overnight Passenger Survey

Visitors staying in their destination overnight completed a separate survey that contained the same basic questions as those asked of day passengers, but solocited additional information regarding hotel spending.

The average number of nights that all overnight passengers stayed in their destination was 3.1. The averages for the individual destinations were 3.6 for Washington, 2.0 for Lancaster and 3.0 for New York.

Passengers were asked **which meals were included in their tour package price** (see table 24 below). The number of people responding that received a meal indicates that they received at lest one of that type of meal during their stay. In the combined destinations 378 (75%) reported that breakfast was included, 360 (72%) reported that lunch was included and 435 (86%) reported that dinner was included. In Washington, 221 (91%) passengers reported receiving breakfast, 196 (80%) received lunch and 220 (90%) received dinner. In Lancaster 100 (100%) received breakfast, 100 (100%) passengers received lunch and 100 (100%) passengers received dinner. In New York 57 (36%) received breakfast, 64 (40%) passengers received lunch and 114 (72%) passengers received dinner. No snacks were reported as included for any of the three destinations.

	Washington	Lancaster	New York	Total
Breakfast	221 (91%)	100 (100%)	57 (36%)	378 (75%)
Lunch	196 (80%)	100 (100%)	64 (40%)	360 (72%)
Dinner	220 (90%)	100 (100%)	114 (72%)	435 (86%)
Snacks	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Table 24. Passengers w/ meals included in their tour package price, by city

The **average number of meals included in the three destinations combined** (see table 25 below) was 2.3 breakfasts, 2.4 lunches and 2.1 dinners. In Washington the average was 3.0 breakfasts, 2.8 lunches and 2.7 lunches. The average in Lancaster was 1.0 breakfast, 2.0 lunches and 1.8 dinners. In New York the average was 2.0 breakfasts, 1.8 lunches and 1.0 dinner.

	Washington	Lancaster	New York	Total
Breakfast	3.0	1.0	2.0	2.3
Lunch	2.8	2.0	1.8	2.4
Dinner	2.7	1.8	1.0	2.1
Snacks	0.0	0.0	0.0	0.0

Table 25. Average number of included meals, by city

Of all passengers taking overnight trips 125 (25%) did not receive breakfast, 143 (28%) did not receive lunch, 69 (14%) did not receive dinner and 503 (100%) did not receive snacks. Of those visiting Washington 23 (9%) did not receive breakfast, 48 (20%) did not receive lunch, 24 (10%) did not receive dinner and 244 (100%) did not receive snacks. Of those visiting Lancaster at least one breakfast, lunch and dinner were included but no snacks were included in their package. Of those traveling to New York 102 (64%) did not receive breakfast, 95 (60%) did not receive lunch, 45 (28%) did not receive dinner and 158 (100%) did not receive snacks.

Information on **additional meal spending was also gathered** (see table 26 below). The averages for all three destinations combined were $3.39 for breakfast, $5.93 for lunch, $12.26 for dinner and $3.74 for snacks. The averages for Washington were $1.16 for breakfast, $8.62 for lunch, $8.10 for dinner and $3.79 for snacks. The averages for Lancaster were $0.22 for breakfast, $0.00 for lunch, $0.00 for dinner and $2.27 for snacks. The averages for New York were $8.91 for breakfast, $12.53 for lunch, $26.51 for dinner and $4.59 for snacks.

	Washington	Lancaster	New York	Total
Breakfast	$1.16	$0.22	$8.91	$3.39
Lunch	$8.62	$0.00	$12.53	$5.93
Dinner	$8.10	$0.00	$26.51	$12.26
Snacks	$3.79	$2.27	$4.59	$3.74
Total	$21.67	$2.49	$52.54	$25.32

Table 26. Additional amounts spent by passengers on meals, by city

Questions were also asked about **other spending in the local areas such as groceries and necessities bought at retail outlets, gifts and souvenirs, sports equipment rental and antiques and crafts** (see table 27 below). The averages spent on these categories for all three destinations were $2.71 in retail outlets, $27.87 on gifts/souvenirs, $1.04 on antiques/crafts and $5.09 on other shopping. The averages for Washington were $0.23 in retail outlets, $28.06 on gifts/souvenirs and $0.16 on antiques/crafts. The averages for Lancaster were $0.20 in retail outlets, $19.96 on gifts/souvenirs and $4.85 on antiques/crafts. The averages for New York were $2.71 in retail outlets, $27.87 on gifts/souvenirs, $1.04 on antiques/crafts and $5.09 on other shopping.

	Washington	Lancaster	New York	All Destinations
Retail Outlets	$0.23	$0.20	$8.08	$2.71
Gifts/Souvenirs	$28.06	$19.96	$32.69	$27.87
Antiques/Crafts	$0.16	$4.85	$0.00	$1.04
Other Shopping	$0.00	$0.00	$16.10	$5.09
Total	$28.45	$25.01	$56.87	$36.71

Table 27. Amount spent on gifts, by city

Spending on transportation while in the destination was reported (see table 28 below). Of all overnight passengers an average of $0.34 was spent on taxis and $0.34 was spent on the metro. In Washington an average of $0.64 was reported spent on the metro. In Lancaster no additional transportation was reported. The averages for New York were $1.05 on taxis and $0.10 on the metro.

	Washington	Lancaster	New York	Total
Taxi	$0.00	$0.00	$1.05	$0.34
Metro	$0.64	$0.00	$0.10	$0.34
Total	$0.64	$0.00	$1.15	$0.68

Table 28. Amount spent on transportation, by city

Additional **spending on tourist attractions** was reported (see table 29 below). The combined averages were $1.53 for sightseeing, $0.86 for attractions, $0.04 for sports activities and $5.65 for theatre. In Washington the only additional average spending for tourist activities was $0.92 for theatre. There was no reported additional spending in Lancaster on tourist activities. The averages for New York were $4.83 for sightseeing, $2.72 for attractions, $0.13 for sports activities and $16.35 for theatre.

	Washington	Lancaster	New York	All Destinations
Sightseeing	$0.00	$0.00	$4.83	$1.53
Attractions	$0.00	$0.00	$2.72	$0.86
Theatre	$0.92	$0.00	$16.35	$5.64
Sports Activity	$0.00	$0.00	$0.13	$0.04
Tips (total)	$3.21	$0.00	$11.46	$5.06
Total	$4.13	$0.00	$35.49	$13.13

Table 29. Additional amounts spent by passengers on tourist attractions, by city

The **amount spent on tips was also gathered** (see table 30 below). The averages from all three destinations were $0.18 in hotels, $4.52 in restaurants, $0.13 for taxis and $0.23 on local guides. In Washington the average was $3.21 in restaurants. In New York the average was $0.59 for hotels, $9.27 for restaurants, $0.42 for taxi, $0.72 for guides and $0.46 on other tips. There were no additional tips reported for Lancaster.

	Washington	Lancaster	New York
Tips in Restaurants	$3.21	$0.00	$9.27
Tips in hotels	$0.00	$0.00	$0.59
Tips in taxis	$0.00	$0.00	$0.42
Tips for guides	$0.00	$0.00	$0.72
Other tips	$0.00	$0.00	$0.46

Table 30. Average passenger amounts spent on tips, by city

Passengers were asked **to report the price of their tour package** (see table 31 below). The average price for all three destinations was reported to be $448.71. The individual averages were $524.59 for Washington, $162.94 for Lancaster and $503.21 for New York.

	Washington	Lancaster	New York
Price averages	$524.59	$162.94	$503.21

Table 31. Average passenger tour package prices, by city

Occupancy numbers were also reported (see table 32). The package prices were based on nine single occupancies, 450 double occupancies, 17 triple occupancies and 27 quadruple occupancies. In Washington, there were three single occupancies, 237 double occupancies and four triple occupancies. In Lancaster, there were two single occupancies and 98 doubles. In New York, there were four single occupancies, 115 doubles, 13 triples and 27 quadruple occupancies.

	Washington	Lancaster	New York
Single occupancy	3	2	4
Double occupancy	237	98	115
Triple occupancy	0	0	13
Quadruple occupancy	4	0	27

Table 32. Room occupancy numbers, by city

When asked **if the passengers would like to return to the destination they had visited** (see table 33 below), overall 476 passengers said that they would like to return while 27 said that they would not like to return. This is a 95% return rate. Of the passengers that traveled to Washington, 242 said that they would return while two said that they would not. This is a 99% return rate. Of the passengers visiting Lancaster, 83 reported that they would like to return, while 17 would not. This is an 83% return rate. Of the passengers visiting New York, 151 said that they would return while eight said that they would not return. This is a 95% return rate.

	Washington	Lancaster	New York	Total
Would Return	242 (99%)	83 (83%)	151 (95%)	476 (95%)
Would Not Return	2 (1%)	17 (17%)	8 (5%)	27 (5%)

Table 33. Visitors who would return to destinations, by city

Passengers were asked **if they would recommend the destination that they visited to their friends and families** (see table 34 below). Of those who visited Washington, all 244 said that they would recommend the city. Of those who visited Lancaster, four passengers reported that they would not recommend Lancaster while 96 said that they would. This is a 96% recommendation rate for Lancaster. Of those who visited New York, 156 reported that they would recommend New York while three reported that they would not. This is a 98% recommendation rate. Overall 496 said that they would recommend the destination that they visited while seven would not. This is a 99% recommendation rate.

	Washington	Lancaster	New York	Total
Would Recommend	244 (100%)	96 (96%)	156 (98%)	496 (99%)
Would Not Recommend	0 (0%)	4 (4%)	3 (2%)	7 (1%)

Table 34. Visitors who would recommend destinations, by city

Overnight Passenger Demographic Information

Gender

(See table 35 below.) Of all the overnight passengers combined, 305 (61%) were females and 198 (39%) were males. Of those traveling to Washington, 156 (64%) were females and 88 (36%) were males. Of those traveling to Lancaster, 50 (50%) were females and 50 (50%) were males. Of those traveling to New York, 99 (62%) were females and 60 (38%) were males.

	Male	Female
Washington	88 (36%)	156(64%)
Lancaster	50 (50%)	50 (50%)
New York	60 (38%)	99 (62%)
Total	198 (39%)	305 (61%)

Table 35. Visitors, by gender and city

Age

(See table 36 below.) Of all the overnight passengers combined, 138 were under 14, 117 were between 14 and 17, 18 were between 18 and 24, 19 were between 25 and 34, 48 were between 35 and 44, 69 were between 45 and 54, 52 were between 55 and 64, 35 were between 65 and 74 and seven were older than 74 years old.

Of those traveling to Washington, 136 were under 14 years old, 50 were between ages 14 to 17, one was between 18 and 24, six were between 25 and 34, 21 were between 35 and 44, 23 were between 45 and 54, five were between 55 and 64, one was between 65 and 74 and one was older than 74. Of those traveling to Lancaster, two were under 14, 61 were between 14 and 17, two were between 18 and 24, one was between 25 and 34, five were between 35 and 44, nine were between 45 and 54, 10 were between 55 and 64, nine were between 65 and 74 and one was older than 74. Of those traveling to New York, six were between 14 and 17, 15 were between 18 and 24, 12 were between 25 and 34, 22 were between 35 and 44, 37 were between 45 and 54, 37 were between 55 and 64, 25 were between 65 and 74 and 30 were older than 74.

	Washington	Lancaster	New York	Total
Under 14	136 (56%)	2 (2%)	0 (0%)	138 (27%)
14 to 17	50 (20%)	61 (61%)	6 (4%)	117 (23%)
18 to 24	1 (0.5%)	2 (2%)	15 (9%)	18 (4%)
25 to 34	6 (0.5%)	1 (1%)	12 (8%)	19 (4%)
35 to 44	21 (9%)	5 (5%)	22 (14%)	48 (10%)
45 to 54	23 (9%)	9 (9%)	37 (23%)	69 (14%)
55 to 64	5 (2%)	10 (10%)	37 (23%)	52 (10%)
65 to 74	1 (0.5%)	9 (9%)	25 (16%)	35 (7%)
75 or older	1 (0.5%)	1 (1%)	5 (3%)	7 (1%)

Table 36. Visitor age, by city

Marital Status

(See table 37 below.) Of the combined destinations, 284 (56%) were single, 166 (33 %) were married and 53 (11%) were divorced, separated, or widowed. Of those visiting Washington, 192 (79%) were single, 40 (16%) were married and 12 (5%) were divorced, separated or widowed. Of those traveling to Lancaster, 64 (64%) were single, 20 (20%) were married and 16 (16%) were divorced, separated, or widowed. Of the passengers to New York, 28 (18%) were single, 107 (67%) were married and 24 (15%) were divorced, separated, or widowed.

	Washington	Lancaster	New York	Total
Single (never married)	192 (79%)	64 (64%)	28 (18%)	284 (56%)
Married	40 (16%)	20 (20%)	107 (67%)	166 (33%)
Divorced/separated/ widowed	12 (5%)	16 (16%)	24 (15%)	53 (11%)

Table 37. Visitor marital status, by city

Employment

(See table 38 below.) Of the destinations combined, 0 (0.0%) were executives, 114 (22.7%) were professionals, 22 (4.4%) were labor/service workers, 75 (14.9%) were retired, 273 (54.3%) were students and 4 (0.8%) reported having no job. Of the passengers that visited Washington, 44 (18%) were professionals, 2 (1%) were labor/service workers, 2 (1%) were retired, 189 (77%) were students and 1 (0.5%) reported no job. Of those visiting Lancaster, 15 (15%) were professionals, 21 (21%) were retired and 62 (62%) were students. Of those in New York, 56 (35%) were professionals, 20

(12%) were labor/service worker, 52 (33%) were retired, 22 (14%) were students, 1 (1%) was military and three (2%) reported having no job.

	Washington	Lancaster	New York	Total
Executive	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Professional	44 (18%)	15 (15%)	56 (35%)	114 (22.7%)
Labor/Service Worker	2 (1%)	0 (0%)	20 (12%)	22 (4.4%)
Retired	2 (1%)	21 (21%)	52 (32%)	75 (14.9%)
Student	189 (77%)	62 (62%)	22 (14%)	273 (54.3%)
None	1 (0.5%)	0 (0%)	3 (2%)	4 (0.8%)

Table 38. Visitor employment status, by city

Highest Educational Level

(See table 39 below.) Of the destinations combined 140 (28%) reported grade school, 121 (24%) reported some high school, 98 (20%) reported high school, 13 (3%) reported technical school, 89 (18%) reported college or university and 36 (7%) reported master or Ph.D. Of those visiting Washington, 139 (57%) reported grade school, 49 (20%) reported some high school, 11 (5%) reported high school, 26 (11%) reported college or university and 16 (7%) reported master or Ph.D. Of those passengers in Lancaster, 3 (3%) reported grade school, 63 (63%) reported some high school, 13 (13%) reported high school, 3 (3%) reported technical school, 13 (13%) reported college or university and 5 (5%) reported master or Ph.D. Of those who traveled to New York, 1 (1%) reported grade school, 9 (6%) reported some high school, 74 (47%) reported high school, 10 (6%) reported technical school, 50 (31%) reported college or university and 15 (9%) reported master or Ph.D.

	Washington	Lancaster	New York	Total
Grade School	139 (57%)	3 (3%)	1 (1%)	143 (28%)
Some High School	49 (20%)	63 (63%)	9 (6%)	121 (24%)
High School	11 (5%)	13 (13%)	74 (47%)	98 (20%)
Technical School	0 (0%)	3 (3%)	10 (6%)	13 (3%)
College or University	26 (11%)	13 (13%)	50 (31%)	89(18%)
Master or Ph.D.	16 (7%)	5 (5%)	15 (9%)	36 (7%)

Table 39. Visitor education status, by city

Income Level

(See table 40 below.) Of the combined destinations, 238 (47%) reported less than $50,000, 69 (14%) reported between $50,000 and $74,000, 35 (7%) reported between $75,000 and $99,999, 16 (3%) reported between $100,000 and $124,999, six (1%), 1 (0.2%) reported more than $150,000 and 138 (27%) did not know or refused.

Of those visiting Washington, 139 (57%) reported less than $50,000, 17 (7%) reported between $50,000 and $74,000, 11 (4%) reported between $75,000 and $99,999, 7 (3%) reported between $100,000 and $124,999, 4 (2%) reported between $125,000 and $149,000 and 66 (27%) did not know or refused. Of those that traveled to Lancaster, 19 (19%) reported less than $50,000, 13 (13%) reported between $50,000 and $74,000, 7 (7%) reported between $75,000 and $99,999, 4 (4%) reported between $100,000 and $124,999 and 57 (57%) did not know or refused. Of those in New York, 80 (50%) reported less than $50,000, 39 (24%) reported between $50,000 and $74,000, 17 (11%) reported between $75,000 and $99,999, 5 (3%) reported between $100,000 and $124,999, 2 (2%) reported between $125,000 and $149,999, 1 (1%) reported more than $150,000 and 15 (9%) did not know or refused.

	Washington	Lancaster	New York	Total
Less than $50,000	139 (57%)	19 (19%)	80 (50%)	238 (47%)
$50,000 - $74,999	17 (7 %)	13 (13%)	39 (24%)	69 (14%)
$75, 000 - $99,999	11 (4%)	7 (7%)	17 (11%)	35 (7%)
$100,000 - $124,999	7 (3%)	4 (4%)	5 (3%)	16 (3%)
$125,000 - $149,999	4 (2%)	0 (0%)	2 (2%)	6 (1%)
More than $150,000	0 (%)	0 (0%)	1 (1%)	1 (0.2%)
Don't Know/Refused	66 (27%)	57 (57%)	15 (9%)	138 (27%)

Table 40. Visitor income level, by city

When asked how many people contributed to their household income. The averages were 1.2 from Washington, 1.4 from Lancaster and 1.5 from New York. The average from all three combined was 1.4.

SURVEY FIVE: BUS TERMINAL SURVEY FINDINGS

The final survey, called the "Bus Terminal Survey" (See Appendix A), was completed by passengers who were traveling independently on **regularly scheduled buses**. Again, this survey was to establish the economic impact of passengers arriving on regularly scheduled buses. Data was collected from passengers waiting in the main bus terminals in Washington, D.C. and in New York City (Port Authority).

A total of 394 surveys were collected from all destinations. In the two individual cities being focused on, 84 surveys were collected in Washington and 108 in New York. The majority of travelers were traveling to Washington, D.C. (84) or to New York (108) with the other passengers traveling to various destinations including Albany, N.Y. (10), Albuquerque, N.M. (2), Atlanta, Ga. (6), Arlington, Va. (2), Baltimore, Md. (15), Becket, Mass. (2), Brooklyn, N.Y. (5), Burlington, Vt. (2), Calhoun, Ga. (4), Canada (2), Chicago, Ill. (4), Cincinnati, Ohio (3), Colo. (1), Del. (2), Elizabeth City, N.Y. (2), Fall River, Mass. (1), Fla. (2), Fredericksburg, Va. (1), Harrisburg, Pa. (1), Harrisonburg, Va. (2), Houston, TX (2), Indianapolis, Ind. (1), In transit (1), JFK Airport (3), Knoxville, Tenn. (1), Lee, Mass. (2), Lexington, Ky. (2), Long Island, N.Y. (2), Manhattan, N.Y. (7), Md. (1), Mass. (4), Memphis, Tenn. (2), Mount Pocono, Pa. (6), N.J. (6), Newark, N.J. (2), Norfolk, Va. (1), Ocean City, Md. (16), Ohio (4), Orlando, Fla. (2), Pa. (2), Philadelphia, Pa. (3), Pittsburgh, Pa. (4), Plattsburgh, N.Y. (4), Queens, N.Y. (5), Raleigh, N.C. (5), Richmond, Va. (4), Roanoke, Va. (1), Shepherdstown, W.Va. (1), Va. (1), Virginia Beach, Va. (5) and Wis. (1).

Passengers were asked about other destinations that they have traveled to and the following were listed: Atlantic City, N.J., Austin, Texas, Bloomsburg, Pa., Boston, Ma., Buffalo, N.Y., Cape Cod, Mass., Cleveland, Ohio, Cincinnati, Ohio, Coeburn, Va., Columbus, Ohio, Dallas, Texas, Ithaca, N.Y., Kansas City, Key West, Fla., Lakeland, Fla., Los Angeles, Calif., Maryland, Meridian, Miss., Miami, Fla., North Carolina, San Francisco, Calif., Seattle, Wash., St. Louis, Mo. and Toronto, Ont.

When asked the **reason for choosing to travel by bus,** 249 (63%) said cost, 84 (21%) said ease of travel and 61 (16%) said it was because they had no reliable personal vehicle. Of those traveling to Washington, 59 (70%) said cost, 11 (13%) said ease of travel and 14 (17%) said it was because they had no reliable personal vehicle. Of those traveling to New York, 52 (48%) said cost, 34 (32%) said ease of travel and 22 (20%) said it was because of no reliable personal vehicle.

The **average number of nights that passengers stayed** at their destination was 9.7 for all passengers, 4.4 for Washington visitors, and 5.5 for New York visitors.

Passengers were asked **how much they spent in the local area** (see table 41 below). The averages for all passengers combined were $19.29 for food and beverages, $20.17 for accommodations, $8.61 for local transportation, $9.17 on attractions, $10.37 for theatre, $3.34 for sports events, $1.58 for recreation and $11.31 on other expenditure (gifts, shopping and camping). The averages for those traveling to Washington were $15.56 for food and beverages, $12.14 for accommodations, $5.76 for local transportation, $2.37 on attractions, $8.79 for theatre, $2.14 for sports events, $2.56 for recreation and $5.56 on other expenditure (gifts and shopping). The averages for those traveling to New York were $21.94 for food and beverages, $30.80 for accommodations, $13.33 for local transportation, $17.82 on attractions, $10.03 for theatre, $2.50 for sports events, $2.22 for recreation and $5.54 on other expenditure (gifts and shopping).

	Washington	New York	Total
Food and Beverages	$15.56	$21.94	$19.29
Accommodations	$12.14	$30.80	$20.17
Local Transportation	$5.76	$13.33	$8.61
Attractions	$2.37	$17.82	$9.17
Theatre	$8.79	$10.03	$10.37
Sports Events	$2.14	$2.50	$3.34
Recreation	$2.56	$2.22	$1.58
Other Expenditure	$5.54	$5.56	$11.31
Tips (total)	$5.83	$12.87	$7.87
Total	$60.69	$117.07	$91.71

Table 41. Passenger amounts spent in local areas, by category and city

The **amount spent on tips was also recorded** (see table 42 below). The averages for all passengers combined were $5.06 in restaurants, $2.29 for taxis and $0.52 for guides. Of those traveling to Washington the averages were $4.32 in restaurants, $1.21 for taxis and $0.30 for guides. Of those traveling to New York the averages were $6.11 in restaurants, $6.11 for taxis and $0.65 for guides.

	Washington	New York
Tips in Restaurants	$4.32	$6.11
Tips in taxis	$1.21	$6.11
Tips for guides	$0.30	$0.65

Table 42. Average passenger amounts spent on tips, by city

Further analysis of just those individuals that reported staying in paid accommodations (not staying with family or friend) showed that the average amount spent on accommodations by passengers to all destinations (171 of 394 or 43.4% of the entire sample) was $46.47. Of those traveling to Washington, DC (23 of 84 or 27%) the average spent on accommodations was $44.35. And of those traveling to NY (53 of 108 or 49%) the average spent on accommodations was $62.76.

Passengers were asked to report which bus company they traveled with. Of all bus passengers 78% traveled Greyhound 9% traveled Peter Pan Lines and 13% rode other buses. Of those visiting Washington 88% traveled with Greyhound, 12% traveled with Peter Pan Lines. Of those visiting New York 62% traveled with Greyhound, 14% traveled with Peter Pan Lines and 24% rode other buses. The bus companies that were listed as "other" were Carl Bieber, Bonanza, Delta, Martz, Susquehanna, Trailways and Trans-Bridge.

The passengers were asked **why they chose the particular bus companies that they did** (see table 43 below). Passengers were allowed to choose more than one reason. Of all passengers, 19 said movies offered, 34 said comfort, 225 said cost and 71 said they were satisfied with previous use. Of those traveling to Washington one said movies, four said comfort, 64 said cost and seven said they were satisfied with previous use. Of those visiting New York four said movies, 15 said comfort, 57 said cost and 18 said that they were satisfied with previous use. Other reasons given were location (5%), route (1%) and that it was their only choice (9%).

	Washington	New York	Total
Movies	1	4	19
Comfort	4	15	34
Cost	64	57	225
Previous Use	7	18	71

Table 43. Number of passengers choosing particular bus companies, by reason by city

The **frequency of travel by bus outside of the passenger's home city was also reported** (see table 44 below). All combined, 11% reported very often, 17% fairly often, 25% sometimes, 32% almost never and 15% first time. Of those visiting Washington, 4% reported very often, 7% fairly often, 14% sometimes, 54% almost never and 20% reported that it was their first time. Of those visiting New York, 14% reported very often, 27% fairly often, 27% sometimes, 20% almost never and 12% reported that it was their first time.

	Washington	New York	Total
Very Often	4%	14%	11%
Fairly Often	7%	27%	17%
Sometimes	14%	27%	25%
Almost Never	54%	20%	32%
First Time	20%	12%	15%

Table 44. Frequency of travel by bus (outside passenger's home city), by city

The average price of bus tickets was also gathered. The averages were $67.14 for all passengers, $62.45 to Washington and $60.30 to New York.

Of all passengers 35% had one-way tickets and 65% had round-trip tickets. Individually, Washington had 14% one-way and 86% round-trip and New York had 42% one-way and 58% round-trip.

Bus Terminal Passenger Demographic Information

Gender

(See table 45 below.) Of all passenger 42% were female and 58% were male. Of just those traveling to Washington 30% were female and 70% were males. Of those visiting New York 45% were female and 55% were male.

	Washington	New York	Total
Male	70%	55%	58%
Female	30%	45%	42%

Table 45. Passengers gender, by city

Age

(See table 46 below.) Of all passengers 2% were 14 to 17, 45% were 18 to 24, 20% were 25 to 34, 14% were35 to 44, 11% were 45 to 54, 7% were 55 to 64, 1% was 65 to 74 and 1% was 75 or older. Of only Washington passengers 53% were 18 to 24, 11% were 25 to 34, 11% were35 to 44, 16% were 45 to 54, 5% were 55 to 64 and 4% was 65 to 74. Of those visiting New York 6% were 14 to 17, 34% were 18 to 24, 21% were 25 to 34, 19% were35 to 44, 8% were 45 to 54, 9% were 55 to 64 and 3% was 65 to 74.

	Washington	New York	Total
Under 14	0%	0%	0%
14 to 17	0%	6%	2%
18 to 24	53%	34%	45%
25 to 34	11%	21%	20%
35 to 44	11%	19%	14%
45 to 54	16%	8%	11%
55 to 64	5%	9%	7%
65 to 74	4%	3%	1%
75 and Older	0%	0%	1%

Table 46. Passenger age, by city

Employment

(See table 47 below.) Of all passengers 7% were executive, 32% were professionals, 12% were labor/service workers, 6% were military, 6% were retired, 36% were students and 1% reported no job. Of those traveling to Washington 8% were executive, 25% were professionals, 6% were labor/service workers, 21% were military, 9% were retired, 27% were students and 2% reported no job. Of those traveling to New York 8% were

executive, 37% were professionals, 15% were labor/service workers, 1% was military, 6% were retired and 33% were students.

	Washington	New York	Total
Executive	8%	8%	7%
Professional	25%	36%	32%
Labor/Service Worker	6%	15%	12%
Military	21%	2%	6%
Retired	9%	6%	6%
Student	27%	33%	36%
No Job	2%	0%	1%

Table 47. Passenger employment status, by city

Highest Educational Level

(See table 48 below.) When asked their level of education 4% of all passengers reported grade school, 4% reported some high school, 38% high school, 5% reported technical school, 17% reported college or university and 8% reported master or Ph.D. Of those traveling to Washington reported high school, 5% reported technical school, 17% reported college or university and 8% reported master or Ph.D. Of those traveling to New York 6% reported grade school, 6% reported some high school, 19% reported high school, 12% reported technical school, 45% reported college or university and 11% reported master or Ph.D.

	Washington	New York	Total
Grade School	0%	6%	4%
Some High School	0%	6%	4%
High School	70%	19%	38%
Technical School	5%	12%	11%
College/University	17%	45%	34%
Master or Ph.D.	8%	11%	9%

Table 48. Passenger education level, by city

Income Level

(See table 49 below.) Of all bus passengers 54% reported less than $50,00, 16% reported between $50,00 and $74,999, 10% reported between $75,000 and $99,999, 3% reported between $100,000 and $124,999, 1% reported between $125,000 and $149,999, 2% reported more than $150,000 and 14% either did not know or refused. Of those passenger traveling to Washington 64% reported less than $50,00, 13% reported between $50,00 and $74,999,

7% reported between $75,000 and $99,999, 3% reported between $100,000 and $124,999 and 14% either did not know or refused. Of just those passengers traveling to New York 51% reported less than $50,00, 16% reported between $50,00 and $74,999, 15% reported between $75,000 and $99,999, 4% reported between $100,000 and $124,999, 3% reported more than $150,000 and 11% either did not know or refused.

	Washington	New York	Total
Less Than $50,000	64%	51%	54%
Between $50,000 and $74,999	13%	16%	16%
Between $75,000 and $99,999	7%	15%	10%
Between $100,000 and $124,999	3%	4%	3%
Between $125,000 and $149,999	0%	0%	1%
More Than $150,000	0%	3%	2%
Don't Know/Refused	13%	11%	14%

Table 49. Passenger income level, by city

When asked how many people contributed to the household income, passengers to all destinations reported 69% one contributor, 25% two contributors, 3% three contributors and 3% for or more contributors. Of just those visiting Washington 88% reported one, 8% reported two and 4% reported three. Of those traveling to New York, 71% reported one, 20% reported two, 3% reported three and 6% reported four or more.

ECONOMIC IMPACT ANALYSIS

Summary of Findings by Trip Type and Destination

The following tables summarize, by destination, the findings presented earlier in this report.

A. Average Package Price

	Washington	Lancaster	New York
Day Trip	$58.80	$64.17	$81.38
One Night Trip	$179.00	$171.00	$316.00
Two Night Trip	$334.60	$337.00	$579.00
Three Night Trip	N/A	N/A	$900.00

Table 50. Average per passenger cost for bus tour, for all three destinations

B. Percent Remaining in Local Area

Washington	Lancaster	New York
63.9%	62.1%	47.1%

Table 51. Percent of package price that remains in local area, by city

C. Number of Passengers Per Bus

	Washington	Lancaster	New York
Day Trip	39.1	45.7	45
Over Night Trip	45.4	38.1	38.4

Table 52. Average number of passengers per bus, by city

D. Additional Amount Spent Per Passenger[3]

	Washington	Lancaster	New York
Day Trip	$27.28	$13.00	$63.07
One Night Trip	$54.89	$27.50	$146.05

Table 53. Total additional spent per bus tour passenger, by city

Overall Impact of Various Bus Trip Types on the Destinations Surveyed

By taking the figures summarized above and applying them to a simple formula, the overall impact of various types of bus visitors to the three destinations studied can be calculated (Table 54).

Economic Impact Per Bus = A x B x C + (D x C)

A = average package price

B = percent remaining in local area

C = number of passengers per bus

D = additional amount spent per passenger

[3] The total number of bus tours to Washington, Lancaster and New York City was not measured for this study. Additional data must be provided by individual destinations.

	Washington	Lancaster	New York
Day Trip	$58.80 x 63.9% x 39.1 + ($27.28 x 39.1) = **$2,535.77**	$64.17 x 62.1% x 45.7 + ($13 x 45.7) = **$2,415.23**	$81.38 x 47.1% x 45 + ($63.07 x 45) = **$4,563.00**
One Night Trip	$179.00 x 63.9% x 45.4 + (54.89 x 45.4) = **$7,684.90**	$171.00 x 62.1% x 38.1 + (27.50 x 38.1) = **$5,093.63**	$316.00 x 47.1% x 38.4 + (146.05 x 38.4) = **$11,264.10**
Two Night Trip	$334.60 x 63.9% x 45.4 + (54.89 x 45.4) = **$12,198.95**	$337.00 x 62.1% x 38.1 + (27.50 x 38.1) = **$9,021.20**	$579.00 x 47.1% x 38.4 + (146.05 x 38.4) = **$16,080.35**
Three Night Trip	N/A	N/A	$900.00 x 47.1% x 38.4 + (146.05 x 38.4) = **$21,886.08**

Table 54. Per bus economic impact cost calculations, by city

By combining the aggregate data from all three destinations, Table 55 provides an average per-bus revenue figure by each trip type.

	Average impact per bus tour, for all three destinations
Day Trip	$3,171.33
One Night Trip	$8,014.21
Two Night Trip	$12,433.50
Three Night Trip	N/A

Table 55. Average economic impact per bus tour, for all three destinations

Impact of Passengers on Regularly Scheduled Bus Service

Based upon the data collected in the Washington and New York City bus terminals, passengers traveling on regularly scheduled buses spend on average $91.71 in their destination city. Those passengers traveling specifically to Washington reported spending $60.69 and those traveling to New York City reported a total spending of $117.07.

	Bus Terminal Passenger
Washington	$60.69
New York	$117.07
All Destinations	$91.71

Table 56. Economic impact per passenger on regular scheduled bus service, by city

An area therefore can estimate the economic impact of regularly scheduled bus passengers by multiplying the number of bus passengers arriving in their destination by one of the figures above most representative of their destination.

ANALYSIS

Based on the figures reported by bus companies and tour passengers, there is little doubt that the economic impact of bus travel is significant, and that charter and tour bus passengers experience a high level of satisfaction with both individual tour components and the destinations visited. The local businesses studied proved well aware of the economic importance of bus visits to their own business, in terms of both the revenues taken in from bus groups and their relative share of overall business.

By applying the survey data to a mathematical formula that takes into account these new findings (average package price, the percent that remains in the local area, the number of passengers per bus, and the additional amount spent per passenger), the total economic impact of a bus visit can be estimated for each of the three destinations studied.

To use the formulas, local data will still be required. Specifically, local businesses that serve travelers must be surveyed to determine how many overall bus visits they receive on either a weekly, monthly, quarterly or other relevant seasonal basis. Because obtaining specific revenue data traditionally has been the biggest barrier to bus impact data collection in the past, destination marketing organizations may find their data collection burden substantially eased by the formulas in this report.

Next, it will be necessary to determine the average trip duration to the local destination. Annual bus visit data from local lodging businesses can be compared to annual bus visit data from the destination's major local attraction(s) to roughly determine the overall percentage of local bus visits that remain overnight. An inquiry should be made to local lodging businesses as to what rough percentage of motorcoach groups stay for more than one night, as this figure varies most from place to place based on the nature and number of nearby attractions that support it as a motorcoach tour "hub." A general U.S. and Canadian finding has been that 72 percent of bus visits are day trips and 28 percent of bus visits are by groups staying one night or more.[4]

Motorcoach operators can utilize this data to support their efforts for enhanced bus amenities such as access and parking and more informed oversight at the local level. In addition, destinations can use this data to help shape their own marketing efforts and determine the appropriate level of attention and investment to dedicate to bus tour operators and the group travel segment.

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[4] Breakout of day trips versus overnights is based on an October 1996 survey of 33 million U.S. and Canadian motorcoach travelers by Longwoods International, sponsored by the American Bus Association.

Estimating Economic Impact on Other Destinations

While every destination has its own unique mix of attractions and hospitality offerings, the new data yielded by these formulas offers a starting point for other destinations to estimate their own local stake in the motorcoach tourism market.

To aide in this analysis and planning, the full report offers a formula for calculating the economic impact of bus tours on the three survey sites. Destinations interested in applying these formulas locally should consider which of the three study sites most closely matches their area and use the data provided for that city:

1. **Historical/Cultural Destinations:** Destinations with a number of national monuments, museums, and places of historical interest should use the following formula, based on the study's **Washington D.C.** findings, to determine the economic impact of bus tours on their specific destination:

   # of day-trip buses per year x $2,536 $_____
   # of one-night bus tours per year x $7,685 $_____
   # of two-night bus tours per year x $12,199 $_____

   Add these three figures to estimate the total economic impact of motorcoach visits to this type of destination.

2. **Rural/ Ethnic Heritage Destinations:** Destinations in a more rural setting, with outlet shopping, local food and flavor, and an emphasis on cultural heritage and ethnic tourism should use the following formula, based on the study's **Lancaster, Pa.** findings, to determine the economic impact of bus tours on their specific destination:

   # of day trip buses per year x $2,415 $_____
   # of one-night bus tours per year x $5,094 $_____
   # of two-night bus tours per year x $9,021 $_____

   Add these three figures to estimate the total economic impact of motorcoach visits to this type of destination.

3. **Major Cosmopolitan Destinations:** Destinations in or close to a major city, dense with restaurants and lots of entertainment and shopping should use the following formula, based on the study's **New York City** findings, to determine the economic impact of bus tours on their specific destination:

   # of day trip buses per year x $4,563 $_____
   # of one-night bus tours per year x $11,264 $_____
   # of two-night bus tours per year x $16,080 $_____

   Add these three figures to estimate the total economic impact of motorcoach visits to this type of destination.

CONCLUSION

No two tourism destinations are the same. The characteristics of local geography, regional populations, attractions, weather, accessibility, history and cultural relevance make it difficult to precisely assign dollar values and estimate impacts to the diverse motorcoach tourism that may be experienced in various locales.

The formulas offered in this summary are intended to outline helpful rules of thumb that take into account the many types of expenditures that bus visitors make. Still, the precise ranges of expenditures catalogued through the implementation of these surveys speak for themselves: at a minimum, bus groups spend readily and are relied upon considerably by local businesses that serve travelers. The survey findings demonstrate that motorcoach groups comprise a dynamic and powerful economic force that should be considered when formulating public policy, transportation and overall city planning. Destination marketers can now engage in more informed planning and budgeting in order to both attract motorcoach groups, and serve them successfully, so that tour operators will be encouraged to return, ultimately as partners in their success.

PREPARED STATEMENT OF MARGIE WILCOX

CO-CHAIR OF THE PARATRANSIT
AND CONTRACTING STEERING COMMITTEE
TAXICAB, LIMOUSINE, AND PARATRANSIT ASSOCIATION

JULY 23, 2003

Executive Summary

On behalf of our country's private taxicab, paratransit, and contract service providers, we appreciate this opportunity to testify on the benefits of reinvigorating private sector participation in the provision of public transportation services funded by the Federal Transit Administration.

INDUSTRY OVERVIEW

The Taxicab, Limousine, & Paratransit Association (TLPA), formed in 1917, is the National organization that represents the owners and managers of taxicab, limousine, sedan, airport shuttle, paratransit, and nonemergency medical fleets. TLPA has over 1,000 member companies that operate 124,000 passenger vehicles. TLPA member companies transport over 2 million passengers each day and more than 900 million passengers annually.

The taxicab, limousine, and paratransit industry is an essential part of public transportation that is vital to this country's commerce and mobility, to the relief of traffic congestion, and to improving the environment. The private taxicab, limousine, and paratransit industry transports 2 billion passengers annually, compared to the 9 billion passengers transported by public transit; provides half of all the specialized paratransit services furnished to persons with disabilities; serves as a feeder service to major transit stations and airports; and provides about half of its service to transportation disadvantaged people, such as the elderly, who are either not able to drive or do not have a car.

TLPA REAUTHORIZATION RECOMMENDATIONS

TLPA urges the following legislative actions be included in the Senate transportation reauthorization bill to advance the public policy benefits that would be derived from a significant expansion of the role private operators play in the delivery of public transportation services.

Repeal Section 5305(e)(3), the Antiprivate Transportation Operator Federal Transit Act Planning Provision

The President's Reauthorization bill (SAFETEA) included the repeal of this provision (by rewriting the planning sections of the Federal Transit Act and eliminating this provision), and TLPA strongly urges the Senate to adopt this recommendation. The law and Congressional intent mandate a role for the private sector in planning for public transit services, yet at the same time, this section explicitly prohibits enforcement of the law. This provision is responsible for private transportation providers being pushed away from the transit-planning table. We believe the best path to more efficient public transportation is to have all the stakeholders such as local officials, consumers, public transit operators, private transportation operators, and labor be included in the planning process. We do not advocate excluding anyone. We urge the Senate to support repeal of this section.

Require DOL and DOT to Amend Their Administration of the Federal Transit Act Labor Protections to Make Them Less of an Obstacle to the Efficient and Effective Provision of Public Transportation Services

There are four core actions that should be taken regarding transit labor protections: (1) The carryover of the workforce issue needs to be addressed by declaring that a change in contractors is not an event that gives rise to Section 5333(b) protections; (2) similarly, it should be made clear that there is not a required carryover of workforce in "public to private" transitions where no employees are dismissed as a result of a Federal project; (3) clarify that binding interest arbitration is not a required provision under Section 5333(b); and (4) limit the review of Federal Transit grants to be conducted by the Federal Transit Administration, eliminating the current practice of subjecting FTA grants to review not only by DOL, but by private entities (the national offices of the relevant transit labor unions). We believe the U.S. Department of Transportation is fully capable of administering its grant program without outside assistance.

Direct FTA to Issue a Private Sector Participation Policy

There is ample, indisputable evidence that the Private Sector Participation Guidance, developed and promoted by the Reagan and Bush Administrations, was a great success, increasing competitive contracting of public transit services from $10 million to $500 million per year in the course of one decade. Since the Clinton Administration rescinded this Private Sector Participation Guidance in 1994, consideration of the private sector has stagnated. Requiring the FTA to conduct a rulemaking to reestablish private sector participation guidance to implement the private sector provisions of the statute would result in increasing the efficiency and effectiveness of public transit operations to the benefit of all transit riders.

Include President Bush's New Freedom Initiative Program in the Senate Reauthorization Bill and Include Language Making Private Operators Eligible Subrecipients for the Program

The President's New Freedom program will provide greater mobility for disabled persons. The program, which would be administered through the FTA, would authorize funding to qualified organizations (community groups or directly to taxicab companies) for use in enhancing local transportation services for disabled persons by working with private taxicab service providers to fund the purchase, promotion, and operation of taxi-vans that meet Federal accessibility requirements. The service would enhance the ability of disabled persons to reach work, schools, and other places in the community.

Require that FTA's Special Needs Programs: Job Access and Reverse Commute, New Freedom, and Section 5310, Utilize the Same Planning and Eligibility Guidelines and Definitions

Each one of these special needs programs has a slightly different target audience, JARC is geared toward unemployed and welfare to work individuals; New Freedom is intended for disabled individuals whose needs cannot be met by Americans with Disabilities Act accessible transportation options; and Section 5310 assists private nonprofit groups and certain public bodies in meeting the transportation needs of elders and persons with disabilities. However, there are such similarities and potential synergies among the programs that TLPA urges that the Senate require that each program be required to have uniform planning and eligibility requirements using the JARC planning and eligibility requirements as the model of the uniform guidelines.

Require an MPO to Have an Eligible Private Transportation Operator be Appointed as a Voting Member of the MPO if the Public Transit Operator is a Voting Member

Under President Bush's fiscal year 2004 Federal Budget proposal and the Administration's Reauthorization bill, the local transit planning process will be greatly strengthened with more funding and with a clear mandate to reach a local consensus on issues. Because the traveling public benefits equally from using privately provided and publicly provided mass transit services, private transit operators should have an equal voice with public transit operators in planning and designing local transit services. As stated above, we believe the very best path to more efficient public transportation is to have all the stakeholders be included in the planning process.

TLPA Legislative Initiatives

More detailed explanation for each of the TLPA legislative initiatives listed in the Executive Summary follows.

BACKGROUND OF THE FEDERAL TRANSIT ACT AND ITS PRIVATE SECTOR PARTICIPATION PROVISIONS

The Urban Mass Transit Act of 1964 was the Congressional response to the dismal condition of the private sector transit industry in the 1960's. In the decade just prior to the enactment, 243 transit companies were sold and another 194 were abandoned. These sales and abandonments had a profound effect on transit labor and transit services. Between 1945 and 1960, transit employment fell from 242,000 employees to 156,000 employees. Although mass transit had been generally viewed as a local, rather than a national issue, many Members in Congress viewed the Federal mass transportation program as a necessary step to preserve both transit jobs and transit services. One of the principal features of the 1964 Act was to provide Federal funding for local public bodies to acquire financially troubled private transit companies.

Private Enterprise Requirements in the Federal Transit Act

Since its inception, the Federal Transit Act has recognized the importance of private sector participation in Federal Mass Transportation program. Section 5323 (a)(1)(B) [formerly 3(e)], Section 5303 (e & f) [formerly 8(e)], Section 5304(d) [formerly 8(h)], Section 5306(a) [formerly 8(o)], and Section 5307(c) [formerly 9(f)] mandate private sector participation in programs assisted by Federal transit grants. (When discussing the Federal Transit Act, it is sometimes confusing because one person may refer to Section 16(b)(2), Section 8(o), or Section 13(c), while another person may refer to Section 5310(d), Section 5306 (a), or Section 5333(b). Both people are referring to the same provisions of the Act, but the citations are different because in July 1994, after 30 years, Public Law 103–272 repealed the Federal Transit Act and related transit provisions and reenacted them as Chapter 53 of Title 49, United Sates Code.)

Although the private enterprise participation requirements had been the law for nearly two decades (1964–1984), contracting of services to private operators was a minimal $10 million per year in the early 1980's. Then in 1984, in response to President Reagan's call for a greater private sector role in addressing community needs, the Federal Transit Administration issued the Private Enterprise Participation (PEP) Policy that called for the use of private providers in transportation wherever practical. The reason given for this policy was that injecting competition into the provision of public transit services would result in lower costs for quality services. It was also thought that in addition to real cost savings, contracting-out some services would limit the growth in transit agencies' own costs for providing services.

Success of the PEP Policy is well documented. From 1984 through 1990, the amount of privately contracted transit bus service increased by 62.5 percent. The amount of privately contracted paratransit service increased by 135 percent from 1984 to 1991. The FTA Private Enterprise Participation Policies helped encourage competition and has provided a framework for the transit communities to meet the requirements in the Federal Transit Act of 1964, as amended, that private transportation companies are included, to the maximum extent feasible, in the planning and delivery of transit services. The FTA private enterprise policy was very successful in that competitive contracting reduced public costs in three ways:

- Directly through lower service costs that typically ranged from 20 percent to 40 percent.
- Indirectly though "ripple effect" impacts on services that have not been competitively contracted. For example, San Diego began contracting in 1979, and as a result of the PEP Policy has converted 38 percent of its bus system to competitive contracting at an average cost saving of 30 percent. "Ripple effect" savings have reduced the costs of noncompetitive service by 25 percent per vehicle hour. In fact, through 1996, as a result of competitive contracting, San Diego system-wide bus costs per vehicle hour were $475 million less than if costs had risen at the industry rates experience by those agencies that do not contract.
- Private sector contractors pay local, State, and Federal taxes and the taxes paid by private operators benefit the public good.

There are numerous examples in addition to San Diego Transit where the impetus of the FTA PEP Policy resulted in innovative services utilizing private operators. A few follow below.

- In Phoenix, AZ, the transit agency saved a significant amount of money by eliminating Sunday bus service and replacing it with a shared-ride taxi service.
- Ann Arbor Area Transit Authority eliminated its late night bus service and replaced it with a shared-ride taxi service.
- Transit Authorities in Dallas and Houston expanded service to growing suburban areas by contracting for express bus service.
- Denver Regional Transit District is required by State law to contract-out 35 percent of its fixed-route service, which it does at cost savings of 41 percent.
- Indianapolis contracts 70 percent of its bus system experiencing a cost per hour reduction of 22 percent.
- The city of Las Vegas contracts-out its entire system. Costs per vehicle hour dropped by 33.3 percent.
- Foothills Transit outside Los Angeles, contracts-out its entire system to private operators. Its ridership has risen by over 50 percent, it has added 57 percent more service, and its fares have dropped by 37 percent.

An often-quoted fallacy is that the savings to the transit agency are because the contract workers are paid a lower wage that the public transit employees. However, studies have shown that the lower contractor costs result from administrative efficiencies, improved management of the workforce, more productive work rules, better

utilization of equipment and facilities, improved maintenance practices, and labor compensation consistent with competitive market rates.

Rescission of the PEP Policy

In 1993, in the early days of the Clinton/Gore Administration, a great deal of Administration governmental reform policy was based on a book entitled "Reinventing Government" by David Osborne and Ted Gaebler. The book specifically cited the FTA Private Enterprise program for its efforts to achieve competition and efficiency in the delivery of government services. In a letter protesting the rescinding of the PEP Policy by the Clinton Administration, Osborne stated, "I believe the Private Enterprise Policy is indeed a model program. It simply requires local authorities to determine and consider the alternatives, public and private, in reaching transit objectives." He continued, "The injection of competition into public monopolies is a fundamental principle not only of "Reinventing Government," but of the Administration's National Performance Review, run by Vice President Al Gore. I serve as a Senior Adviser on the Performance Review. We are actively trying to increase, not decrease, the amount of competition in Federally funded services." Osborne's words fell on deaf ears. The PEP Policy was rescinded. Since the rescission of the PEP Policy in 1994, there have been no significant incentives to continue the more effective use of resources that result from the consideration of competitive contracting in the provision of public transportation.

TLPA LEGISLATIVE PROGRAM TO REVITALIZE THE PARTICIPATION OF PRIVATE TRANSPORTATION

Providers to the Planning and Delivery of Public Transit Services

The infusion of competition into the provision of public transit services is important for a number of reasons including: (1) the need to guard against inequitable Government subsidized competition, (2) to guarantee efficiency and effectiveness in the expenditure of Federal mass transportation assistance through competition, and (3) to prevent duplicative expenditures. The following five legislative initiatives are designed to increase the participation of private operators to the maximum extent feasible as is called for in the statute.

Repeal the Anti-Private Sector Federal Transit Planning Certification Provision

The Planning Program provisions applicable to transit and metropolitan planning agencies are found in Section 5303–5306 of Title 49 United States Code—Transportation. Section 5306(a) states: "A plan or program required by Section 5303, 5304, or 5305 of this Title shall encourage to the maximum extent feasible the participation of private enterprise." Under Section 5306(c), the private enterprise participation requirements are defined as:

- Section 5306(c)(2) requires each recipient of a grant shall develop, in consultation with interested parties, including private transportation providers, a proposed program of projects or activities to be financed;
- Section 5306(c)(3) requires each grant recipient to publish a proposed program of projects in a way that affected citizens, private transportation providers, and local elected officials, have the opportunity to examine the proposed program and submit comments on the proposed program and the performance of the recipient;
- Section 5306(c)(6) requires each grant recipient to consider comments and views received especially those of private transportation providers in preparing the final program of projects.

Unfortunately, the experiences of private operators with transit agencies and Metropolitan Planning Organizations (MPO's) for the past 12 years under ISTEA and TEA–21 are that these private enterprise participation provisions are being ignored, because Section 5305(e)(3) of the Title states that:

> The Secretary may not withhold certification [that each metropolitan planning organization in each transportation management area is carrying out its responsibilities under applicable laws of the United States] based on the policies and criteria a metropolitan planning organization or mass transportation grant recipient establishes under Section 5306(a) of this Title for deciding the feasibility of private enterprise participation.

Section 5305(e)(3) discriminates directly against private transportation operators. The power and role of MPO's were greatly enhanced with the enactment of ISTEA in 1991 and even more so with the enactment of TEA–21 in 1998. In the transit portion of TEA–21, the MPO is required to be certified at least every 3 years, and it has to certify that it complies with all applicable laws and regulations except one. That one exception is the private sector provision of the Federal Transit Act.

This anticompetitive, antiprivate sector provision should be repealed from the Federal Transit Act because the only sections of the Act that save the taxpayers' money are the Private Sector provisions of the statute that require grant recipients to consider the utilization of the private sector in the provision of public transit service. In addition, the enforcement of Section 5305(e)(3) effectively neutralizes the private sector participation requirement and removes the likelihood that the MPO will make a decision that allows for competition in public transit.

After the passage of TEA–21, the Federal Transit Administration and Federal Highway Administration issued a memorandum on how their field offices should proceed with the planning requirements of the law. The document serves as a reminder to transit operators, State DOT's, and Metropolitan Planning Organizations to ensure a basic level of compliance with TEA–21's statutory language. There are eight requirements covered in the memorandum including the following:

> Consultation with transit users and freight shippers and service providers: "Before approving a long-range transportation plan, each metropolitan planning organization shall provide citizens, affected public agencies, representatives of transportation agency employees, freight shippers, providers of freight transportation services, *private providers of transportation,* representatives of public transit, and other interested parties with a reasonable opportunity to comment on the long-range transportation plan, in a manner the Secretary deems appropriate." (Emphasis added)

The law mandates a role for the private sector, yet at the same time, Section 5305(e)(3) explicitly withdraws any enforcement of the mandate. By hiding behind Section 5305(e)(3), many agencies do not consider the role the private sector could play in improving the quality and cost effectiveness of transportation services in their area. The study published by the Transportation Research Board in 2001, "Contracting for Bus and Demand-Responsive Transit Services" reported that 40 percent of all Federal transit aid recipients do not currently contract at all. The Administration's Reauthorization bill repeals this antiprivate sector Federal transit planning certification provision. We urge that the Senate's reauthorization bill also repeal this provision.

Amend DOL Administration of the Federal Transit Labor Protection Provisions

In April 2001, the House Subcommittee on Highways and Transit of the Committee on Transportation and Infrastructure heard testimony from Anthony Downs, a Senior Fellow at the Brookings Institution who was asked to provide a report on the "Future of U.S. Ground Transportation from 2000 to 2020." In his testimony, Downs stated:

> To a great extent, two types of archaic institutional structures hamper approaching future ground transportation rationally and efficiently. First, existing means of governance in most metro areas are not capable of managing regional growth so as to create consistently higher densities in new-growth areas . . . *The second major institutional roadblock lies in the regulations that govern public transit. Existing authorities bolstered by transit unions want to maintain monopolies of very inefficient large-scale systems that cannot achieve flexible approaches to serving low-density residential areas. Yet such areas will comprise the vast majority of all new areas we are likely to build in the next two decades. . . Imaginative management of public transit funds would encourage bidding for new types of services by private entrepreneurs. But the political power of transit unions and established institutions makes that unlikely. . ."* (emphasis added)

Mr. Downs is not the first learned individual to recognize the role unions play in stifling innovation in public transit because of the hold Section 5333(b)—transit labor protection (formerly Section 13(c)) gives them over transit agency management. Section 5333(b) adversely impacts transit operations in a variety of ways, but two are of particular concern to private operators, including paratransit operators:

- Restrictions on delivering transit services in a manner that makes the most business sense, particularly the roadblocks that 5333(b) present to any legitimate competitive contracting efforts; and
- Financial liability for 5333(b) claims, often in connection with changes in contractors, regardless of whether the action involved has any real connection to a Federal project or grant.

Private operators' concerns about Section 5333(b) arise not out of its original intent, but rather out of how it has evolved and been expansively interpreted by the Department of Labor over the years. As the legislative history reflects, the original Section 13(c) was designed by Congress to protect transit workers from adverse

impacts in employment that might result from Federal grants and to protect the collective bargaining rights of employees of private transit companies when those companies were purchased by public entities with Federal funds. Clearly, given these Congressional objectives, Section 5333(b) has been interpreted and applied far beyond its original intent. Transit operators are being repeatedly frustrated in their efforts to provide additional and cost effective transit for the people they serve due to the threat of labor protection impediments and costs. Some unions have used Section 5333(b) to block contracting action, and to impose large costs that reduce or eliminate the efficiencies in contracting for services. In April 2001, this Subcommittee heard testimony from public transit officials representing Sacramento, Little Rock, Las Vegas, Boston, New York, and Chicago—six dissimilar cities, but all burdened and asking for relief from the Section 5333(b) labor protections. Peter Stangl, Chairman and CEO of the New York Metropolitan Transit Authority, summed up the concerns of these six public transit representatives by stating:

> "Current labor protection requirements, the "13(c)" provisions of the Federal Transit Act, apply to both capital and operating budgets. A grant recipient's union must approve both our capital and operating assistance requests before FTA can proffer grants. Such sign-off provisions give extraordinary control over a transit organization to the unions and can be used to undermine more traditional channels for resolving labor/management disputes. The net effect of 13(c) is to deprive transit operators of the ability to achieve reasonable productivity. Most critically, the regulations do nothing to advance legitimate Federal interests."

The scope and nature of the 5333(b) protections required in "change in contractor" cases have continued to be a subject of major debate. The Department of Labor has become increasingly sympathetic to the efforts of the transit unions to include in 5333(b) protections a requirement that contractors providing transit services for a Federal grantee hire the workforce of the preceding contractor, and adopt the terms of the existing collective bargaining agreements. The provisions sought essentially provide a guaranteed right of continued employment, a "carryover" of the then-effective collective bargaining agreement, and if read literally, recognition of the existing union representative.

Compounding the difficulty with the Department of Labor's position is the fact that FTA grantees are faced with inconsistent, and sometimes directly conflicting, imperatives from the Federal agencies that play a major role in their funding. Specifically, grantees are being told by the FTA that they must conduct periodic competitive procurements for transit services and award to the successful proposer under FTA's procurement principles; only then to be told by the Department of Labor that they cannot take any action that would change the existing workforce or their unions. These conflicting Federal directives cannot be reconciled, leaving grantees in the untenable position of trying to decide which agency to believe and whose rules to follow.

A required carryover could have a significant adverse impact on contracted services in the paratransit area. In particular, the potential economic benefits of competitive contracting could be lost if labor costs are effectively "locked in" from one contractor to the next.

The Department of Labor had previously held that when a contract for a fixed length has been properly terminated in accordance with its terms, impacts which occurred solely as a result of the expiration of the bid contract were not to be considered "as a result of" a Federal grant, and thus would not give rise to 5333(b) protections for affected employees. One major exception to the general rule was where the applicable 5333(b) protections already in place explicitly required the carryover of employees and/or the collective bargaining agreement.

The transit labor unions have been more aggressively pursuing 5333(b) provisions requiring a carryover of the workforce and collective bargaining agreement, both in the context of negotiation over the terms to be included in 5333(b) agreements and in the form of 5333(b) claims filed under applicable existing 5333(b) protections.

Section 5333(b)'s roots can be traced back to late 19th century rail labor law. These protections basically provide that should a union member covered by a labor agreement lose his or her job through the actions of a Federal grant, that union member is entitled to compensation of up to 6 years full salary. This onerous penalty, once widespread across the United States, now only applies to two industries: Amtrak and public transit.

Following are four core actions for how Section 5333(b) labor protection provided for in the Federal Transit Act can be effectively changed to make the transit labor protections less of an obstacle to the efficient and effective provision of public transportation service.

1. The carryover of workforce issue needs to be addressed in the Senate bill. This could be achieved by simply declaring that a change in contractors is not an event that gives rise to 5333(b) protections. In fact, a 1994 certification for the Regional Transportation Commission of Clark County, Nevada, the Department of Labor agreed with the grantee that "neither Section 13(c)(1) nor (c)(2) provide guaranteed jobs, but rather ensure that rights achieved through collective bargaining with an employer are preserved and that the process for negotiating labor contracts is continued with the employing entity." The Department of Labor went on to state that 13(c)(1) and (c)(2) "standing alone do not operate to create new employment relationships with a third party, nor do they require the hiring of a predetermined workforce."

2. The Department of Labor's previous position that there is not a required carryover of workforce should also extend to "public to private" transitions where no employees are dismissed as a result of a Federal project. Without such a declaration the universe of situations in which a carryover of a workforce and its labor contract will be required can continue to expand. Such expansion will have a significant impact on transit systems that rely on private contractors for their paratransit operations, and could have a significant impact on the private contractors' ability to provide such operations, and even on their willingness to contract with public transit operators to provide such service.

3. Some FTA grantees have objected to binding interest arbitration provisions in 5333(b) agreements. The Department of Labor has found such objections "insufficient," and in effect have frustrated attempts by grantees to use different forms of dispute resolutions (such as fact finding) for interest disputes other than binding interest arbitration. The Department's action to deny the objections to interest arbitration is in *direct conflict* with judicial precedent, which has clearly held that interest arbitration is *not* a required provision of 5333(b) terms. *ATU* v. *Donovan* 767 F. 2d 939 (D.C. Cir. 1985). By denying grantees' ability to object to interest arbitration, grantees continue to be bound to interest arbitration that need not be legally included in 13(c) provisions. Recent efforts to bind contractors to the 5333(b) terms of grantees, would likewise require contractors to be subject to binding arbitration in interest dispute with their workforce.

4. It is suggested that the review of all FTA grants should be limited to the review by the Federal Transit Administration. There is no statutory requirement that these grants should be reviewed by the DOL, and therefore, the practice should be statutorily ended. Transit labor protection was enacted with the implementation of the Federal Transit Act in 1964 and the subsequent regulations that were promulgated over the years resulted in Federal transit grants not only being reviewed by the DOT, but eventually by the DOL. Currently, ALL Federal transit grants are not only reviewed by the DOL, but also those grants are actually reviewed by private entities that have veto power, the national union organization that would be applicable to that particular public transit authority.

We believe implementation of these recommendations would go a long way toward bringing a more level playing field to the competitive bidding process at many transit agencies. We urge the Senate to include language requiring these changes in the reauthorization legislation.

Need For Private Participation Requirements

There is ample, indisputable evidence that the Private Sector Participation Guidance, developed and promoted by the Reagan and Bush Administrations, was a great success raising the amount of contracting, in just 10 years, from $10 million per year to over $500 million per year. Public transit agencies, private operators, local governments, and most importantly, the public itself can realize significant benefits from contracting some public transportation services to private operators.

- Benefits for the riding public include increased levels of transportation services, increased convenience, and improved service quality.
- Private operators typically realize increased income, productivity, and exposure in their communities.
- Benefits for public transit agencies typically include cost savings, the ability to serve a greater number and types of trip needs, and allow a more productive allocation of union labor.
- Local governments typically realize cost savings and a higher level of public transit services.

However, since the rescission of the Reagan-Bush Private Enterprise Participation policies in 1994 by the Clinton Administration, the private sector has been relegated to the back burner and is not even an afterthought in the minds of many transit and government officials.

- Currently, 40 percent of all public transit agencies do not contract any services. Even though there is a legislative requirement to utilize private operators to the maximum extent feasible, a very alarming 30 percent of these transit agencies are led by general managers who state unequivocally that they never consider contracting.
- Only three of the Federal Transit Administration Regional Administrators were regional administrators when the guidance was in place, so even high-placed FTA officials have basically dropped private operators from their purview. It has been many years since FTA officials have been instructed to assure consideration of the private sector in leveraging public transportation investment and to assure cooperation, not unfair subsidized competition, in the efficient use of Federal transit grants.
- After FTA rescinded the Private Enterprise Participation Policy, it withdrew the private sector guidances for its Capital Program, Urbanized Area Program, Nonurbanized Area Program, Elderly and Persons with Disabilities Program, and its Competition Policy for Paratransit Activities. As the years have passed and new employees have come into transit management positions, consideration of private operators for contracting purposes is ending. Just as consideration of private operators was virtually nonexistent for 20 years after the Federal Transit Act of 1964 became law (until the Private Enterprise Participation Policy was introduced in 1984); utilization and even consideration of the private sector is now declining. Also, many States have revised their guidance to operators and dropped private sector inclusion in the planning process as a result of FTA backing away from enforcing the private sector provisions in the Federal Transit Act.
- While it is true that the requirements of providing complementary paratransit service required by the ADA has increased the dollar volume of contracted transit services, the trend is for transit agencies to take contracts back in-house. Altogether, contractors provide about 15 percent of all bus and demand-responsive vehicle hours, a percentage that has changed very little during the past 5 or 6 years.
- Currently, the President's Management Agenda (PMA) promotes contracting and outsourcing as a means to bring private sector efficiencies into the Federal Government. Re-establishing a private sector participation policy would help FTA and DOT meet the PMA requirements.

The public private partnership approach to providing transit services is a proven tool to achieve various public objectives including cost control, enhancements of service quality and quantity, and access to capital funding. However, as there are ever-increasing demands for limited transit funds, the competitive approach offers a means to provide current or new services at a reduced cost utilizing the savings for existing transit services. TLPA urges the Senate to require FTA to conduct a rulemaking to reestablish a private sector participation policy. The end result would be an increase in the efficiency and effectiveness of public transit operations in this country.

Include the President's New Freedom Program in the Senate Reauthorization Bill

President Bush has stated that his New Freedom Program is designed to close the mobility gap for disabled Americans who currently do not have adequate mobility options so that these persons will have "the opportunity to participate fully in society and engage in productive work." According to Secretary of Transportation Mineta, the New Freedom Program funds are intended to increase access to assistive technologies and educational opportunities, and to enhance the integration of disabled persons into the workforce and communities. The Department of Transportation is charged with responsibility for the New Freedom Program funding, underscoring the central role of transportation in achieving the goals of the program.

Today, most public transit systems are largely accessible to disabled persons as a result of public funding to meet the requirements of the Americans with Disabilities Act. However, the privately owned and funded taxicab and paratransit industry receives virtually no public funding to provide service to the disabled. At the same time, private operators provide an essential means of transportation for people in urban, suburban, and rural areas. The industry is used on a curb-to-curb basis, to reach other transportation facilities such as bus and rail stations and airports, as well as workplaces, schools, doctors, community centers, and other locations. Taxicabs are ubiquitous, operating in over 2,000 communities and providing demand-response service 24 hours per day, 365 days per year. For many people, the disabled included, taxicabs provide the essential link between home, the community at-large, and other transportation systems. Taxicabs are more broadly available than municipal paratransit services, which are generally available only with advance reservation, for limited hours and then only in city centers and in areas three-quarters of a mile from fixed-route bus corridors or rail stations. Significantly greater accessi-

bility for a larger number of disabled persons could easily be achieved, consistent with the goals of the ADA, were New Freedom Program funds made available to carry out a program designed to close the mobility gap with respect to critically important curb-to-curb transportation provided by the private taxicab and paratransit industry. The program, which would be administered by the Federal Transit Administration, would authorize funding to qualified organizations (community groups or directly to taxicab companies) for use in enhancing local transportation services for disabled persons by working with private taxi-van providers to fund the purchase, promotion, and operation of taxi-vans that meet Federal accessibility requirements for vans and that serve persons requiring accessible transportation to reach work, schools and other places in the community at-large. The Administration's Reauthorization bill calls for the program be modeled on FTA's Job Access and Reverse Commute Program, that is projects must be derived from a locally developed, coordinated public transit-human services transportation plan that is developed through a process that includes representatives of public, private, nonprofit transportation, human services providers, and representatives of the general public.

The New Freedom Program could establish an immediate and meaningful accessible transportation safety net, making 1 million accessible taxi-van trips available per year. Assuming the program funded two-thirds of the incremental cost of acquisition and the first year of incremental operating costs, then for each $1.8 million in funding, approximately 125 additional accessible taxi-vans could be purchased nationwide. These taxi-vans would dramatically increase the service area and hours of availability of accessible transportation service. Each could reasonably be expected to be available to transport two wheelchair passengers per hour for about 12 hours per day, thereby collectively serving 1 million disabled passengers annually who would not otherwise receive this. The U.S. Department of Labor estimates that 70 percent of employable people with disabilities are unemployed, 33 percent of these people are attributing lack of adequate transportation as a key factor in their inability to secure employment. The New Freedom Program, by creating an accessible transportation safety net in the form of taxi-vans, would be implementing a public-private partnership to help integrate passengers with disabilities into the workforce and community, thus expanding the transportation options for employable people with disabilities.

The Administration's reauthorization bill states, "subrecipient means a State or local governmental authority, a nonprofit organization, or a private operator of public transportation service that may receive a grant under this section indirectly through a recipient, rather than directly from the Federal Government." TLPA urges that the Senate include the New Freedom Program in their reauthorization legislation and to use similar language to the Administration to ensure that private operators are eligible to participate in the program.

Require that FTA's Special Needs Programs (JARC, New Freedom, and Section 5310) Utilize the Same Planning and Eligibility Requirements

In the past 7 years, the Federal Transit Administration (FTA) has introduced or proposed two innovative programs designed to meet the special needs of two of the most transportation dependent groups: Those with low incomes and the disabled. The Job Access and Reverse Commute (JARC) grant program is designed to transport welfare recipients and eligible low-income individuals to and from jobs and activities related to employment. President Bush's proposed New Freedom Program would provide for alternative transportation services to jobs and innovative solutions eliminating transportation barriers faced by persons with disabilities. Along with the FTA Section 5310 Elderly and Persons with Disabilities Program, JARC and the New Freedom Program are FTA's special needs programs. Each one of these programs has a slightly different target audience, JARC (unemployed and welfare-to-work individuals); New Freedom (disabled individuals whose needs cannot be met by Americans with Disabilities Act accessible transportation options); and Section 5310 (assisting private nonprofit groups and certain public bodies in meeting the transportation needs of elders and persons with disabilities). However, there are such similarities and potential synergies among the programs, that TLPA urges that the Senate require that each program be required to have uniform planning and eligibility requirements using the JARC planning and eligibility requirements as the guidelines. This request is also consistent with the renewed emphasis on coordination of transportation resources at the Federal level.

The issue of providing affordable, accessible, and safe transportation for human services clients has been extensively researched and promoted since the early 1970's. In October 1986, Secretary of the U.S. Department of Health and Human Services Otis Brown and Secretary of the U.S. Department of Transportation Elizabeth Dole signed a historic joint agreement on the coordination of transportation

services funded by the two agencies. Every subsequent Administration has renewed this commitment to coordination. In the past 17 years, the scope and reach of coordinated transportation services has advanced to such an extent that one can find exemplary models of coordinated activities in virtually every State. However, recent changes in Federal social service programs principally the change from serving children's needs in the Aid to Families with Dependent Children program to serving the entire family's needs in the Temporary Assistance to Needy Families (TANF) program; difficulties in funding medical services, primarily the financial dilemmas States are facing with the Medicaid program; and changes in the demographics of our country, chiefly the increasing proportion of our population age 65 and over, have fostered a renewed need for and commitment to coordination at the Federal level. The Administration's reauthorization bill requires any locality applying for funding for any of the three programs (NFI, 5310, & JARC) must demonstrate that they have a local, coordinated process that includes all the stakeholders: Public and private operators, local governments, private nonprofit organizations, and riders. Having a seat at the table should give private operators an enhanced role in helping plan for and provide coordinated services. TLPA supports having one streamlined program that has uniform planning and operating requirements for recipient and subrecipient grantees.

The importance to private operators of having uniform planning and participation requirements for these special needs programs cannot be overstated. The Federal Transit Act requires that planners and grant recipients "shall encourage to the maximum extent feasible the participation of private enterprise." However, because private operators are not accustomed to Federal planning and procurement processes, having to deal with different requirements for each and every program is often mind numbing. By including language in their reauthorization legislation requiring that FTA's three special needs programs utilize uniform planning and participation requirements, the Senate would further advance the private enterprise participation requirements of the Federal Transit Act.

Conclusion

Competitive contracting is a tool that is available to public transit agencies to assist them in managing their costs in these current economic times where virtually every State and locality is scrambling for dollars to overcome budget deficits. Competitive contracting not only results in lower cost for public services that are competitively contracted, it also induces improved cost performance from the public agency. Contractors are the friends of the public transit sector. They take over the least productive routes and usually deliver a comparable or better quality of service at a lower deficit rate. There is little evidence of any significant economies of scale in the transit industry, particularly for large transit agencies, meaning there is no real economic justification for protecting transit properties from competition. Research shows consistently that unit costs of delivering bus services rise when vehicle miles increase. Thus, private firms that assist in serving high-deficit peak loads should help reduce the scale of public operations to a more cost-efficient level.

TLPA respectfully requests that the Senate consider including the Association's five legislative proposals in their transportation reauthorization legislation. Thank you for this opportunity.

United States General Accounting Office

GAO

Report to Congressional Requesters

November 2001

TRANSIT LABOR ARRANGEMENTS

Most Transit Agencies Report Impacts Are Minimal

GAO-02-78

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United States General Accounting Office
Washington, D.C. 20548

November 19, 2001

The Honorable Phil Gramm
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Wayne Allard
Ranking Minority Member
Subcommittee on Housing and Transportation
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Mike Crapo
United States Senate

Over the last several years, there has been renewed concern about the 37-year old statutory provision commonly known as Section 13(c)— codified as section 5333(b) of title 49 U.S. Code. Before the Federal Transit Administration (FTA) may make grants to transit applicants, Section 13(c) requires that the Department of Labor (DOL) certify that fair and equitable arrangements are in place to protect mass transit employees affected by federal assistance. Section 13(c) requires that the arrangements contain provisions for, among other things, the continuation of collective bargaining rights and the protection of employees against a worsening of their positions. Once certified, the arrangements are incorporated into the grant agreement between FTA and the grantee. Critics of Section 13(c) have claimed that it greatly increases the cost of transit operations, hinders transit agencies' efforts to adopt new technology, and creates constraints on the efficient operation of transit systems. However, supporters have claimed that Section 13(c) has enhanced labor-management stability and has on occasion helped to improve communication and working relationships between management and labor.

You requested that we assess the impact of Section 13(c). We agreed with your office to assess the impact of Section 13(c) on labor costs and the technological and operational management of transit agencies—aspects of transit operations industry officials identified as most likely to be affected by Section 13(c). We also agreed to assess the impact of Section 13(c) on the timely receipt of federal transit grants, as well as the burden of complying with Section 13(c) relative to other federal grant requirements. To address this request, we reviewed relevant studies and the legislative

history of Section 13(c), interviewed federal agency and union officials, and conducted a nationwide mail survey of the 105 largest transit agencies in April 2001. We received responses to our survey from 92 transit agencies for a response rate of 88 percent. Our survey instrument and overall results are included in appendix I.

Results in Brief

Except for their ability to contract out for transit services, the transit agencies we surveyed generally reported that Section 13(c) has had a minimal impact on their (1) labor costs, (2) ability to adopt new technologies, and (3) ability to modify transit operations. Transit agencies reported that Section 13(c) has delayed the award of federal grants and has presented a burden regarding time, efforts, and resources. Transit officials said that growth in the transit industry may act to mitigate the effects of Section 13(c).

- Most transit agencies that responded to our survey indicated that Section 13(c) had a minimal impact on labor costs. Although labor costs account for the largest share of operating costs in the transit industry, and critics have suggested that Section 13(c) raises labor costs, 68 percent of the transit agencies reported that Section 13(c) did not affect their labor costs. Twenty-seven percent reported that Section 13(c) had somewhat increased their labor costs, and 4 percent reported that Section 13(c) had greatly increased labor costs.
- Similarly, most transit agencies reported that Section 13(c) had a minimal effect on their ability to adopt new technologies. Eighty-five percent of the agencies reported that, in general, Section 13(c) did not affect their decisions whether to adopt new technologies. Further, Section 13(c) had a minimal impact on their decisions whether to adopt specific technologies. For example, of the 76 agencies that considered adopting a computer assisted dispatching and scheduling system, only 2 indicated that Section 13(c) influenced their decisions whether to adopt that technology.
- Most agencies reported that Section 13(c) was not a factor in their decisions whether to modify operations. When agencies indicated that they had considered changes in their transit operations, on average 81 percent of those decisions were not influenced by Section 13(c). Further, 63 percent of the transit agencies reported that Section 13(c) did not have any effect on their relations with the unions representing their employees. Thirty-four percent of the transit agencies reported that Section 13(c) made relations with their unions more contentious,

and 3 percent of the transit agencies reported that Section 13(c) made their labor relations more amicable.

Transit officials we interviewed suggested that growth in the transit industry may act to mitigate the impact of Section 13(c) by allowing transit agencies to adopt labor-saving technology and modify transit operations without displacing or dismissing employees. In addition, 85 percent of the transit agencies we surveyed reported that they would be required to engage in collective bargaining independent of Section 13(c) and its requirement to continue collective bargaining rights. Some collective bargaining agreements contain provisions similar to those found in Section 13(c) arrangements and thus make isolating the impact of Section 13(c) difficult.

Although transit agencies generally reported that Section 13(c) had a minimal impact on their management of operations, many reported that Section 13(c) impeded their ability to contract out for fixed-route transit services. Historically, one of the major concerns of Section 13(c) critics is that it impairs the ability of transit agencies to contract out for transit services. Forty-six percent of the transit agencies responded that Section 13(c) made it somewhat or much more difficult to contract out for fixed-route services. However, some of the officials we interviewed suggested that Section 13(c) does not directly limit an agency's actual ability to contract out; instead, the threat of problems related to Section 13(c) discourages agencies from pursuing the use of contracting out for transit services.

Transit agencies have argued that Section 13(c) requirements result in delays in grant application processing. Fifty-seven percent of the transit agencies responding to our survey reported that Section 13(c) greatly or somewhat delayed the award of a transit grant. However, transit agencies' experiences with delays did not always correspond to satisfaction with grant application processing, as only 24 percent of transit agencies were either somewhat or greatly dissatisfied with the timeliness of FTA's grant processing; and only 29 percent were either somewhat or greatly dissatisfied with the timeliness of DOL's grant processing.

When asked about the difficulty imposed by Section 13(c) compared to other standard federal requirements for transit grant applicants regarding time, effort, and resources, 30 percent of the transit agencies surveyed reported that it was either somewhat or very difficult to meet Section 13(c) requirements. However, a larger percentage of transit agencies indicated

that certain other federal requirements were burdensome. For example, over 70 percent of the survey respondents reported that it was somewhat or very difficult to comply with the requirements of the Disadvantaged Business Enterprise program and the Americans with Disabilities Act.

In the returned questionnaires, we observed that transit agencies' responses concerning difficulties with contracting, delays in the receipt of federal grants, or fulfilling Section 13(c) requirements did not show any pattern regarding agency size, structure, or location.[1]

Generally, the transit agencies we surveyed indicated that it would be useful for FTA and DOL to undertake some actions to ease the burden of fulfilling Section 13(c) requirements, such as providing information on best practices in transit agencies and providing information about Section 13(c) on FTA and DOL Web sites. DOL has advised us that compliance information on the Section 13(c) program is included on its Web site, as well as on the FTA Web site.

We provided a draft of this report to the Secretary of Transportation and the Secretary of Labor. Neither agency had substantive comments; however, both provided technical comments that we incorporated into this report as appropriate.

[1] The number of responses we received does not support a reliable statistical assessment of the characteristics of transit agencies who reported difficulties.

Background

In 1964, Congress passed the Urban Mass Transportation Act to provide financial assistance to states and local governments to extend and improve urban mass transportation systems beleaguered by rising costs and declining ridership. The provisions commonly called Section 13(c) were included to protect employees who might be adversely affected by industry changes resulting from financial assistance under the act. One specific concern was that if municipalities and other public entities used federal assistance to purchase failing private transportation providers, the employees could lose their jobs, collective bargaining rights, or other rights they had gained through collective bargaining.[2] For example, prior to the passage of the act, transit employees in Dade County, Florida lost their collective bargaining rights; and subsequent decisions regarding wages, hours, and working conditions were made unilaterally after their employer was acquired by a public transit authority. Another concern leading to Section 13(c) was that technological advances made with federal assistance would reduce the need for transit labor.

Section 13(c) is unusual in that two federal agencies administer it: DOT and DOL. Section 13(c) requires that DOL certify that fair and equitable labor protection arrangements are in place before DOT makes grants to transit applicants. Such labor protection arrangements are to provide for (1) the preservation of rights, privileges, and benefits under existing collective bargaining agreements; (2) continuation of collective bargaining rights; (3) protection of employees against a worsening of their positions with respect to their employment; (4) assurances of employment to employees of acquired mass transportation systems and priority of reemployment for employees terminated or laid off; and (5) paid training or retraining programs.

[2]As public employees, they would not be covered under the National Labor Relations Act (NLRA). Because states and municipalities are exempt from NLRA, public transit agencies would not be required to bargain collectively with the transit unions or honor existing collective bargaining agreements unless required to do so under state laws. In addition to collective bargaining rights, employees could potentially lose the right to strike and lose pension and retirement benefits.

In carrying out its responsibilities, DOL ensures that the protective terms are in place through Section 13(c) arrangements, which are incorporated within a transit agency's grant agreement with DOT. The DOL certification process begins when FTA forwards a grant application to DOL.[3] DOL refers the grant application and recommended terms and conditions to the unions representing transit employees in the service area of the project and the transit agency applying for the grant. No referral is made when (1) employees in the service area are not represented by a union or (2) the grant is for routine replacement items.[4] After DOL referral, the parties review the proposed terms and conditions and submit objections, if any. If no objection is submitted, DOL issues a final certification based on the terms and conditions recommended to the parties. If an objection is submitted, DOL considers its validity. If DOL determines that the objection is not valid, it issues a certification that is based on the recommended terms and conditions. If it determines that the objection is valid, and it cannot be resolved through a technical correction, the parties are provided an opportunity to resolve disputed matters through negotiations. If they are unable to do so, DOL makes a determination after considering the objections of the parties. If the terms and conditions applied by DOL are not acceptable to the grant applicant, it may choose not to accept federal transit assistance.

After the certification process, employees who believe they have been adversely affected as a result of federal transit assistance may file claims under the procedures set forth in the Section 13(c) arrangements certified by DOL. The procedures for filing and resolving Section 13(c) claims vary according to each agreement, but they typically set forth (1) a time period for filing claims; (2) an informal process under which the parties can resolve disputes over claims; and (3) a formal dispute resolution process, such as binding arbitration, in the event that an informal settlement is not reached.

[3] DOL has developed simplified processes for certain grant programs, such as for nonurbanized area formula grants. In addition, certain grants and loans for special needs of elderly individuals and individuals with disabilities do not require a labor protection certification.

[4] If there is no union representing employees, DOL sets forth employee protective arrangements in a standard certification. For grants for the routine replacement of equipment of like kind and character, DOL applies preexisting terms and conditions unless the grant has a potential for a material effect on transit employees.

Section 13(c) Has Had Minimal Impact on Labor Costs at Most Transit Agencies

The agencies we surveyed generally reported Section 13(c) had a minimal impact on their labor costs. Critics have expressed concern that Section 13(c) hinders transit agencies' ability to lower labor costs, which, according to the American Public Transportation Association, account for over 80 percent of the operating expenses in the public transportation industry. In addition, some critics have stated that Section 13(c) has caused inflated wages and benefits in the transit industry. However, 68 percent of the transit agencies that responded to our survey reported that, in general, Section 13(c) had no effect on their labor costs. Twenty-seven percent reported that Section 13(c) had somewhat increased their labor costs, and 4 percent reported that Section 13(c) had greatly increased labor costs.

Moreover, a study by Rutgers University found that hourly transit wages for operators and mechanics rose very little in real terms and substantially less than average earnings per employee in other sectors of the economy from 1982 to 1997.[5] When compared within metropolitan areas, transit wages (1) rose less than average earnings per employee in the manufacturing and government sectors, (2) were about the same as average earnings per employee in the transportation and public utilities sectors, (3) and rose much less than average earnings per employee in all other sectors of the economy. In addition, using data from 130 transit agencies, the Rutgers study found that mean top-wages for transit bus operators hovered at roughly the same level over the 1982 to 1997 period. (See table 1.)

[5] Neal A. Denno and Martin E. Robins, *The Trend of Transit Labor Costs: 1982-97.* (New Brusnwick, NJ: Alan M. Voorhees Transportation Center, Rutgers University, 2000), p.1.

Table 1: Mean Top-Wage Rates for Transit Bus Operators

	1982	1987	1992	1997
All agencies (N=130)	$15.07	$15.33	$14.95	$15.13
Large agencies (N=53)	$16.74	$16.85	$16.37	$16.54
Small agencies (N=77)	$13.92	$14.28	$13.97	$14.15
Agencies with rail service (N=22)	$17.56	$17.59	$17.17	$17.33

Note: Amounts in constant 1999 dollars.

Source: *Neal A. Denno and Martin E. Robins, The Trend of Transit Labor Costs: 1982-1997. (New Brunswick, NJ: Alan M. Voorhees Transportation Center, Rutgers University, 2000), p. 5., calculated from APTA wage reports.*

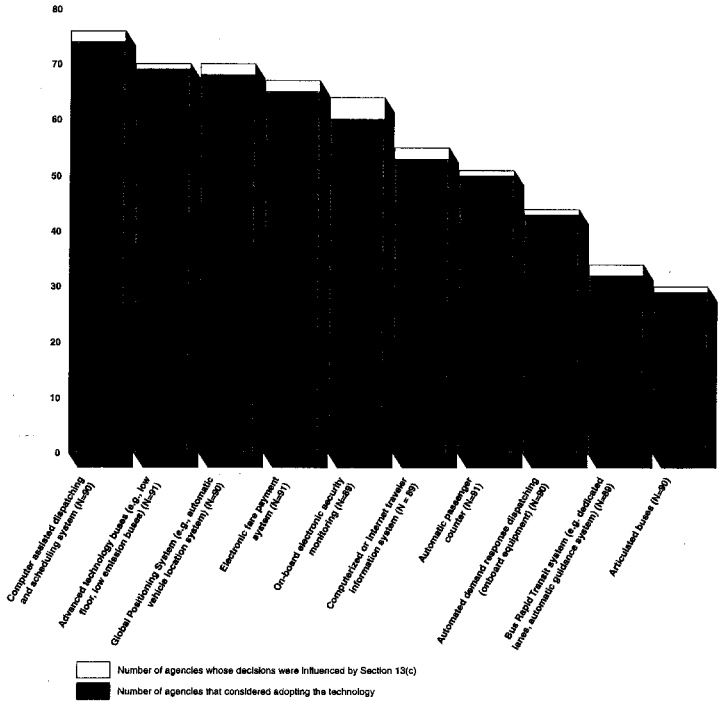
Section 13(c) could also affect a transit agency's costs through Section 13(c) claims. Section 13(c) arrangements typically establish a process whereby employees adversely affected by federal assistance can file claims against transit agencies, for example, for a dismissal allowance when employees lose their jobs. Claims may be filed for an individual or for a group of employees and claims filed in the last 5 years covered an average of 37 employees per claim. Eighty-seven percent of the transit agencies we surveyed reported that they have not had any Section 13(c) claims in the last 5 years. The remaining 12 agencies had an average of 3 claims filed during this period. Only eight of these agencies had Section 13(c) claims reach settlement, arbitration, or DOL decision. For those agencies, the average total amount paid per agency was $188,067.

Section 13(c) Has Had No Influence on Most Transit Agencies' Decisions Whether to Adopt New Technologies

Critics of Section 13(c) have asserted that it creates disincentives for transit agencies to examine and adopt innovative technologies. However, 85 percent of the transit agencies surveyed reported that, in general, Section 13(c) did not affect their decisions on whether to adopt new technologies. In addition, we asked the transit agencies whether Section 13(c) had influenced their decisions whether to adopt specific technologies, including automatic passenger counters and electronic fare payment systems. For each technology we identified, few or none of the transit agencies surveyed indicated that Section 13(c) had influenced their decisions on whether to adopt the technology. For example, of the 65 agencies that had considered adopting onboard electronic security monitors, 4 indicated that Section 13(c) influenced their decisions whether to adopt that technology. Only 1 of the 30 agencies that had considered using articulated buses indicated that Section 13(c) influenced their decisions whether to adopt that technology. Of the 71 agencies that

considered using a global positioning system, 2 indicated that Section 13(c) influenced their decision whether to adopt that technology; however, officials who identified Section 13(c) as influencing their decisions did not offer any explanation for why Section 13(c) proved problematic in these cases. (See fig. 1.)

Figure 1: The Impact of Section 13(c) on the Adoption of New Technologies



Source: GAO.

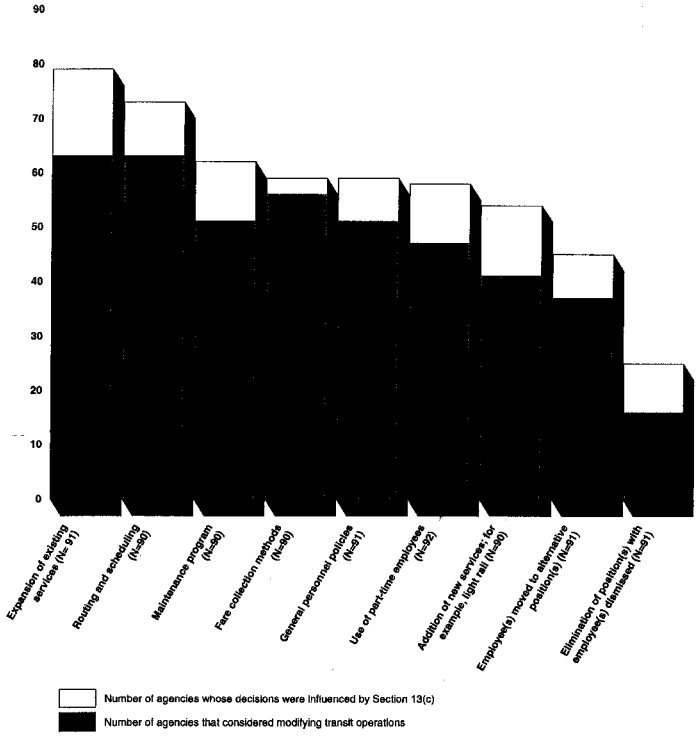
In addition, some officials suggested that the impact of Section 13(c) on transit agencies' decisions concerning technology may be limited because many transit systems are experiencing growth. According to the American Public Transportation Association (APTA), over the past 5 years, transit ridership has grown 21 percent. Consequently, transit agencies may be able to adopt labor-saving technologies without dismissing or displacing employees. Of the transit agencies we surveyed, 10 percent reported that they have fewer employees now than 5 years ago; and 84 percent reported that they have more employees now than 5 years ago. The remaining transit agencies reported no change in the number of employees.

Section 13(c) Minimally Influenced Transit Agencies' Operations, Except for Contracting

The transit agencies we surveyed generally reported that Section 13(c) had a minimal impact in some selected areas of their operations, including their decisions to modify transit operations and their relations with their unions. However, the agencies reported a greater impact due to Section 13(c) on their ability to contract for transit services.

Critics of Section 13(c) have stated that it creates disincentives for transit agencies to modify their operations. However, transit agencies generally reported that Section 13(c) did not influence their decisions in this area. We asked transit agencies to identify which of nine operational areas they had considered modifying, and whether Section 13(c) had influenced their decisions on whether to implement changes. When agencies indicated that they had considered changes in their transit operations, on average 81 percent of those decisions were not influenced by Section 13(c). (See fig. 2.)

Figure 2: The Impact of Section 13(c) on the Modification of Transit Operations



Source: GAO.

The majority of transit agencies we surveyed also reported that Section 13(c) generally did not affect their relations with the unions that represented their employees. For example, when asked whether Section 13(c) had caused their relations with the unions to become more amicable or more contentious, 63 percent of the agencies reported that Section 13(c) had not had any effect. Thirty-four percent of the agencies reported that Section 13(c) had made relations with the unions more contentious, and the remaining 3 percent reported that Section 13(c) had made their labor relations more amicable. In addition, 85 percent of the transit agencies we surveyed reported that they would be required to engage in collective bargaining independent of Section 13(c) and its requirements to continue collective bargaining rights. Some collective bargaining agreements contain provisions similar to those found in Section 13(c) arrangements and thus make isolating the impact of Section 13(c) difficult.

Although Section 13(c) had a minimal impact on most areas of transit operations we identified, many transit agencies we surveyed indicated that it had affected their ability to contract for fixed-route transit services.[6] For example, 46 percent indicated that Section 13(c) made it somewhat or much more difficult to contract out for fixed-route services. In contrast, 17 percent of the transit agencies indicated that Section 13(c) made it somewhat or much more difficult to contract out for paratransit services.[7] A transit official we interviewed explained this difference by noting that employees represented by labor unions have historically operated fixed-route service, but paratransit services have historically been contracted out; thus, the continuation of contracting out paratransit services does not pose a problem.

In addition, some transit industry officials reported that although provisions of Section 13(c) arrangements may directly limit contracting out for services, more often agencies are discouraged from contracting out because of their perception that such action will cause problems, such as Section 13(c) claims or delays in the receipt of grants.

[6] APTA defines fixed-route services as those provided on a repetitive, fixed-schedule basis along a specific route with vehicles stopping to pick up and deliver passengers to specific locations; each fixed-route trip serves the same origins and destinations.

[7] APTA defines paratransit services as those involving passenger cars, vans, or buses with fewer than 25 seats, operating in response to calls from passengers or their agents to the transit operator. Paratransit is sometimes also referred to as "Demand Response" and "Dial-A-Ride."

Section 13(c) Can Delay Grant Awards, But Transit Agencies Were Generally Satisfied With the Timeliness of Grant Application Processing

Transit agencies have argued that Section 13(c) causes delays in application processing and the award of federal grants. As noted in our August 2000 report,[8] when transit applications are not processed in a timely manner, transit benefits are delayed. In addition, a lack of predictability and consistency in processing times can make planning and project execution difficult for transit agencies. As we detailed previously, 93 percent of DOL's applications processed from January 1996 through April 2000 met DOL's internal 60-day processing goal.[9] As we noted in the August 2000 report, because of inconsistencies in DOL and FTA databases we were unable to determine whether Section 13(c) labor certification requirements delayed the award of transit grants. However, 57 percent of the transit agencies we surveyed indicated that Section 13(c) had caused such delays.

Although a majority of the transit agencies indicated that Section 13(c) had caused delays, the transit agencies were generally satisfied with the processing of federal transit grant applications. Forty-eight percent of the transit agencies were either somewhat or very satisfied with the timeliness of FTA's grant processing, where 24 percent were either somewhat or very dissatisfied. The remaining were neither satisfied nor dissatisfied. Forty-two percent were either somewhat or very satisfied with the timeliness of DOL's grant processing, and 29 percent were either somewhat or very dissatisfied with the timeliness of DOL's grant processing. The remaining were neither satisfied nor dissatisfied.

Section 13(c) Identified As a Burden Less Often Than Other Federal Grant Requirements

Some of the transit agencies we surveyed indicated that Section 13(c) requirements for receiving financial assistance were a burden regarding time, effort, and resources. However, more agencies identified other requirements as burdensome. All of the transit agencies indicated that FTA and DOL could undertake some actions to ease the burden of fulfilling Section 13(c) requirements, such as providing information on best practices in transit agencies and providing information about Section 13(c) on FTA and DOL Web sites. DOL has advised us that compliance

[8] *Transit Grants: Need for Improved Predictability, Data, and Monitoring in Application Processing* (GAO/RCED-00-260, Aug. 30, 2000).

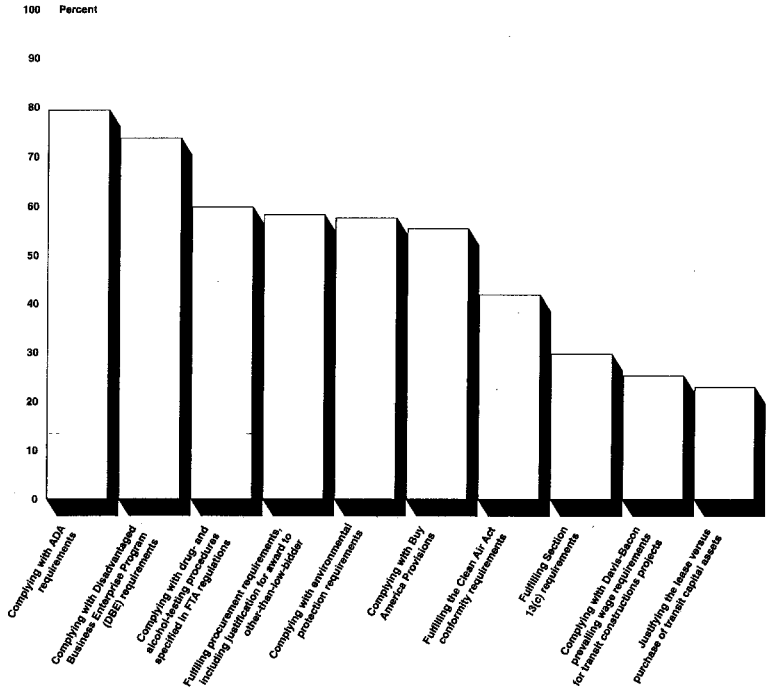
[9] The percentage of certifications processed by DOL within 60 days is based on DOL processing time from the receipt of an application from FTA. DOL's calculation differs slightly because DOL does not start its 60-day clock until the agency finalizes initial processing and refers employee protective terms and conditions.

information on the Section 13(c) program is included on its Web site, as well as on the FTA Web site.

The transit agencies were presented with a list of 10 different federal requirements for receiving federal transit assistance and asked to indicate how easy or difficult it was to fulfill those requirements regarding time, effort, and resources. Thirty percent of the transit agencies we surveyed indicated that fulfilling Section 13(c) requirements was either somewhat or very difficult. Fifty-six percent indicated that fulfilling Section 13(c) requirements was neither easy nor difficult, and 14 percent indicated that fulfilling the requirements was somewhat or very easy.

More transit agencies we surveyed indicated that other federal requirements were burdensome. For example, 79 percent of the transit agencies indicated that complying with Americans with Disabilities Act requirements was somewhat or very difficult. Seventy-four percent of the transit agencies indicated that fulfilling Disadvantaged Business Enterprise program requirements was somewhat or very difficult. Figure 3 shows the percentage of agencies that indicated that the requirements were difficult to fulfill.

Figure 3: The Difficulty in Fulfilling Federal Requirements



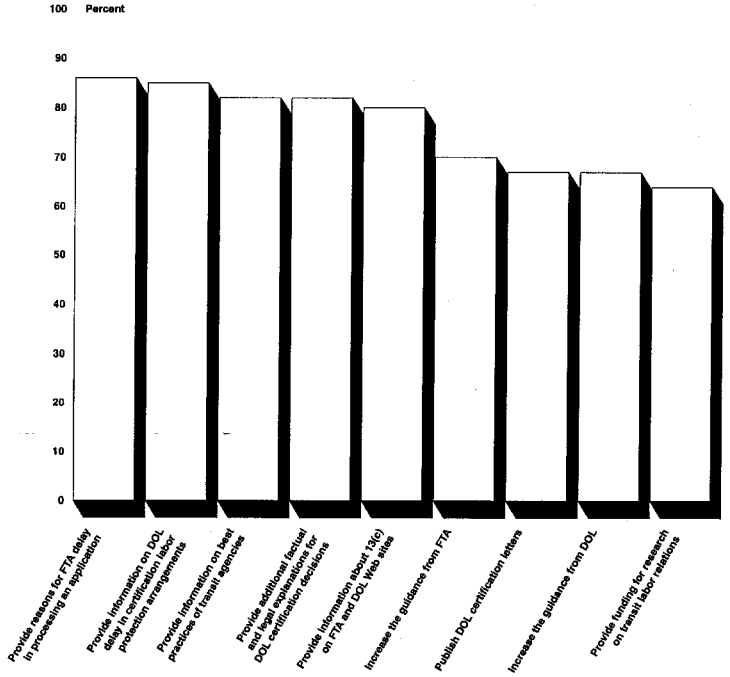
Source: GAO.

In the returned questionnaires, we observed that transit agencies' responses concerning difficulties with contracting, delays in the receipt of federal grants, or fulfilling Section 13(c) requirements did not show any pattern regarding agency size, structure, or location.[10]

Our survey respondents were provided a list of actions that FTA and DOL could undertake to help transit agencies with Section 13(c), and agencies were asked to indicate whether the actions would be useful or not useful. More than 50 percent of the transit agencies indicated that each of the nine actions listed would be definitely or probably useful. For example, 86 percent of the transit agencies we surveyed indicated that it would definitely or probably be useful if FTA were to provide information on delays in application processing. Similarly, 85 percent of the transit agencies we surveyed indicated that it would be definitely or probably useful if DOL were to provide reasons for delays in processing an application. Eighty percent indicated that it would be definitely or probably useful if DOL and FTA were to provide information about Section 13(c) on their Web sites. Figure 4 shows the percentage of agencies that indicated that the actions would be useful.

[10] See footnote 1.

Figure 4: DOT and FTA Actions That Transit Agencies Said Would Be Useful in Fulfilling Section 13(c) Requirements



Source: GAO.

Observations

The transit agencies we surveyed generally reported that Section 13(c) has had a minimal impact on labor costs, adoption of technologies, and operations. However, a notable number of transit agencies reported that Section 13(c) has discouraged them from contracting for fixed-route transit services and has delayed their receipt of federal grants. In addition, although 30 percent of the transit agencies indicated that Section 13(c) is a burden on their time, efforts, and resources, more transit agencies indicated that certain other federal transit requirements were burdensome.

In the returned questionnaires, we observed that transit agencies' responses concerning difficulties with contracting, delays in the receipt of federal grants, or fulfilling Section 13(c) requirements did not show any pattern regarding agency size, structure, or location.[11]

Two factors are relevant to understanding the impact of Section 13(c) on transit agencies. First, 85 percent of the transit agencies we surveyed reported that they would be required to engage in collective bargaining independent of Section 13(c) and its requirements to continue collective bargaining rights. Some collective bargaining agreements contain provisions similar to those found in Section 13(c) arrangements and thus make isolating the impact of Section 13(c) difficult. Second, 84 percent of the transit agencies reported that they have more employees now than 5 years ago. Officials we interviewed suggested that the growth of many transit agencies has reduced or eliminated the need to dismiss or displace employees when making technological or operational changes, thus potentially reducing the concern over the implications of such changes under Section 13(c).

Finally, the transit agencies indicated that some actions FTA and DOL could take, such as providing information about Section 13(c) on their Web sites and providing additional information about processing delays, would be helpful in fulfilling Section 13(c) requirements.

Agency Comments

We provided a draft of this report to the Secretary of Transportation and the Secretary of Labor. Neither agency had substantive comments; however, both provided technical comments that we incorporated into this report as appropriate.

[11]See footnote 1.

Scope and Methodology

To determine the impact of Section 13(c), we reviewed relevant studies, interviewed federal agency and union officials, and surveyed the 105 largest transit agencies. To obtain background information on Section 13(c), we reviewed the legislative history of the Urban Mass Transportation Act of 1964 and interviewed officials at the APTA, FTA, DOL's Employment Standards Administration, the Amalgamated Transit Union, and the Transportation Workers Union. These officials shared their views on the costs and benefits of Section 13(c) as well as key information on the Section 13(c) certification process, the characteristics of transit agencies most likely to be affected by Section 13(c), and the history of Section 13(c).

To obtain the list of transit agencies to survey, we analyzed data from FTA's National Transit Database (NTD). From our interviews, we determined that larger transit authorities were more likely to have had relevant and reportable experiences with Section 13(c). First, larger transit agencies generally receive more federal financial assistance than smaller agencies. Second, the officials we interviewed reported that larger agencies were more likely to have employees represented by unions. Finally, DOL has simplified certification requirements for transit authorities not located in urbanized areas. Consequently, we requested that FTA officials provide us with a list of all transit providers that serve populations greater than 200,000 and that annually operate 100 or more revenue vehicles in maximum service.[12] In commenting on a draft of this report, FTA noted that smaller and nontraditional grantees that were not included in our list may also experience some difficulties in complying with Section 13(c).

We used the NTD, Internet searches, and telephone calls to exclude the following from our initial list: (1) transit agencies operating as subsidiaries of other transit agencies on our list, (2) transit agencies not receiving federal financial assistance, and (3) private organizations that provide purchased transit services to transit agencies already on our list. We also added to our list transit agencies that met our criteria but were not

[12] The number of revenue vehicles available to the general public and operated to meet the maximum service requirement for the fiscal year; based on 1999 data filed with the NTD.

included in the list provided from FTA because they had not filed with the NTD.[13] Our final mailing list contained 105 transit agencies.

After we developed the list of 105 transit agencies to survey and developed a preliminary questionnaire, we pretested the survey with officials from nine transit agencies. The pretest participants were selected from transit agencies of different sizes operating in a variety of geographic areas. During the pretesting, we simulated the actual survey experience by asking the transit agency officials to complete the survey. We then interviewed the officials after they had completed the survey to ensure that (1) the questions were understandable and clear, (2) the terms used were precise, (3) the survey did not place an undue burden on agency officials, and (4) the survey was unbiased. On the basis of the pretesting, we incorporated appropriate changes into the final questionnaire.

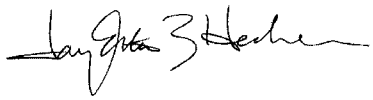
After mailing the questionnaire in April 2001, we sent three additional reminders in order to increase our response rate. First, we sent a postcard 1 week after the survey. Second, we sent a follow-up letter and a replacement questionnaire to nonrespondents 1 month after the initial mailing. Finally, we sent E-mail messages and placed telephone calls to nonrespondents during June and July 2001. We received questionnaires from 92 transit agencies, for a response rate of 88 percent.

We performed our review from December 2000 through October 2001 in accordance with generally accepted government auditing standards.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this report. At that time, we will send copies to the Secretary of Transportation, the Secretary of Labor, and interested congressional committees. Copies will also be made available to others on request.

[13]Urbanized Area Formula Grant recipients are required to submit a report to the NTD. In addition, FTA encourages all transit agencies, regardless of whether they receive federal assistance, to file with NTD so that FTA will have a more complete depiction of mass transit in the United States.

If you have any questions about this report, please call me at (202) 512-2834 or contact me at heckerj@gao.gov. Major contributors to this report are listed in appendix II.



JayEtta Z. Hecker
Director
Physical Infrastructure Issues

U.S. General Accounting Office

GAO

Survey of the Impact of Transit Labor Arrangements On Transit Agencies

During Federal Fiscal Years (FFY) 1995-2000 (i.e., from 10/1/95 to 9/30/2000) did your transit agency receive a grant or grants from FTA that required you to obtain a Section 13(c) certification? (*Please check yes or no, then follow the instructions.*) **N=96**

4.2%	No: You do not need to complete this questionnaire. Please return the uncompleted questionnaire using the enclosed envelope.
95.8%	Yes: Please complete the questionnaire and return it to us using the enclosed envelope.

April 2001

U.S. General Accounting Office
441 G Street, NW
Washington, D.C. 20548-0001

Survey of the Impact of Transit Labor Arrangements On Transit Agencies

Introduction

The U.S. General Accounting Office (GAO) has been asked by the Senate Committee on Banking, Housing and Urban Affairs to assess the impact of transit labor protection arrangements (often called "Section 13(c) arrangements") that must be in place to protect the interest of employees who may be affected by federal transit assistance.

As part of our study, we are surveying all transit agencies that serve populations over 200,000 and that operate 100 or more vehicles in maximum service.

Your cooperation is critical to our ability to provide current and complete information to the Congress.

If you have any questions, please contact Yvonne Pufahl at pufahly@gao.gov or (202) 512-3213 or Casey Brown at brownc@gao.gov or (202) 512-7445.

Instructions
Please Read Before Beginning

- As you fill out this questionnaire, please be sure that you consult with the person(s) in your agency with the most accurate information for each question.
- For definitions of terms not specifically defined in this questionnaire, please refer to those used in the National Transit Database.
- In order to ensure that your data are entered accurately, please use blue or black ink to write in your answers. Return the original copy of the completed questionnaire booklet to us.
- We suggest you make a copy of your answers for your records.
- Please return your completed questionnaire booklet to us, within three weeks of receipt, in the enclosed postage-paid envelope.
- If the return envelope is misplaced, return your questionnaire to:

  Casey Brown
  Mail Room 2A10
  U.S. General Accounting Office
  441 G Street, NW
  Washington, DC 20548

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Part I

Background Information

1. **What is the total population of the standard metropolitan area(s) where your transit agency operates?** (*Please check one.*) **N=91**

   1.1% Less than 200,000
   17.6% 200,000 – 499,999
   22.0% 500,000 – 999,999
   35.2% 1,000,000 – 2,499,999
   24.2% 2,500,000 or more

2. **Which of the following services does your transit agency provide (either directly, by contracting out, or by pass through of funds)?** (*Please check all that apply.*) **N=92**

   96.7% Bus (Motor bus or Trolleybus)
   9.8% Commuter Rail
   19.6% Light Rail
   12.0% Heavy Rail
   88.0% Paratransit
   34.8% Vanpool
   1.1% Jitney
   5.4% Ferryboat
   7.6% Other *Please specify:*
   _____
   _____

3. **What percentage of your transit services are contracted out?** (*Please check one.*) **N=77**

   11.0% 100 % → *Go to Question 11.*
   4.4% 75 – 99%
   0.0% 50 – 74%
   15.4% 25 – 49%
   53.9% 1 – 24%
   15.4% 0%

4. **How many employees does your transit agency currently have?** (*Please enter number in space below.*) **N=79**

   Number of Employees: **1651 (avg.)**

5. **How does the current number of employees compare to the number of employees five years ago?** (*Please check one.*) **N=80**

   32.5% More than 15% additional employees now
   51.3% Between 1% and 15% additional employees now
   6.3% No change in number of employees in the last five years
   8.8% Between 1% and 15% fewer employees now
   1.3% More than 15% fewer employees now

6. **During the past five years, did your transit agency eliminate or restructure any positions?** (*Please check one.*) **N=81**

   32.1% No → *Go to Question 8.*
   68.0% Yes

7. **When your transit agency eliminated or restructured positions, what happened to the employees in those positions?** (*Please check all that apply.*) **N=55**

   88.5% Employees were retained and filled a new or vacant position.
   33.3% Employees were dismissed/laid off.
   50.0% Employees left or retired.
   6.3% Other *Please explain:*
   _____
   _____

8. **How many of your employees are represented by a union?** (*If none, enter 0, then go to Question 10.*) **N=54**

   Number of Employees: **1578.6 (avg.)**

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9. How many unions and bargaining units represent your employees? (*Please enter number in space below.*)

Number of Unions: **3.1 (avg.) (N=75)**
Number of Bargaining Units: **3.7 (avg.) (N=72)**

10. Without Section 13(c), would your agency have to engage in collective bargaining with the union(s) representing your employees? (*Please check one.*) **N=81**

11.1% No
85.2% Yes
3.7% Uncertain

11. Is your current Section 13(c) capital arrangement based on the 1979 Warranty (referred to in DOL Guidelines at (215.3(b)(3)(ii))? (*Please check one.*) **N=83**

38.6% No
51.8% Yes
9.6% Not Applicable *Please Explain:*

12. Is your current Section 13(c) operating arrangement based on the 1975 Model Agreement (referred to in DOL Guidelines at (215.3(b)(3)(i))? (*Please check one.*) **N=83**

22.9% No
63.9% Yes
13.3% Not Applicable *Please Explain:*

13. Does your state or municipality have labor laws or regulations containing provisions similar to those of Section 13(c) that require labor protection arrangements as a condition for receiving state or municipal transit funds? (*Please check one.*) **N=88**

81.8% No
17.1% Yes
1.1% Not Applicable *Please Explain:*

14. During the period from 10/1/95 to 9/30/2000 has your transit agency had any Section 13(c) claims filed against it? (*Please check one.*) **N=91**

86.8% No → *Go to Question 18.*
13.2% Yes

15. How many claims were filed between 10/1/95 and 9/30/2000? (*Please enter number in space below.*) **N=12**

Number of Claims: **2.8 (avg.)**

16. Did any of these claims, filed between 10/1/95 and 9/30/2000, lead to a settlement, arbitration, or DOL decision? (*Please check one.*) **N=12**

33.3% No → *Go to Question 18*
66.7% Yes

3

17. Please provide the following information about settlements, arbitrations, and/or DOL decisions concerning Section 13(c) claims that were filed between 10/1/95 and 9/30/2000. *(If you need more spaces, please make a copy of this page and include with your completed questionnaire.)* **N=8**

Date of Settlement, Arbitration, or DOL Decision *(Please indicate how the claim was processed, and give date of final decision.)*	**Total Estimated Value of Section 13(c) Payments and Amount Paid to Date** *(Please enter number in space below. If none, enter 0.)*	**Type of Claim** *(Please check all that apply.)*	**Number of Individuals Affected** *(Please enter number in space below.)*
4 Settlement 8 Arbitration 0 DOL Decision Mo.: _____ Yr.: _____	Total Value of Payments: $ 148,872.17 (Avg.) Amount Paid to Date: $ 109,705.50 (Avg.)	8 Adverse Effects 7 Dismissal 7 Displacement 0 Relocation 0 Change of Benefits 7 Other *Please specify:* _____	Number: 36.7 (Avg.)
☐ Settlement ☐ Arbitration ☐ DOL Decision Mo.: _____ Yr.: _____	Total Value of Payments: $ _____ Amount Paid to Date: $ _____	☐ Adverse Effects ☐ Dismissal ☐ Displacement ☐ Relocation ☐ Change of Benefits ☐ Other *Please specify:* _____	Number: _____
☐ Settlement ☐ Arbitration ☐ DOL Decision Mo.: _____ Yr.: _____	Total Value of Payments: $ _____ Amount Paid to Date: $ _____	☐ Adverse Effects ☐ Dismissal ☐ Displacement ☐ Relocation ☐ Change of Benefits ☐ Other *Please specify:* _____	Number: _____
☐ Settlement ☐ Arbitration ☐ DOL Decision Mo.: _____ Yr.: _____	Total Value of Payments: $ _____ Amount Paid to Date: $ _____	☐ Adverse Effects ☐ Dismissal ☐ Displacement ☐ Relocation ☐ Change of Benefits ☐ Other *Please specify:* _____	Number: _____

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Part II

Effects of Section 13(c) On Your Transit Agency Between 10/1/95 and 9/30/2000

18. Which of the following best describes the effect of Section 13(c) on your agency's labor costs between 10/1/95 and 9/30/2000? (*Please check one.*) **N=92**

- **4.4%** Section 13(c) has greatly increased labor costs.
- **27.2%** Section 13(c) has somewhat increased labor costs.
- **68.5%** Section 13(c) has not had any effect on labor costs.
- **0.0%** Section 13(c) has somewhat decreased labor costs.
- **0.0%** Section 13(c) has greatly decreased labor costs.

19. Which of the following best describes the effect of Section 13(c) on your agency's relations with labor unions between 10/1/95 and 9/30/2000? (*Please check one.*) **N=92**

- **2.2%** Section 13(c) has made relations with labor unions much more amicable.
- **1.1%** Section 13(c) has made relations with labor unions somewhat more amicable.
- **63.0%** Section 13(c) has not had any effect on relations with labor unions.
- **29.4%** Section 13(c) has made relations with labor unions somewhat more contentious.
- **4.4%** Section 13(c) has made relations with labor unions much more contentious.

20. Which of the following best describes the effect of Section 13(c) on your agency's receipt of federal transit funds between 10/1/95 and 9/30/2000? (*Please check one.*) **N=92**

- **6.5%** Section 13(c) has greatly delayed the receipt of federal transit funds.
- **50.0%** Section 13(c) has somewhat delayed the receipt of federal transit funds.
- **42.4%** Section 13(c) has not had any effect on the timing of the receipt of federal transit funds.
- **0.0%** Section 13(c) has somewhat expedited the receipt of federal transit funds.
- **1.1%** Section 13(c) has greatly expedited the receipt of federal transit funds.

21. Which of the following best describes the effect of Section 13(c) on your agency's adoption of new technologies between 10/1/95 and 9/30/2000? (*Please check one.*) **N=92**

- **0.0%** Section 13(c) has greatly facilitated the adoption of new technologies.
- **0.0%** Section 13(c) has somewhat facilitated the adoption of new technologies.
- **84.8%** Section 13(c) has had no effect on the adoption of new technologies.
- **13.0%** Section 13(c) has somewhat hindered the adoption of new technologies.
- **2.2%** Section 13(c) has greatly hindered the adoption of new technologies.

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22. Which of the following best describes the effect of Section 13(c) on your agency's ability to contract out for fixed-route transportation or fixed-route transportation-related services between 10/1/95 and 9/30/2000? *(Please check one.)* **N=71**

- **0.0%** Section 13(c) has made it much easier to contract out.
- **0.0%** Section 13(c) has made it somewhat easier to contract out.
- **53.5%** Section 13(c) has had no effect on our ability to contract out.
- **28.2%** Section 13(c) has made it somewhat more difficult to contract out.
- **18.3%** Section 13(c) has made it much more difficult to contract out.
- **0.0%** Not Applicable

23. Which of the following best describes the effect of Section 13(c) on your agency's ability to contract out for paratransit services between 10/1/95 and 9/30/2000? *(Please check one.)* **N=80**

- **0.0%** Section 13(c) has made it much easier to contract out.
- **0.0%** Section 13(c) has made it somewhat easier to contract out.
- **69.6%** Section 13(c) has had no effect on the ability to contract out.
- **10.9%** Section 13(c) has made it somewhat more difficult to contract out.
- **6.5%** Section 13(c) has made it much more difficult to contract out.
- **0.0%** Not Applicable

24. Which of the following best describes the effect of Section 13(c) on your agency's ability to pass through federal funds to another agency or entity between 10/1/95 and 9/30/2000? *(Please check one.)* **N=52**

- **0.0%** Section 13(c) has made it much easier to pass through funds.
- **0.0%** Section 13(c) has made it somewhat easier to pass through funds.
- **65.4%** Section 13(c) has had no effect on the ability to pass through funds.
- **19.2%** Section 13(c) has made it somewhat more difficult to pass through funds.
- **15.4%** Section 13(c) has made it much more difficult to pass through funds.
- **0.0%** Not Applicable

6

25. Did Section 13(c) influence your decisions to adopt or upgrade new technologies between 10/1/95 and 9/30/2000? *(Please follow instructions below for each question.)*

Technology	1. Did Your Transit Agency Consider Adopting or Upgrading This Technology Between 10/1/95 and 9/30/2000? *(If you answered 'No' for a technology, then go on to the next technology without answering Questions 2 and 3 for that technology.)*		2. Has Your Transit Agency Implemented or Upgraded This Technology or Do You Plan to Implement or Upgrade This Technology? *(If you answered 'Yes' for a technology in Question 1, please check 'yes' or 'no' for that technology.)*		3. Was Your Transit Agency's Final Decision Influenced by Section 13(c)? *(If you answered 'Yes' for a technology in Question 1, please check 'yes' or 'no' for that technology.)*	
	No	Yes	No	Yes	No	Yes
Automatic Passenger Counter	56.0% (N=91)	44.0% (N=91)	17.7% (N=51)	82.4% (N=51)	98.0% (N=51)	2.0% (N=51)
Electronic Fare Payment System	26.4% (N=91)	73.6% (N=91)	11.9% (N=67)	88.1% (N=67)	97.0% (N=67)	3.0% (N=67)
Computerized or Internet Traveler Information System	36.0% (N=89)	64.0% (N=89)	8.9% (N=56)	91.1% (N=56)	96.4% (N=55)	3.6% (N=55)
Computer Assisted Dispatching and Scheduling System	15.6% (N=90)	84.4% (N=90)	5.3% (N=75)	94.7% (N=75)	97.4% (N=76)	2.6% (N=76)
Global Positioning System (e.g., Automatic Vehicle Location System)	21.1% (N=90)	78.9% (N=90)	15.5% (N=71)	84.5% (N=71)	97.1% (N=70)	2.9% (N=70)
Automated Demand Response Dispatching (On-Board Equipment)	48.3% (N=89)	51.7% (N=89)	17.8% (N=45)	82.2% (N=45)	97.7% (N=44)	2.3% (N=44)
Articulated Buses	66.7% (N=90)	33.3% (N=90)	6.7% (N=30)	93.3% (N=30)	96.7% (N=30)	3.3% (N=30)
Advanced Technology Buses (e.g., Low Floor, Low Emission Buses)	22.0% (N=91)	78.0% (N=91)	7.1% (N=70)	92.9% (N=70)	98.6% (N=70)	1.4% (N=70)
Bus Rapid Transit System (e.g., Dedicated Lanes, Automatic Guidance System)	61.8% (N=89)	38.2% (N=89)	29.4% (N=34)	70.6% (N=34)	94.1% (N=34)	5.9% (N=34)
On Board Electronic Security Monitoring	27.0% (N=89)	73.0% (N=89)	13.9% (N=65)	86.2% (N=65)	93.8% (N=64)	6.3% (N=64)
Other *(Please specify.)* _____ _____	0.0% (N=2)	100.0% (N=2)	0.0% (N=2)	100.0% (N=2)	100.0% (N=2)	0.0% (N=2)

7

26. Did Section 13(c) influence your decisions to change or enhance any of the following areas of transit operations between 10/1/95 and 9/30/2000? *(Please follow instructions below for each question.)*

Transit Operations Area	1. Did Your Transit Agency Consider a Change or Enhancement in This Area Between 10/1/95 and 9/30/2000? *(If you answered 'No' for a transit operations area, then go on to the next transit operations area without answering Questions 2 and 3 for that transit operations area.)*		2. Has Your Transit Agency Made or Do You Plan to Make a Change or Enhancement in This Area? *(If you answered 'Yes' for a transit operations area in Question 1, please check 'yes' or 'no' for that transit operations area.)*		3. Was Your Transit Agency's Decision Influenced by Section 13(c)? *(If you answered 'Yes' for a transit operations area in Question 1, please check 'yes' or 'no' for that transit operations area.)*	
	No	Yes	No	Yes	No	Yes
Fare Collection Methods	34.4% (N=90)	65.6% (N=90)	5.1% (N=59)	94.9% (N=59)	94.9% (N=59)	5.1% (N=59)
Maintenance Programs	31.1% (N=90)	68.9% (N=90)	9.7% (N=62)	90.3% (N=62)	82.3% (N=62)	17.7% (N=62)
Routing and Scheduling	18.9% (N=90)	81.1% (N=90)	0.0% (N=73)	100.0% (N=73)	86.3% (N=73)	13.7% (N=73)
Expansion of Existing Services	13.2% (N=91)	86.8% (N=91)	3.8% (N=79)	96.2% (N=79)	79.8% (N=79)	20.3% (N=79)
Addition of New Services, for example, Light Rail	40.0% (N=90)	60.0% (N=90)	7.4% (N=54)	92.6% (N=54)	75.9% (N=54)	24.1% (N=54)
Elimination of Position(s) with Employee(s) Dismissed	71.4% (N=91)	28.6% (N=91)	28.0% (N=25)	72.0% (N=25)	64.0% (N=25)	36.0% (N=25)
Employee(s) Moved to Alternative Position(s)	48.4% (N=91)	51.7% (N=91)	8.7% (N=46)	91.3% (N=46)	82.2% (N=45)	17.8% (N=45)
Use of Part-Time Employees	35.9% (N=92)	64.1% (N=92)	24.1% (N=58)	75.9% (N=58)	81.0% (N=58)	19.0% (N=58)
General Personnel Policies	35.2% (N=91)	64.8% (N=91)	8.5% (N=59)	91.5% (N=59)	86.4% (N=59)	13.6% (N=59)
Other *(Please specify.)* _____ _____	0.0% (N=0)	0.0% (N=0)	0.0% (N=0)	0.0% (N=0)	0.0% (N=0)	0.0% (N=0)

27. Please briefly describe any other actions or steps you decided <u>to take</u> or <u>not to take</u> because of Section 13(c). N=5

8

28. Transit agencies must comply with a number of federal requirements and regulations. Each of these take some time, effort, and resources. Considering the time, effort, and resources required, please indicate how easy or difficult it has been for your transit agency to meet the following federal requirements between 10/1/95 and 9/30/2000. *(For each requirement, please indicate the degree of difficulty by checking the appropriate box.)*

Federal Requirement	Very Easy	Somewhat Easy	Neither Easy or Difficult	Somewhat Difficult	Very Difficult
Fulfilling procurement requirements, including justification for award to other-than-low-bidder **(N=91)**	4.4%	8.8%	28.6%	49.5%	8.8%
Complying with Buy America Provisions **(N=92)**	7.6%	9.8%	27.2%	53.3%	2.2%
Justifying the lease versus purchase of transit capital assets **(N=87)**	4.6%	9.2%	63.2%	18.4%	4.6%
Complying with ADA requirements **(N=92)**	3.3%	4.4%	13.0%	47.8%	31.5%
Complying with Disadvantaged Business Enterprise Program (DBE) requirements **(N=91)**	2.2%	2.2%	22.0%	63.7%	9.9%
Complying with environmental protection requirements **(N=92)**	4.4%	5.4%	32.6%	44.6%	13.4%
Fulfilling the Clean Air Act conformity requirements **(N=91)**	7.7%	6.6%	44.0%	30.8%	11.0%
Complying with drug and alcohol testing procedures specified in FTA regulations **(N=92)**	5.4%	6.5%	28.3%	45.7%	14.1%
Complying with Davis-Bacon prevailing wage requirements for transit construction projects **(N=91)**	8.8%	13.2%	52.8%	22.0%	3.3%
Fulfilling transit labor (Section 13 (c)) requirements **(N=91)**	9.9%	4.4%	56.0%	23.1%	6.6%
Other *(Please specify.)* **(N=2)** _____ _____ _____	0.0%	0.0%	0.0%	0.0%	100.0%

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Part III

Assistance Provided by the Department of Labor And the Department of Transportation's Federal Transit Administration

29. Listed below are a number of actions that DOL or FTA could undertake to help transit agencies with Section 13(c). How useful would each of these actions be to your transit agency? *(For each action, put a check in the box that best indicates the degree to which the action would be useful to your transit agency.)*

Action	Definitely Useful	Probably Useful	Uncertain	Probably Not Useful	Definitely Not Useful
Provide information on best practices of transit agencies **(N=91)**	40.7%	41.8%	14.3%	2.2%	1.1%
Provide funding for research on transit labor relations **(N=91)**	30.8%	23.1%	28.6%	14.3%	3.3%
Provide information about Section 13(c) on FTA and DOL web sites **(N=91)**	42.9%	37.4%	13.2%	4.4%	2.2%
Increase the guidance from FTA **(N=91)**	36.3%	34.1%	15.4%	12.1%	2.2%
Increase the guidance from DOL **(N=91)**	30.8%	36.3%	13.2%	13.2%	6.6%
Provide reasons for FTA delay in processing an application **(N=91)**	56.0%	29.7%	8.8%	3.3%	2.2%
Provide information on DOL delay in certifying labor protection arrangements **(N=91)**	53.9%	30.8%	11.0%	2.2%	2.2%
Publish DOL certification letters **(N=91)**	33.0%	34.1%	24.2%	6.6%	2.2%
Provide additional factual and legal explanations for DOL certification decisions **(N=90)**	47.8%	34.4%	14.4%	2.2%	1.1%
Other *(Please specify.)* **(N=4)** _____ _____	100.0%	0.0%	0.0%	0.0%	0.0%

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30. How satisfied are you with the timeliness of FTA's processing of grant applications that require Section 13(c) certification? N=91

17.6%	Very Satisfied
30.8%	Somewhat Satisfied
27.5%	Neither Satisfied nor Dissatisfied
19.8%	Somewhat Dissatisfied
4.4%	Very Dissatisfied

31. How satisfied are you with the timeliness of DOL's certification of labor protection arrangements? N=90

14.4%	Very Satisfied
27.8%	Somewhat Satisfied
28.9%	Neither Satisfied nor Dissatisfied
14.4%	Somewhat Dissatisfied
14.4%	Very Dissatisfied

32. Please briefly describe any changes that DOL or FTA could make to help transit agencies with Section 13(c) requirements.

Information About Individual(s) Completing Questionnaire

Please provide the following information on all individuals who completed or helped to complete this questionnaire. ***(Attach additional sheets if necessary.)***

Name: _____

Title: _____

Phone: _____

E-mail: _____

Name: _____

Title: _____

Phone: _____

E-mail: _____

Name: _____

Title: _____

Phone: _____

E-mail: _____

Thank you very much for taking the time to complete this questionnaire. If you would like to make additional comments concerning any topic covered in this questionnaire, please feel free to use this page or to attach additional pages.

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STATEMENT OF THE NATIONAL SCHOOL TRANSPORTATION ASSOCIATION

JULY 23, 2003

The National School Transportation Association (NSTA) is the national trade association for private school bus companies that contract with school districts to provide pupil transportation. We offer a full range of services to our school district partners, including: routing; driver training; vehicle maintenance; student safety training; dispatching and operations; and transportation both to and from school and to extracurricular activities. Our members range from small family-owned operations with fewer than five buses to large corporate entities operating thousands of buses in multiple States, all of which are committed to ensuring the safety of the students they transport.

Private school bus companies operate more than 150,000 yellow buses, of the nationwide fleet of 460,000 school buses and many of these companies operate in areas not served by public transit. These vehicles, and their drivers, are underutilized: They are idle for many hours of the weekday and weekends throughout the school year, and are available at most times during the summer. Contractors offer not only the vehicles and personnel to operate them, but also expertise in safely and effectively transporting passengers day in and day out, including passengers with disabilities. Contractors also provide operations management and financial management capabilities, as well as planning, scheduling, routing, training, safety, and vehicle maintenance expertise.

Public transit agencies must meet the challenge of serving increasing numbers of people, particularly those who require transportation service on an as needed basis rather than through regularly scheduled fixed-route services. Human service agencies must provide transportation to their constituents that is only ancillary to the primary services they are mandated to deliver, yet this service is of such importance that these agencies must spend an ever-increasing portion of their limited resources allowing their clients to take advantage of those primary services. Many people fall through the cracks between available public transit service and human services agency transportation, remaining entirely without service. These individuals are not part of a constituency served by any particular human services agency in their community, and public transportation is either unavailable or cannot be expanded to accommodate them because of the financial constraints of either the public transit agency or the community. As a consequence, significant numbers of people requiring transportation services simply cannot access such service. Yet in communities throughout the United States, a valuable resource often sits idle while agencies look for new resources to meet their growing needs.

Many agencies have successfully subcontracted work to private school bus contractors with vehicles available during nonschool service time, yet this is not a widespread practice. Neither public transit nor human service agencies are required to consider contracting for transportation services. Furthermore, agencies are offered no incentives to use available school buses as an option to save money and maximize resources while providing transportation to those not receiving it.

Public school districts throughout the Nation utilize private school bus companies because they are able to provide a cost effective alternative or supplement to district-operated transportation systems, allowing school administrators to conserve scarce resources. Similarly, transit and human resource agency administrators could benefit from contracting with local private school bus operators to fill their unmet service needs without acquiring additional costly equipment or personnel.

Public policy rightly emphasizes mobility alternatives for the elderly and disabled citizens. In addition, improved mobility and greater access to jobs improves the quality of life for all Americans. It is through the coordination of all transportation resources that we are able to enhance the transportation alternatives available to every citizen. Utilizing private school buses as part of a community transportation system makes good fiscal sense and is operationally practical; unfortunately, many agencies ignore the resources in their own back yard. We ask that Congress provide the necessary incentives or directives to encourage both public transit agencies and human resource agencies to consider contracting with school bus companies to provide needed services and maximize resources.

While NSTA supports the proposals in SAFETEA that reflect the Administration's efforts to enhance mobility by offering greater access to transportation through coordination of transportation resources, we are concerned about one section of the bill. Section 3020 would amend the current Section 5323 by revising Paragraph (2) to read as follows:

"(2) The Secretary may waive Paragraph (1) of this Subsection if the Secretary finds that the provision of school bus transportation by the applicant, governmental authority, or publicly owned operator is necessary to meet the transportation needs of students with disabilities."

This language amends current law, which prohibits school bus service by public transit systems receiving Federal funding. Specifically, FTA grantees must agree not to use vehicles or facilities that are subsidized by Federal dollars to compete unfairly against private school bus companies that enjoy no such subsidy. This SAFETEA provision would allow the Secretary to waive current law, under the apparent perception that the transportation needs of some disabled students are not being met.

This perception is false. The Individuals with Disabilities Education Act (IDEA) requires that schools provide transportation for every student with a disability if transportation is necessary for the student to access his or her educational program. Any school that does not provide proper and adequate transportation, including any specialized equipment required by the student, is subject to sanctions from the Office of Specialized Education Programs (OSEP) or the Office of Civil Rights (OCR) in the U.S. Department of Education. This requirement applies not only to transportation to and from school, but also to transportation necessary to allow the student to participate in extracurricular activities with his or her nondisabled peers.

The proposed change also raises significant safety issues as transit and paratransit vehicles are not designed to the same safety standards as school buses, nor are they subject to the same inspection standards. Further, the drivers of public transit vehicles are not trained and licensed according to the standards of school bus drivers to ensure the safe transportation of students with disabilities.

For decades, school districts have been providing specialized transportation for students with disabilities using private school bus companies, and they will continue to do so. There is no service gap that requires a change in the law. NSTA asks that Congress reject this SAFETEA provision.

Thank you for the opportunity to testify before the Committee. If we can provide additional information or service, please do not hesitate to contact our Executive Director, Jeff Kulick, at 703–684–3200.