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May 2, 1996

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Transportation  
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**TO: BOARD OF DIRECTORS**  
**FROM: JOSEPH E. DREW, CHIEF EXECUTIVE OFFICER**  
**SUBJECT: LOCAL TRANSIT SERVICES CALL FOR PROJECTS**

**RECOMMENDATION**

Authorize the award of a three-year contract with two one-year options to Charterways Transportation Management Inc., of Los Angeles, California, for a three-year amount not to exceed \$20,318,249 less passenger revenue, effective with Board adoption, for the operation of the following six high subsidy, local bus lines:

- Line 96 (LA-Burbank-Sherman Oaks)
- Line 104/128 (LA-Whittier-La Mirada/Alondra Bl.)
- Line 167 (Plummer St.- Coldwater Cyn. Av.)
- Line 177 (Glendale-La Canada-Pasadena-Arcadia-Duarte)
- Line 254 (Willowbrook-Gage Av.-Lorena St.)
- Line 256 (Eastern Av.-Avenue 64-North Hill Av.)

**ORGANIZATIONAL IMPACT**

Moving forward with the service implementation on these lines is consistent with prior Board policy.

**BUDGET IMPACT**

Three year operating cost savings will be approximately \$8.2 million based on the \$47.30 hourly rate proposed by Charterways TMI, and the number of annual revenue hours operated on the six selected lines.

**ALTERNATIVES CONSIDERED**

Staff considered a variety of options, including various combinations of contracting and transfer of lines described more fully in Attachment 1.

## **BACKGROUND**

The collective bargaining agreement between the MTA and the United Transportation Union (UTU), effective July 1, 1994, provides the opportunity for the MTA to subcontract or transfer up to 13 lines, seven during the first two years and six more during the third and final year of the contract. High subsidy lines exhibit a subsidy per boarding more than fifty percent higher than the MTA's average subsidy per boarding. MTA staff identified 38 existing local bus lines that fit this definition.

Seven of the 38 lines were subcontracted to ATE Management & Service Co., Inc., as approved by the Board in March 1995. The next six lines are recommended for operation by Charterways Transportation Management, Inc., the highest rated proposer under the Local Transit Services Call for Projects. The Local Transit Services Call for Projects was circulated on March 1, 1996. An applicant workshop, attended by over 20 people was held on March 14. The proposals were due on April 12 and interviews were held with all proposers during the next week. Final proposal modifications were submitted on April 26. The proposals were evaluated by representatives from Operations, Scheduling and Operations Planning, Area Teams and Executive Office. Charterways Transportation Management, Inc. was the unanimous choice of the evaluators.

Their management team has relevant local and national experience and Antelope Valley Lines, their maintenance provider, is the largest charter bus operator in California. In addition, the Charterways Transportation Management, Inc., proposal represented the maximum cost savings to the MTA, approximately \$8.2 million over three years.

## **ATTACHMENTS**

1. Summary of Proposals
2. Evaluation Process
3. Summary of Events/Actions in Local Transit Services Call for Projects

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**ATTACHMENT 1  
SUMMARY OF PROPOSALS  
6 HIGH SUBSIDY LOCAL BUS LINES**

	Proposer	Bus Lines in Proposal	Type of Proposal	Annual Revenue Hours	3-Year Cost	Cost per Revenue Hour	Year 1 (Savings)/Cost	3-Year (Savings)/Cost
P1	Charterways Transportation Management, Inc.	96, 104/128, 167, 177, 254, 256	Contract	143,187	\$20,318,249	\$47.30	(\$2,783,658)	(\$8,233,476)
P1a	Charterways Transportation Management, Inc. (5 lines)	96, 104/128, 167, 254, 256	Contract	123,628	\$17,542,821	\$47.30	(\$2,334,737)	(\$6,898,412)
P2	Ryder/ATE Management & Service Company, Inc.	56, 104/128, 124, 202, 211/215, 265/275	Contract	98,934	\$11,628,691	\$39.18	(\$2,546,780)	(\$7,629,573)
P3	Laidlaw Transit Services, Inc.	56, 96, 104/128, 250/253, 254, 256	Contract	122,979	\$18,106,295	\$49.08	(\$1,987,844)	(\$5,864,700)
P4	Transportation Concepts, Inc.	56, 119/126, 124, 127, 202, 211/215	Contract	91,182	\$11,995,903	\$43.86	(\$1,763,828)	(\$5,027,634)
P5	Grosvenor Bus Lines, Inc.	96, 154, 161, 167, 169, 245	Contract	124,898	\$21,464,982	\$57.29	(\$1,184,999)	(\$3,090,932)
P6	3M Transportation Services	56, 102, 107, 124, 127, 209	Contract	83,611	\$14,536,480	\$57.95	(\$235,276)	(\$431,173)
S1	Transportation Concepts, Inc.	211/215	Contract	17,602	\$2,884,968	\$54.63	(\$286,943)	(\$849,272)
S2	Foothill Transit	268	Transfer	20,615	\$3,816,711	\$61.71	(\$243,017)	(\$779,484)
S3	Transportation Concepts, Inc.	56	Contract	13,664	\$1,672,523	\$40.80	(\$242,284)	(\$728,196)
S4	Transportation Concepts, Inc.	119/126	Contract	14,331	\$2,074,842	\$48.26	(\$207,663)	(\$616,822)
S5	Transportation Concepts, Inc.	124	Contract	14,669	\$2,321,076	\$52.74	(\$134,415)	(\$390,154)
S6	Cities of Glendale, La Canada and Pasadena w/Foothill Transit	177	Transfer	21,657	\$3,460,435	\$53.26	(\$121,048)	(\$367,449)
S7	Transportation Concepts, Inc.	202	Contract	19,696	\$3,121,736	\$52.83	(\$116,046)	(\$319,951)
S8	Laidlaw Transit Services, Inc.	96	Contract	41,602	\$8,133,081	\$65.17	(\$120,610)	(\$245,257)
S9	Transportation Concepts, Inc.	127	Contract	11,220	\$1,877,106	\$55.77	(\$59,772)	(\$166,892)
S10	Foothill Transit	264	Transfer	10,404	\$1,948,417	\$62.43	(\$19,440)	(\$77,692)

Note: Proposals shown based upon MTA service levels except S6 (splitting a line into two parts increases revenue hours)

Option P1 through P6 represent multiple line packages proposed for contract service. Options S1 through S10 represent individual line proposals for either contract or transfer. Staff also compared P1a, five lines proposed by Charterways TMI, with S6 transfer of Line 177 to Glendale and Foothill Transit. This package was considered because Line 177 was also proposed for contract operation by Charterways TMI.

## ATTACHMENT 2

### EVALUATION PROCESS

#### Overview

As indicated in the body of the report, proposals were received on April 12, 1996 to contract the services from the following six private sector firms:

- Charterways Transportation Management Inc.
- Grosvenor Bus Lines, Inc.
- Laidlaw Transit Services, inc.
- Ryder/ATE, Inc.
- Transportation Concepts, Inc.
- 3M Transportation Services

In addition, proposals to transfer lines were received from Foothill Transit and the cities of Glendale, La Cañada Flintridge and Pasadena.

In general we were pleased with the time and effort expended by each of the proposers and believed that the interaction between the proposers and MTA staff will prove beneficial in any future opportunities for service provision.

#### Comparing Contracting and Transferring

Although contracting and transferring lines are linked in the current collective bargaining agreement with the United Transportation Union (UTU), they are quite dissimilar and are even more difficult to compare from a cost perspective.

The areas of dissimilarity are summarized below, however, the primary difference is the short-term nature of the contracting out option versus the long-term impacts of a line transfer:

<u>ISSUE</u>	<u>CONTRACT</u>	<u>TRANSFER</u>
• Length of time	Short (5 years maximum)	Long (transfer is permanent)
• Overhead	Unchanged	Reduced
• Control	MTA	Local
• Vehicles	Consigned from MTA	Supplied by proposer
• Fares	All proposed MTA fare structure	Lower local fares proposed
• Cost	Lowest	Higher

Although the short-term benefits to the MTA regarding providing more operating funds are maximized through the contract option, line transfers may have more long-term cost saving potential. For example, if a number of lines are permanently transferred from MTA Operations, there would be opportunities to reduce overhead associated with those lines throughout the organization. This opportunity could even include the potential of closing an operating division if all lines within a given geographic area were transferred.

In addition, as has been documented with Foothill Transit, cost savings have also been accrued by the riders, due to Foothill Transit's lower fares. Besides costs, there would appear to be additional benefits of local control, particularly with high subsidy local lines where integration with other local services, as proposed by Glendale and Foothill Transit may be feasible.

Because of the short-term nature of the contract option, we are able to consign MTA vehicles to the operator, which also allows for service implementation in a relatively short period of time. However due to legal and labor constraints, vehicle consignment is not available for the line transfer option. Thus these operators must either have vehicles available or acquire them, which impacts costs as well as service start-up.

Consignment of vehicles to the contractor also reduces the total vehicles available to the MTA. In addition, since these vehicles are representative of the MTA fleet, they are typically over 10 years old with many revenue miles, thus they represent a maintenance uncertainty to the contractor. However, based on the short-term objectives of this project to maximize cost savings to provide additional operating funds and to start service in a timely manner, acquiring new vehicles was not an attractive alternative.

Our recommendation would be to more thoroughly analyze contract and transfer policies before moving forward with future projects.

Thus given the short-term opportunity to maximize MTA cost savings, we have recommended contracting of all six lines, a proposal that will save the MTA the most amount of scarce operating funds during the next three years.

### **Contracting Proposals**

The proposers included two of the largest national firms, Laidlaw and Ryder/ATE, two local firms, Transportation Concepts and 3M Transportation Services and two firms seeking to expand into new markets, Charterways Transportation Management and Grosvenor Bus Lines.

All of the proposers appeared to be capable of providing the services required, with project management teams with experience in all aspects of transit services. Transportation Concepts presented a thorough proposal detailing their experiences in riding candidate lines and suggested several route modifications and the use of new vehicles. Grosvenor Bus Lines proposed an innovative marketing scheme with the

community and the potential for the MTA to share in new revenue generated. Ryder/ATE offered economies of scale from their current seven line contract operation, maintaining project management but increasing middle management such as field supervision. 3M Transportation Services and Laidlaw Transit proposals contained local management knowledge based on years of employment at the RTD.

However, it was the unanimous consensus of the evaluation group that Charterways Transportation Management, Inc. had a proposal that included maximum cost savings to the MTA, dedicated lead management with local and national experience with contract services, an innovative partnership with a local experienced charter operator (Antelope Valley Lines) for maintenance and facilities and the confidence to move forward with this project. Although their hourly rate was not the lowest, their higher number of hours operated resulted in the maximum savings to the MTA.

The process provided an opportunity to bid lines individually or in a package of six, and all proposers bid either individually or collectively on six lines attempting to achieve economies of scale.

### **Conclusion**

Given the short-term goals of achieving start-up on some lines by July 1 and maximizing the cost savings to the MTA to fund other projects, the process resulted in competitive proposals, which relied on MTA service levels, fare structure and vehicles.

Any future plans might focus on more long-term ideas such as the transfer of services, previously discussed, or the potential for significant service modifications, including some elements proposed like use of new or different vehicles, innovative marketing and other customer focus concepts.

We recognize there are more elements to improving bus service than saving costs on existing MTA lines. However, given the current conditions and parameters, we are confident that the staff recommendation will provide the best short-term opportunity for the MTA.

### ATTACHMENT 3

#### SUMMARY OF EVENTS/ACTIONS IN LOCAL TRANSIT SERVICES CALL FOR PROJECTS

<u>Event/Action</u>	<u>Date</u>
Mail-Out Call for Projects Application	March 1, 1996
Applicant Workshop	March 14, 1996
Applications Due	April 12, 1996
Review Applications	April 15-22, 1996
Inspect Maintenance Facilities	April 22-26, 1996
Conduct Interviews	April 23-25, 1996
Conduct Reference Checks	April 30-May 1, 1996
Staff Recommendation to Award Contract	May 1, 1996
Board Committee Meetings	May 15, 1996
MTA Board Meeting	May 22, 1996
Notice to	May 23, 1996
<b>Start of Initial Service</b>	<b>July 1, 1996</b>