IBO

New York City Independent Budget Office

Policy Brief

May 2002

Private Buses, Public Subsidies: Will New York Continue to Ride With the Current Franchise Deal?

SUMMARY

On March 26, 20 state Assembly Members introduced legislation that would transfer to New York City Transit (NYC Transit) the operation of some bus routes in the city now run by private companies. New York City spends over $100 million annually to subsidize seven private bus companies under operating agreements called franchises. Fares cover 44 percent of the cost of a ride on these private buses—compared to 48 percent on NYC Transit buses and subways.

Although the City Charter approved by voters in 1989 called for the provision of new agreements by the end of 1992, the city has continually extended the deadline, which is currently set to expire at the end of 2003. Several of the bus companies have held franchises since the 1930s. Complaints about service quality and a desire to reduce the city's costs have led to the proposal of various alternatives, including opening the routes to competitive bidding, or a takeover by NYC Transit.

After reviewing the current franchise provisions and the companies' performance, analyzing the cost structure of the companies, and considering alternatives to extending the current franchises, IBO's principal findings are:

- Although the evidence is somewhat mixed, on balance operating costs of the private bus companies appear to be roughly comparable to those of NYC Transit buses, taking into account different service mixes.
- The current contracts provide few incentives for companies to achieve lower operating costs.
- Private buses perform reasonably well on most established measures of service quality, but the on-time performance of the private buses on local routes has consistently fallen short of the established standard.

Alternatives to extending the existing franchise agreements with the same companies include modifying the existing agreements to emphasize performance standards and provide greater incentives for cost savings; opening the routes to competitive bidding, including by NYC Transit; and a direct takeover of the routes by NYC Transit.

The settlement of ongoing labor negotiations and the terms of federal assistance may limit the extent to which any of the alternatives to extending the existing agreements would result in significant savings. As a possible complement to any of these alternatives, expanding the licensing of other kinds of vehicles, including jitney cabs and vans, could help meet demand for transport services at low cost to taxpayers. IBO

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Introduction

The New York City Department of Transportation (DOT) contracts with seven private bus companies (Green, Triboro, Jamaica, Command, Queens Surface, Liberty, and New York Bus) to provide local and express bus service. The companies operate a total of 82 routes—44 local routes serving Queens, two local routes serving Brooklyn, and 36 express routes connecting Manhattan with Brooklyn, the Bronx, and Queens. In 2000, the franchise companies used their combined fleets of 1,291 buses to carry approximately 111 million passengers. Taken together, the New York City franchise buses form the seventh largest bus system in the United States in terms of ridership.

Most of the private bus companies have had franchise agreements with the city since the 1930s—but it is only since the 1970s that they have been receiving government financial assistance to cover the difference between fares collected and the cost of running the routes. Under the terms of the contracts, the base fares for service are set at the same levels as on NYC Transit buses—$1.50 for local trips, and $3.00 for express trips. (The cash fare on local buses is reduced to $1.00 during off-peak hours and weekends. Riders who pay with MetroCards do not receive the off-peak discount.) In 2001, the operating subsidies totaled $160 million, with the city providing $108 million, and the state $52 million. Although by most measures the performance that the city and riders receive for their money meets or exceeds the standards established by DOT, passenger complaints about timeliness and crowding have persisted.

According to a provision of the City Charter approved by voters in 1989, DOT was to prepare new bus franchise agreements by the end of 1992. Subsequent local laws enacted by the City Council have enabled DOT to extend this deadline with the approval of the city's Franchise and Concession Review Committee. The most recent of these laws, Local Law 52 of 2000, permitted an extension of the current franchises through the end of 2003.

The franchise committee and DOT have stated their desire to modify the existing contracts to allow new transportation providers to enter the market, in the expectation that greater competition would result in better service at lower cost (and Mayor Bloomberg's Executive Budget suggests changes are planned). Under the previous administration, the city was preparing an authorizing resolution that would allow DOT to grant new bus franchises to the existing or a different set of providers, and detail the form that the franchise agreements should take.

The process of awarding new bus franchises is complicated by labor negotiations with the private bus company drivers, whose contracts expired on January 1, 2001. More than a year later, as negotiations between the companies and drivers continue, the main unresolved issue is what would happen to the current drivers and their pensions if existing bus routes were awarded to new companies. While the unions insist on labor protection, DOT has argued that such protection would conflict with the goal of promoting competition.

IBO has prepared this fiscal brief as a guide to the main issues involved in bus service contracting. In keeping with IBO's mandate to provide objective, non-partisan analysis of budgetary issues facing New York City, this report describes alternatives for providing the bus service, but does not advocate any specific arrangement.

Public Funding of Private Buses in the City

Buses and streetcars in New York City were originally operated under franchise agreements, but when the city took over the bankrupt subway operations of the Interborough Rapid Transit Company (IRT) and the Brooklyn-Manhattan Transit Corporation (BMT) in 1940 it also inherited these companies' surface transit networks. Between 1948 and 1962 the city controlled all the local bus routes in Brooklyn and Staten Island, while private companies had the Bronx and Manhattan routes. Queens had a combination of public and private service, a situation that persists to this day. In 1962 the city took over virtually all remaining bus service, except for the routes operated by private companies in Queens. During the next decade the private bus companies began offering express bus service to Manhattan.

Eventually the private bus companies in New York City could no longer cover their costs. Rather than have their assets transferred to New York City Transit, it was decided to provide them with government subsidies, equal to the difference between the carriers' allowable expenses and their operating revenue. By calendar year 2000 the operating expenses of the bus companies reached $271 million. Of this total, $145 million—54 percent—was covered by subsidies (roughly two-thirds city, and one-third state), while fare revenues were $120 million (the balance was derived from advertising and other sources).

Cash fares on private buses are retained by the companies, while NYC Transit reimburses the companies for trips made using MetroCard.[1] The strong economy, free transfers between bus and subway, and the introduction of unlimited ride MetroCards have all contributed to a surge in private bus ridership in recent years. The companies have added service in response to this additional demand.

The expansion of bus service, combined with inflationary adjustments in the contracts, have increased the required city funding in recent years. From 1999 to 2002 the city's operating subsidy increased 28 percent, from $86 million to $110 million. The state guarantees $52 million in aid each year. While additional state aid is made available as revenues permit, the guarantee generally operates as a cap. City funding fills the gap left after state aid, fares, and miscellaneous revenues such as advertising are factored in.

City and State Operating Subsidies to Franchise Bus Companies

By city fiscal year, in millions of dollars

	1999	2000	2001	2002
City	$86	$89	$108	$110
State	$52	$56	$52	$52
Total	**$138**	**$145**	**$160**	**$162**

SOURCE: IBO

Public vs. Private Transit: Cost Comparisons

There are many examples in the United States of private companies providing public transit. Transportation consultant Roger F. Teal found that 35 percent of the transit agencies and municipalities that provide public transit in the United States contracted out for some or all of their service.[2] Most of this contracting out was for demand-responsive service such as paratransit. However, contracting out also was used in 150 (mostly small) fixed-route transit systems.

There is evidence from outside New York that if the contract is structured appropriately, private operators can provide a satisfactory level of transportation services at a lower cost than public agencies. The principal reason why private providers have lower costs has to do with their labor relations. Not only do private providers often pay a lower basic wage, but because they are generally less constrained by labor agreements, they can make more use of part-time labor and flexible schedules. Private providers may also be able to utilize their vehicles and drivers more fully than public transit agencies, by providing charter services in off-peak hours and on weekends. (Federal regulations prohibit this option for the city's franchise bus operators.) Teal's research found that large transit systems could realize cost savings of between 12 percent and 39 percent by contracting. The savings came primarily through greater flexibility in driver scheduling.

While Teal's study showed significant cost savings from contracting out transit services, a 1998 survey of transit agencies in *Transportation Research Record* found mixed results.[3] The authors of the survey argue that "cost efficiency can be achieved in many different ways, depending upon local conditions, and contracting should not be assumed to be to be the most appropriate strategy in every situation."

Data from the Federal Transit Administration (FTA) allow one to compare costs on several different dimensions between NYC Transit and the private operators. The FTA compares the costs of different transit agencies by looking at their operating expense per vehicle revenue mile, vehicle revenue hour, passenger mile, and passenger trip. Vehicle revenue miles refer to the number of miles traveled by a transit agency's vehicles while they are in "revenue service" (that is, when the vehicle is covering its scheduled route and available to the general public). Similarly, vehicle revenue hours refer to the total number of hours that a transit agency's vehicles are in revenue service. Passenger miles are the sum of the distances traveled by individual passengers, and passenger trips are the total number of individual (one-way) trips made on a transit agency's vehicles. Transit agencies report all of these numbers to the FTA on an annual basis.

Based upon the 2000 FTA data, operating expense per vehicle revenue mile was higher for NYC Transit than for all the private companies. NYC Transit's operating expense per vehicle revenue hour was considerably higher than that of New York Bus and Liberty Lines Express, similar to that of Green, Triboro, Jamaica, and Command, and much lower than the cost of Queens Surface. Although the private companies had a lower cost per passenger mile, they registered a higher cost per passenger trip.

In part, the differences in cost are a function of the mix of express and local service that each provider offers. New York Bus Service and Liberty Lines Express specialize in express bus service between the Bronx and Manhattan. The other private companies offer a mix of local and express service. While NYC Transit does have some express routes, primarily between Staten Island and Manhattan, these represent a very small share of the agency's total bus service. Express buses generally have a lower cost per vehicle revenue mile and per vehicle revenue hour than local buses, primarily because higher speeds and fewer stops imply less labor time and fuel consumption to cover a given distance. For the same reason, the cost per passenger mile may also be lower on express buses. On the other hand, the cost per passenger trip should be higher on express buses because the average trip is longer.

Differing labor costs would also help explain different operating costs between the private companies and NYC Transit. Although private bus workers are not municipal employees, their pay

Cost Comparisons Between Private Bus Companies And NYC Transit, 2000

Operating expense per:

	Vehicle revenue mile	Vehicle revenue hour	Passenger mile	Passenger trip
NYC Transit	$13.38	$104.70	$0.86	$1.61
Queens Surface*	$12.63	$125.59	$0.74	$2.92
Green-Triboro-Jamaica-Command**	$11.46	$105.97	$0.70	$1.91
New York Bus Service	$8.37	$91.10	$0.41	$5.65
Liberty Lines Express	$8.31	$88.55	$0.54	$5.96

SOURCES: IBO; Federal Transit Administration, National Transportation Database, 2001
NOTES: *The FTA has questioned the reliability of the Queens Surface Corporation data.
**These four companies are reported together in the FTA data.

levels affect the subsidy required for the companies' operations. Until the early 1990s bus drivers and mechanics with the private companies had wage parity with NYC Transit workers. Wages, however, are now slightly lower at the private companies. But NYC Transit has more flexible work rules than do the private companies, which should help reduce differences in labor costs due to pay differentials.

While a more precise calculation of costs might shed additional light on the issue, existing FTA data do not allow us to state conclusively whether or not private buses provide their services at a lower cost than NYC Transit. Where there is the greatest comparability—between NYC Transit and the mixed local/express service companies (Green, Triboro, Jamaica, Command, and Queens Surface)—costs appear to be roughly similar.

Determining the Level of Financial Assistance

The private bus companies receive government assistance for both their operating and capital budgets. The city provides approximately half of the total aid, with the rest coming from federal and state sources. The assistance is channeled through the city's Department of Transportation, which also monitors the companies' performance. On the capital side, most of the private companies' buses are owned by the city and leased to them by DOT. The city also owns two bus garages used by Command and Queens Surface. Government assistance for the operating budget has two components: a direct operating subsidy (referred to as operating assistance), and a management fee.

As the contracts are currently structured, companies have no real incentive to achieve cost savings. The amount of operating assistance is the difference between the carriers' allowable expenses and their operating revenue. The maximum allowable expenses translate into an "expense cap" which is based on the carriers' actual expenses in 1991, adjusted annually to account for inflation. The expense cap is not adjusted downward if companies achieve cost savings. But companies have no real incentive to save on costs as long as they do not exceed the cap, because any savings are translated into an equivalent reduction in subsidy. Under the existing contract structure we would expect the companies to report costs that are close to the expense cap, without exceeding it.

The private bus companies receive additional assistance for overhead costs. This management fee was fixed at 3.3 percent of 1988 gross receipts, to avoid problems with fluctuating revenues. However, the fee has not been adjusted for inflation, and the companies are now operating more diverse fleets and more complex vehicles.

Six of the companies are eligible for incentive payments if they meet minimum standards for some or all of seven performance indicators (discussed below). The other company, Queens Surface, is assessed cash penalties if it fails to meet the standards. While in the past there has been concern that the payments were becoming automatic, recent inspections have resulted in payments being withheld from the companies.

Performance Monitoring

The city's transportation department uses 17 performance indicators to measure the quality of service provided by the private bus companies. Seven of these indicators are used to determine the level of incentive payments to the companies: mean distance between failures, pull-outs, trips operated, public information, cleanliness, signage, and climate control. Ten indicators have minimum standards, but are not taken into account in determining incentive payments: Americans with Disabilities Act (ADA) seating decals, ADA announcements, on-time inspections, complaint handling, two-way radio operability and reliability, wheelchair lift operability and reliability, kneeler operability, curbside service, local on-time performance, and express on-time performance.

Although local and express on-time performance are of great importance to the riding public, they are not among the service quality measures used to determine incentive payments. The private companies have argued that punctuality is largely dependent on general traffic conditions.[4] DOT, however, has proposed including an on-time indicator among the indicators used to determine incentive payments in the next contract. Another performance measure frequently cited by the riding public but not included in the measures used to evaluate

Performance Indicators, Private Bus Performance Monitoring Program—July-September 2001

Performance Indicator	Definition	Standard	Measured performance
Indicators used to determine level of incentive payments:			
Mean distance between failure (MDBF)*	Total mileage/total mechanical breakdowns	2,000 miles	7,366 miles
Pull-outs*	Actual bus pull-outs / scheduled bus pull-outs	98%	100%
Trips operated	Trips departing starting terminal/trips scheduled	96%	98%
Public information	Bus or bus stop provides adequate public information	85%	100%
Cleanliness	Buses scoring 80 or more points out of 100 are clean.	80% of in-service buses	99%
Signage	Front sign on bus displays the correct destination.	95%	99%
Climate control	Interior bus temperature from 50 degrees F to 78 degrees F.	95%	99%
Indicators not used in determining incentive payments			
Enroute on-time performance (local buses)	Trips departing scheduled time points between zero and five minutes late. Early departures and cancelled trips are not considered to be on time.	95%	84%
Express bus on-time performance	Percentage of trips departing starting terminal between zero and five minutes after the scheduled departure time.	95%	99%
Complaint handling	Satisfactory responses/complaints reviewed	90%	99%
Wheelchair lift operability/ reliability	Properly functioning wheelchair lifts/lifts inspected/drivers able to operate lift	95%	100%
On-time inspections*	All in-service buses inspected once each quarter; preventive maintenance inspection performed within 7,500 miles of previous inspection.	98%	100%
ADA seating decals	Buses are to be equipped with ADA decals in areas of reserved seating for the elderly or disabled	100%	99%
ADA announcements	Bus operators are required to announce stops at all major intersections, transfer points, and requested stops	100%	98%
Two-way radio operability/reliability	Properly functioning two-way radio systems/ radios inspected/ drivers able to operate two-way radio	96%	100%
Kneeler	Properly functioning kneelers/kneelers inspected	95%	99%
Curbside service	Unless physically obstructed, bus must pull up parallel to and within 12 inches of curb.	100%	100%

SOURCE: IBO, based on data from DOT.
NOTE: Results of DOT's performance monitoring for the third quarter of calendar year 2001. Measures marked with an asterisk (*) are self-reported.

performance is crowding. This can be a difficult measure to evaluate, and DOT has indicated that it does not have sufficient staff to monitor crowding effectively.

In 1994, the New York City Comptroller's office conducted an audit to evaluate how DOT monitored and assessed the performance of the private bus companies.[5] The goals of the audit were to determine if the city's transportation department was monitoring private bus service adequately, if the DOT's performance standards were adequate, and if bus drivers held appropriate and valid drivers licenses. As part of the audit, the Comptroller's office carried out its own review of Green Bus Lines.

The audit revealed deficiencies in the performance monitoring process. Until 1994 the Department of Transportation's Surface Transit Division had monitored private bus performance through field observation and review of data provided by the companies. Due to budget cuts, in 1994 the monitoring staff was reduced to one person who conducted a desk review of company-supplied data. The Comptroller also discovered problems with Green's performance in the areas of on-time performance, complaint handling, and wheelchair lift accessibility.

A follow-up audit by the Comptroller, released in June 2000, showed some improvement.[6] This audit found that the Surface Transit Division of DOT had enhanced its monitoring activities: in 1999 the division had six field inspectors (now down to four). The audit also included a review of the performance of all seven private bus companies during the first half of 1999. Their record in the areas of on-time performance and wheelchair lift accessibility, two criteria not used in determining incentive payments, was still below DOT standards. The companies also fell short on cleanliness, one of the indicators used for incentive payments.

Monitoring results from July-September 2001, the most recent period available, show generally good performance in most areas. The companies met the minimum standards for the performance measures used to determine incentive payments.[7] Queens Surface had a small percentage of buses that failed to meet ADA seating decal and announcement requirements. Companies with local bus routes (i.e., all except Liberty Lines Express and New York Bus) continued to come up short in the area of on-time performance, however. Overall, local buses had a score of 84 percent in on-time performance, compared with the established minimum standard of 95 percent.

The data suggest that the quality of bus service offered by the private companies has in general been improving. Even though on-time performance of local buses still falls short of the minimum standard, the score of 84 percent is much higher than the 55 percent calculated by the City Comptroller's office in its 1999 field observations.

Rerouting the Franchise Agreements

One way to further improve the bus service provided by private companies would be to expand the criteria used in determining incentive payments. In particular, contracts could be modified so that on-time performance was included as one of the performance measures used to determine these payments, as DOT currently proposes to do. Other alternatives for improving service—at potentially lower cost—include opening up the bus service to competitive bidding (with NYC Transit as a potential bidder), or having NYC Transit take over the routes without competitive bidding, as current state legislation proposes. As a complementary measure to improving bus service, conventional transit service could be augmented by increased use of shared taxis and vans.

Federal labor regulations limit the extent to which bus services can be reorganized. Additional rules regarding transit labor are contained in Section 13(c) of the Federal Transit Act, codified in 1994 as 49 USC Section 5333(b).[8] This legislation stipulates that "before FTA may award a grant for capital or operating assistance, fair and equitable arrangements must be made to protect the interests of transit employees affected by the proposed FTA assistance…. Those arrangements must be certified by the Secretary of Labor as meeting the requirements of the statute." DOT currently receives federal capital funding for the private bus program. Labor unions and many other observers have interpreted the FTA regulations as meaning that in order for this assistance to continue, employees of the bus companies that presently have the contracts must not be harmed. If these employees were to lose their jobs, they might have to receive substantial compensation.

Competitive Bidding. The City Charter requires that the private bus routes be bid out competitively "or by other means designed to ensure a competitive and fair process" (Chapter 14, Section 373). If the city decided not to continue the present franchise arrangement, it could specify the standards for service, and accept bids for the amount of subsidy required. The bidding process could take place at the level of individual routes, or groups of routes.

The possibility of new transit providers entering the market would likely be reduced if they were required to hire existing bus company employees and assume their pension obligations. Nevertheless, new providers might find ways to save on costs other than the base salary of drivers and mechanics—for example, administrative or overtime costs.

Presumably, NYC Transit could also bid for the bus routes. At a public meeting on bus service held in early 1999, a representative from NYC Transit said that the agency had no official position on the issue, but would take it under consideration if and when competitive bidding were announced.

Direct Takeover of Routes by NYC Transit. Dissatisfaction with the quality of the service provided by the private bus companies has led some state Assembly Members to propose that NYC Transit simply absorb Queens routes into its existing network, without competitive bidding. This would create a more unified bus system for the city. The advantage to a unified system is that routes and dispatching could be reorganized to provide better coordination of service—perhaps also realizing some cost savings due to economies of scale. On the other hand, if NYC Transit took over the routes without competitive bidding, there might be less incentive for cost containment. One likely scenario under a direct takeover is that NYC Transit would hire drivers and mechanics from the private companies and pay them the (slightly higher) NYC Transit wages.

This arrangement would also make the bus service eligible for the Metropolitan Transportation Authority's tax-supported subsidies and surplus bridge tolls, thus shifting subsidy costs out of the city budget. Undoubtedly, however, the transportation authority would expect additional financial resources from the city in return for taking over these routes, and so the city's operating assistance to the agency would have to increase, although not necessarily by an amount equal to the current cost. The city would also save the expense of DOT's administration and monitoring of the contracts.

Diversification of Existing Transit Service. Among American cities, New York is uniquely suited to conventional public transportation, thanks to its high residential densities, relatively low levels of automobile ownership, and the enormous concentration of employment and retail activity in the Manhattan central business district. Outside of Manhattan there also is significant potential demand for transportation that is intermediate in cost, speed, and convenience between conventional buses and taxis. The alternatives include shared taxis (up to four passengers) and vans (up to 15 passengers). These vehicles could serve fixed routes, or could provide individualized pickups and drop-offs on request.

While "jitney" (shared ride) taxis are not commonly seen in New York City, some examples of successful jitney service do exist. At the East 68th Street subway station in Manhattan, employees of nearby hospitals often share yellow taxis during the morning peak. Commuters who arrive at the Bayside Long Island Rail Road station in Queens may choose among several livery cabs, each one carrying up to four passengers to specific residential areas.

Passenger vans are most common in areas of Brooklyn and Queens that have large immigrant populations and are not close to subway lines. In 1999, the City Council authorized 50 additional vans to be licensed, bringing the total number in existence to about 400.[9] The Mayor's office estimates that there is sufficient demand for up to 1,000 commuter vans to ply city streets, but the City Council has been reluctant to permit a large increase in the fleet size.[10]

Jitneys and vans should be seen as a complement to, rather than a substitute for, conventional transit services. They are attractive from a public policy perspective, because they would require no government subsidy. There are concerns, however, that expanding jitney or (especially) van service could weaken the finances of subsidized transit operators in New York City. The financial impact on NYC Transit of having several hundred more vans would most likely be minimal. Many trips made by van are to and from subway stations. These passengers pay a subway fare, but forego the free MetroCard transfer between bus and subway in order to save time. Other passengers use vans as an alternative to a car service. Additionally, passengers who use unlimited ride MetroCards pay an up-front cost, and the amount of revenue that NYC Transit receives from these customers is independent of the number of bus and subway trips made.

Increased van service is more likely to effect the revenues of the private bus companies. With MetroCard, if a passenger uses a van rather than a private bus to travel to and from a subway station, the private company loses one fare. Losses might be limited by designing van routes that do not compete directly with private bus routes. At the same time, there will always be riders who prefer the buses. Some riders will perceive the quality or safety of the bus ride to be superior, while holders of unlimited ride MetroCards will realize that for them, an additional bus trip is free.

Conclusion

Private buses are an important part of New York City's public transportation system. However, in response to lingering concerns over the quality of service and the growing cost of subsidies, several proposals have been made to modify the existing contractual arrangements with the private companies. These proposals include putting the routes out for competitive bidding, turning the routes over to NYC Transit, or maintaining the existing providers while holding them to higher performance standards, particularly with respect to schedule adherence. All of these proposals are intended to lead to better service, while some could provide budgetary savings.

Depending on the degree to which the jobs and wages of existing workers would be protected, the savings from turning the routes over to new providers are not likely to be great. In the case of a NYC Transit takeover of routes, some—but in all likelihood not all—of the operating costs not covered by fares would be shifted to the Metropolitan Transportation Authority, and some net savings to the city could result. A more sweeping reorganization of transit services, with jitneys and vans providing service that complements existing buses and subways, may also deserve consideration by policymakers, since it could potentially benefit transit users at lower cost to taxpayers.

Any restructuring of transit service in New York City will have to balance the interests of riders, taxpayers, and providers and their employees. The huge increase in transit ridership in the city in recent years, far greater than the growth in population or employment, demonstrates that demand for service responds to improvements in quality and price.

Written by Alan Treffeisen

END NOTES

[1] Reimbursement for regular MetroCard use is based on the number of swipes, excluding free transfers. Thus, if a passenger boards a private bus in the morning and then transfers to a NYC Transit bus or the subway, the private bus company will be reimbursed for the trip. However, the company will not be reimbursed for the return trip, since the private bus segment of the trip will be a free transfer. Reimbursement for the use of unlimited ride MetroCards is on a per-swipe basis. Since passengers who buy unlimited ride cards generate less revenue per trip, the MTA reimburses the private companies less for them.

[2] Teal, Roger F. "Contracting for Transit Service." In Weicher, John C., ed. *Private Innovations in Public Transit*. Washington, DC: American Enterprise Institute for Public Policy Research, 1988.

[3] McCullough, W.S. III, Taylor, B.D., and Wachs, M. "Transit Service Contracting and Cost-Efficiency." In *Transportation Research Record* 1618 (1998), pp. 69-77.

[4] One possibility for addressing the problem of bus "bunching" is the use of dispatchers, who could help regulate bus schedules at key points along the routes. Incentive payments to reduce bunching could be used to defray the cost of the additional dispatchers.

[5] Office of the Comptroller, City of New York, *Audit Report on the Quality of Bus Service in New York City Provided by Private Bus Companies under Contract with the Department of Transportation*, MJ94-292A, May 10, 1995.

[6] Office of the Comptroller, City of New York, *Follow-up Audit on the Quality of Bus Service in NYC Provided by Private Bus Companies Under Contract with the Department of Transportation*, MJ00-084F, June 12, 2000.

[7] A minor exception was New York Bus, which was judged not to have handled adequately one of only two complaints received, giving it a score of 50 percent in this area.

[8] See the FTA Web site: www.fta.dot.gov/library/policy/9030_1B/9030CH1.htm.

[9] "Dollar vans get a green light." *Newsday*, March 24, 1999, p. A33.

[10] During the Giuliani Administration, the Council often cited safety concerns in denying permits to van operators. In contrast, the Mayor argued that the Council was responding to pressures from the Transit Workers Union not to approve new applications for private van service.