

## San Diego's Competitive Transit System

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People know about San Diego's sunny climate, ocean vistas, and world-class zoo, but it also has a great transit system. Why? Because, San Diegans experiment with competitive processes to get the most bang for their buck. The San Diego transit system believes that competition creates incentives that improve efficiency and customer service. They have proven this proposition year in and year out for over 15 years.

San Diego County, like King County, has a large, widely dispersed population. Its Metropolitan Transit District includes 2 million residents spread out over 570 square miles. Like King County, San Diego faces growing transit costs, increasing at a pace too quick for farebox revenues alone to cover. Growing taxpayer subsidies make up the deficit. Unlike King County however, San Diego over the last 17 years has reduced per hour operating costs by over 30%, while increasing service by 46%. How did they do this? Competition.

### **Creating A Competitive Environment**

In the wake of California's 1978 taxpayer revolt, public agencies across the state forced themselves to operate more efficiently. San Diego Transit contributed to this in 1979 by creating a competitive contracting program for some of their bus service. In 1985, San Diego's successful program inspired further action with a formal policy of annually reviewing their bus service for contracting opportunities began.

On the surface, San Diego's transit system looks familiar: riders find bus routes near their home or workplace, board the bus, transfer as needed, paying a single fare for the whole trip. What is unique and what many riders don't know is that they may be traveling on a privately-operated bus.

Each year, San Diego's Metropolitan Transit Development Board (an organization similar to Puget Sound's Regional Transit Authority) reviews its routes and determines which, if any, should be let for competition that year. Transit agency managers, representatives from the private sector and organized labor, and citizen groups all participate on a committee that reviews routes. What kinds of opportunities does the review committee look for? Those routes which perform poorly, new routes, evening and weekend service, and whenever major route restructuring occurs. The review committee then invites qualified companies and public transit agencies to submit bids and a contract is awarded to whomever can provide the highest quality service for the lowest price. Typically, each contract is for a three-year term with a two-year extension option.

MTDB's contracting policies also extend to other functions. Private companies contract with MTDB for a wide range of services from maintenance of buses and bus stops to insurance and financial auditing services.

## How Competition Performs

Contracted service operators handle about 68% of routes with at least six private firms currently holding contracts. Overall, 24% of the ridership travel on buses operated by contract. The primary public transit agency, San Diego Transit, operates the remaining routes at an average cost of \$5.30 per revenue mile. Contracted routes, on the other hand, average \$2.53 per revenue mile. That saving is, of course, a direct taxpayer saving.

Service contracts specify performance standards, enforced through financial bonuses and penalties which are very often shared by every employee of the contractor. If a driver leaves a stop ahead of schedule they are levied a \$50 penalty. Other penalties are given to drivers who are out of uniform, or buses that are not cleaned and maintained properly. These financial incentives, which are not meaningful for most other public agencies, ensure much higher levels of performance.

Another important result of MTDB's contracting policy is how it operates as a public agency. An overall atmosphere of competition permeates MTDB's operations, making the agency not so much an all-out operator of public services, but more of a broker of services to organizations that can perform those functions at higher standards of quality and efficiency. Furthermore, those traditional services still operated by the large public carrier, San Diego Transit, have become much more efficient from having to compete with the private sector.

## Implications for the Puget Sound Area

Could a competitive contracting policy work in the Puget Sound area? The record in San Diego shows that MTDB succeeds by gradually implementing competition, always looking for opportunities, but keeping disruption to riders and employees to a minimum.

One factor that makes MTDB's process successful is its status as a regional authority that coordinates and contracts with both private companies and San Diego Transit, the main public carrier. It is not, itself, bidding against the private sector. It is not comparable to King County Metro Transit in that respect, but could be more directly comparable to RTA.

The main obstacle to competitive contracting in the Puget Sound region is overcoming organized labor's concerns. San Diego, while not having as strong a labor movement as Seattle, still provides instructive lessons on how labor can cooperate in competition. In the entire history of contracting in San Diego there have been no lay-offs as a result of competition. MTDB is determined to see that loss of drivers occurs only with the attrition rate. Competition actually results in more union members, as San Diego invests the savings from contracting into more service and therefore more drivers.

## Conclusion

By creating a competitive environment, and thus getting the best possible service at the best possible price, San Diego has found a means to limit demands upon taxpayers while expanding service to meet the public's needs.