

There are several examples of privatization in the transit industry and in Wisconsin. They can be summarized using the following 3 models:

1. Contract Management:

The management of the system is done through a contract with a private firm. This may be just the director's position or it may include one or more additional senior executive staff. The remainder of the transit system staff are public employees.

The assets of the transit system are publicly held.

Green Bay is using this model.

2. Contract Management with a Shell Corporation:

The management of the transit system is contracted with a private firm. All other transit system staff are employed through a private corporation. This is generally done through a locally established "shell corporation" that is separate and distinct from the parent contractor.

The assets of the transit system are publicly held. There may or may not be a public sector staff that oversees the contract and the transit system's performance.

In Wisconsin, Milwaukee, Waukesha (city) and Racine (city) operate according to this model. From the examples used in my presentation, Massachusetts (non-Boston) and Charlotte operate like this.

3. Turn Key:

The service is provided under contract. The contractor is responsible for providing all staff and all equipment and facilities needed to operate the transit service. The assets are not held by the public transit system.

There is generally some form of oversight of the contractor's performance by a public staff.

In Wisconsin, the Waukesha County commuter and the City of Monona operate service in this manner. Nationally, this model is used in several smaller sub-regional operations (in the Los Angeles area). This is also a very prevalent model for operating ADA paratransit services.

The 3 above models are competitively bid and are generally for a period of 5 years. There may be a base period of performance with option years. Some contracts could be longer than 5 years. The contractor selection is made by the board of directors.

There are two other models to note, but they have limited application. They are:

1. In New Jersey, for example, private operators run commuter services. They do not receive operating assistance and are expected to cover their operational costs from

passenger fares. As such, the service is not competitively bid. In most cases, however, the state provides the vehicles under a low cost lease arrangement (\$1).

2. The "DBOM" model is relatively new and has been used in major capital projects. In NJ, this has been used for the River Line and the Hudson-Bergen Light Rail line. "DBOM" stands for design, build, operate and maintain. Under this model, the private sector is retained to complete the design and construct a major investment. They are responsible for providing a turn key operation. They are then retained, under a long term contract, to operate and maintain the system. The contract period can be up to 20 years. This model has limited, but successful and positive, application. The board of directors makes the contractor selection.

One of the things to consider with privatization, particularly in well established transit operations like those in Wisconsin, is the impact of Section 5333 of the Federal Transit Act. This applies when federal funds are involved. The provisions of this section, in the simplest of terms, prohibit transit operators from weakening or worsening wages and working conditions as the result of the acceptance of federal funding. This requirement is also known as the Section 13(c) provisions. The Section 5333 provisions apply to both public and private sector employees as long as federal dollars are involved.

For information on how this may impact any effort to privatize transit, there are 2 Transit Cooperative Research Program reports to examine. They are:

1. LRD-04: Transit Labor Protection A Guide to Section 13c—Federal Transit Act.
2. CRP-CD-20, Volume 6: Transit Labor 13c Decision

The reports are at <http://www.tcrponline.org/bin/publications.pl?category=19>.

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