

**Metro**

August 18, 2005

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: JOHN B CATOE, JR.
DEPUTY CHIEF EXECUTIVE OFFICER

SUBJECT: BACKGROUND ON CONTRACTED BUS LABOR ISSUE
NORTH REGION (CONTRACT NO. OP31501624)
TRANSPORTATION CONCEPTS, INC.

ISSUE

This memo provides a background on the ongoing labor issue at Transportation Concepts, Inc. Metro has received notification that Teamsters Local 848 has commenced legal proceedings in Los Angeles Superior Court against Transportation Concepts and Metro regarding TCI's compliance with the Labor Code.

BACKGROUND

At the April 2005 Board Meeting, Transportation Concepts, Inc. (TCI) was awarded the contract to operate the North Region that consists of contract Lines 96, 167, 218, & 603. TCI has provided contract services for Metro for the past eight years and the firm has performed satisfactorily. The start date for their new contract was August 1, 2005.

Prior to August 1, 2005, TCI was the contractor operating Lines 218 & 603 and no collective bargaining unit represented any of their employees. Prior to August 1, 2005, First Transit, Inc. was the contractor operating Lines 96 & 167 and Teamsters Local 848 represented the First Transit bus operators. None of the remaining First Transit employees (mechanical, clerical staff, etc.) were represented by any collective bargaining unit.

Under the California Labor Code, which was amended in 2003 through Senate Bill 158 (Displace Public Transit Employees), authorities that put out a bid for public transit service are required to provide a 10 percent bidding preference to service contractors who agree to retain the employees of the prior contractor/subcontractor for a period of 90 days. The Labor Code states, "Nothing in this section requires to successor contractor or subcontractor to pay the same wages or offer the same benefits provided by the prior contractor or subcontractor."

As part of their proposal, contractors were required to choose whether they would meet the employee retention requirements in the Labor Code. If they elected to meet the requirements, they received the 10 percent bidding preference. All of the proposers accepted the bidding preference. The requirements from the Labor Code were incorporated into the final contract between TCI and Metro.

TCI posted flyers at First Transit facilities regarding employment opportunities and held a series of informational meetings for employees.

The following chart summarizes the salary rates and benefits offered by TCI to the First Transit Bus Operators as compared to their existing compensation package with First Transit.

	TCI	First Transit
Hourly Rates	\$10 - \$11.25 per hour depending on length of employment with First Transit	\$10 - \$14 per hour
Training Rate	\$9 per hour	\$8 per hour
HMO/PPO Medical Premium Per Month (paid by employee)*	Employee only: \$40	Employee & Dependents: \$94 Employee: \$12
Dental/Vision Premium Per Month (paid by employee)*	Employee & Dependents: \$16	Employee & Dependents: \$39.01 HMO; \$65.15 PPO Employee: \$12.74 HMO; \$20.08 PPO
Vacation	One week after one year of employment	One week after one year Two weeks after 2 years 3 weeks after 6 years 4 weeks after 12 years

*These medical and dental/vision benefits were offered to new TCI employees transitioning from First Transit immediately upon employment. Normally, new TCI employees must wait six months for such benefits.

Interested First Transit employees filled out applications, and TCI extended employment offers to the 57 supervisors, bus operators and mechanics who provided services under the previous contract for Lines 96 & 167. A number of them decided to remain employees of First Transit providing service under other contracts they operated or left First Transit's employment. Seventeen of the former First Transit bus operators accepted employment with TCI and were paid for completing the necessary training required.

The week before the contract was to begin, TCI informed Metro that these same 17 bus operators previously employed by First Transit were threatening to not report to work on August 1st. TCI then put together a contingency plan to ensure that they would be able to provide service if the 17 bus operators did not report for work.

On August 1st, the bus operators and representatives from the Teamster Local 848 began picketing the TCI operating division from which the Metro services operated. The 17 bus operators from First Transit who did not report to work represented only a portion of the 90 operators TCI needed to provide the service on Lines 96, 167, 218, & 603. TCI was able to cover these bus operator assignments with employees from other locations and supervisory staff. TCI has subsequently begun recruiting additional operators to fill the positions vacated by the First Transit drivers.

NEXT STEPS

Staff will continue to monitor the services provided by TCI to ensure that our customers remain unaffected by the labor issue. Staff will send a formal request to TCI requesting supporting information on how they met all the requirements of the Labor Code that were incorporated into their contract with Metro.