

WHY PRIVATIZING LONG ISLAND BUS COULD COST TAXPAYERS MORE



**Tri-State Transportation Campaign
June 2011**

Executive Summary

The failure of Nassau County to fund LI Bus has led to an annulment of the operating agreement between the County and the MTA and the County’s pursuit of a private operator to run the bus system. Throughout this process, the County has refused to participate in an open process, rejecting requests for details of the private bidder’s plans to run the bus system. These details would allow a thoughtful analysis of the pro’s and con’s of particular operators and how those operators would compare to the current system operated by MTA. Without this detailed information, the Tri-State Transportation Campaign took it upon itself to research the three known private operators seeking to run Nassau County’s bus system. **While many more variables will be included when deciding who will run Nassau County’s bus system, looking at what the three private operators being considered; Veolia Transportation; MV Transit; and First Transit; are charging taxpayer’s in other parts of the country is important especially in light of the County’s lack of transparency.**

Summary of Key Findings

- Every operator being considered by Nassau County to run LI Bus receives much more funding, or disproportionately more based on the size of the systems, from government than what County Executive Mangano is proposing to contribute to Nassau County’s system.
- Every operator Nassau County is considering provides fewer hours of service, or disproportionately fewer hours of service, than what MTA currently provides.

Comparison of MTA Run vs. Privately Run Company

OPERATOR -Municipality	LOCAL GOVERNMENT CONTRIBUTION (millions)	RIDERSHIP LEVELS	HOURS OF SERVICE A YEAR	MILES OF SERVICE A YEAR
<i>MTA</i> -Nassau County	\$9.1	31 million	1.2 million	14.4 million
<i>Veolia Transportation</i> -Phoenix, Ariz. -Las Vegas, Nev.	\$77 \$80	50 million 67 million	1.9 million 2 million	24.9 million 25.4 million
<i>MV Transit</i> -San Luis Obispo, CA. -San Joaquin, CA.	\$9 \$5.4	600,000 5 million	49,000 239,000	1.3 million 3.5 million
<i>First Transit</i> -Greater Hartford, CT -Dutchess County, NY	\$7.3 \$2	337,000 600,000	287,000 55,000	3.2 million 1.1 million

- The County’s proposal to contribute \$4 million a year and maintain the same level of service, fares and safety, is unrealistic.
- The County’s failure to disclose information on the potential bidders, even after numerous Freedom of Information Law (FOIL) requests, should give County Legislators, NIFA and Nassau County taxpayers pause over privatization plans.

Summary of Recommendations

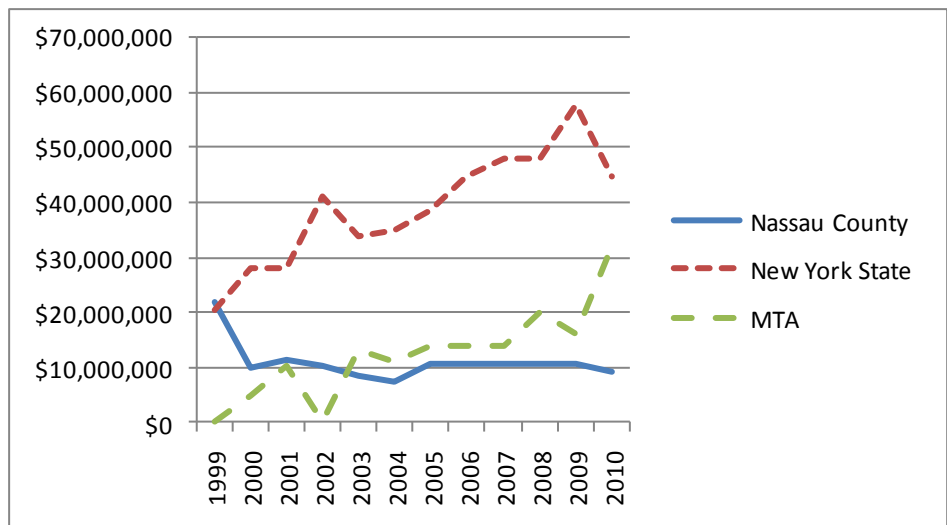
- Nassau County should reenter into negotiations with the MTA to find a long term funding solution for Long Island Bus. This outcome is likely to provide the best deal for Nassau County and bus riders.

If Privatization is pursued:

- Nassau County should disclose details of each private company’s proposal.
- Nassau County should hold a robust public process including numerous public hearings on its privatization plan before any decisions on an operator are made.
- Any Nassau County bus system must incorporate five core principles: the same levels of service for riders as under the LI Bus system; the same fare levels and free transfers available now; safe and efficient service; modern, clean equipment that is in a state of good repair; and transparent administration of service.

Background

Nassau County and the Metropolitan Transportation Authority have long battled over who is responsible to fund the Long Island Bus system, one of the largest suburban bus systems in the country. While Nassau County owns the



Graph 1: Contribution to LI Bus over time

system, the buses and the depots, the MTA is contracted to run its operations. Over the past decade, the MTA has helped subsidize the shortfall in operational funding because of Nassau County’s failure to adequately fund bus operations (Graph 1). In fact, Nassau’s contribution is less than half its contribution in 1999.

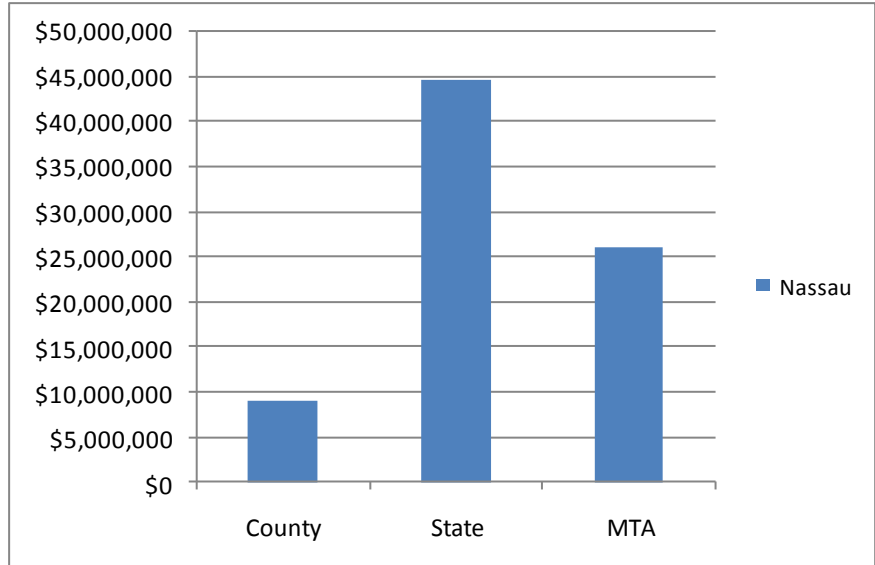
In 2010, Nassau County contributed only \$9.1 million to LI Bus operations compared to the

MTA's \$26 million contribution and almost \$45 million from New York State funding (Graph 2).

Last year, the MTA announced its intention to withdraw support for LI Bus due to financial constraints.

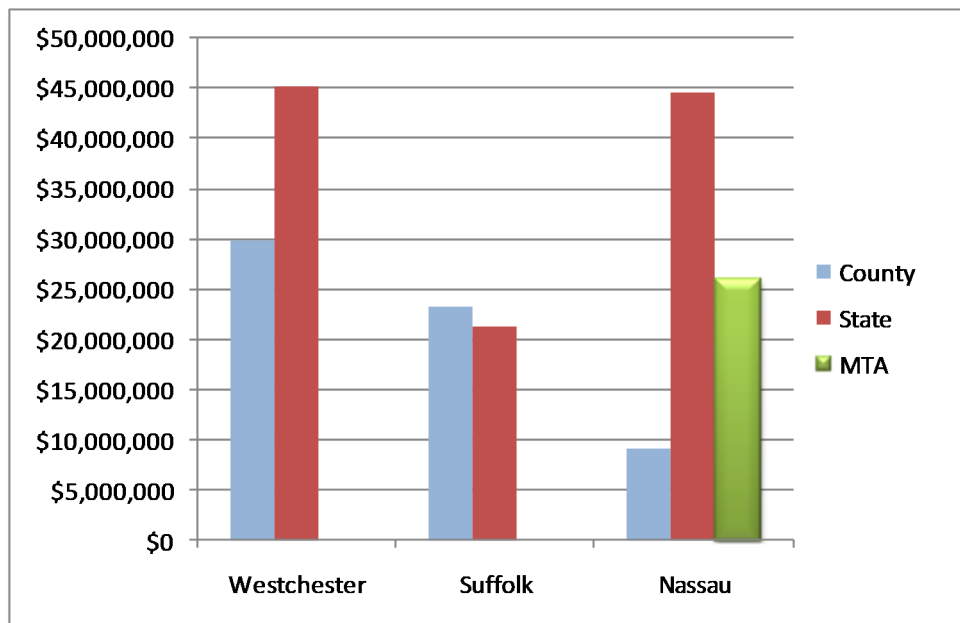
Since then, many efforts have been made to urge Nassau County Executive Ed Mangano and the MTA to come to a long-term funding arrangement that

would shore up LI Bus' finances. While the MTA formally withdrew its funding at the beginning of 2011, the New York State Senate, in the short term, recently found nearly \$9 million to fill the gap, a move that allows the MTA to operate LI Bus through the end of the year.



Graph 2: 2010 Nassau County Funding Comparison

However, Nassau County and the MTA have been unable to arrive at an agreement for the long term, and at the behest of Nassau County, the MTA formally ended the lease and operating agreement for LI Bus earlier this year.



Graph 3: County by County Comparison

Instead, County Executive Mangano has proposed a privatized model for the bus system, a model he believes can be run on as little as \$4 million a year.

No public bus system of this size operates in this manner. For example, Westchester County's privately run bus system, a system comparable in size to LI Bus, receives no MTA funding and is subsidized by over \$30 million a year from Westchester County. To Nassau

County's east, Suffolk County, contributes nearly \$25 million a year to its privately run transit system that is a fifth of Nassau bus' size. (Graph 3)

Since the Nassau County Administration has failed to provide adequate details on the proposed bidders to operate this private bus system, the Tri-State Transportation Campaign conducted an analysis looking at the local contributions and levels of service provided in two areas where each of the potential private operators, MV Transit, Veolia Transportation and First Transit, operate.

The Tri-State Transportation Campaign believes this move towards privatization will be more costly to Nassau County taxpayers in the long run and will provide less service to Nassau County bus riders and businesses. **We believe that the best deal for Nassau County and its residents is to reenter into negotiations with the MTA to find the best possible funding solutions.**

Overview of Private Bidders

Veolia Transportation

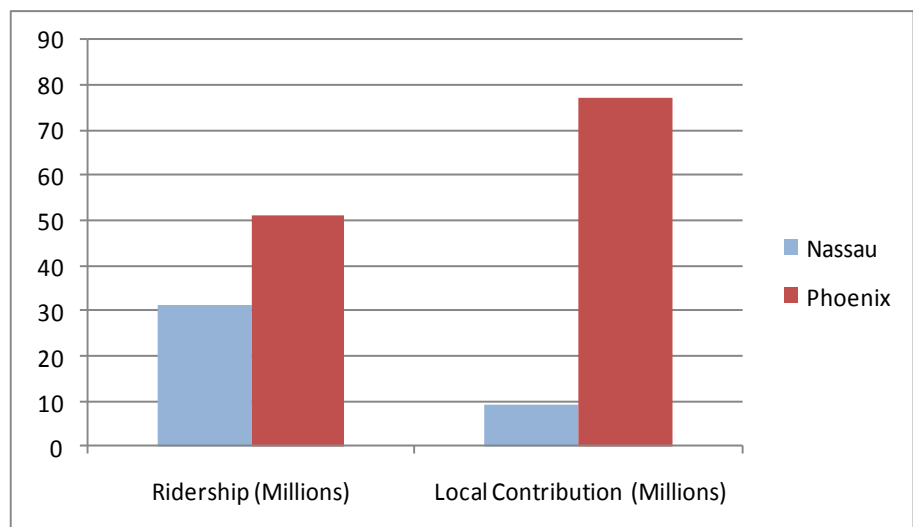
Veolia Transportation is a Paris, France, based private operator that has contracts on five continents and in 14 cities in the United States.

Veolia operates one of its largest contracts in Phoenix, Arizona. A contract worth \$386 million over 5 years, Veolia operates the Phoenix 'Valley Metro' bus system, a system

that encompasses the Greater Phoenix Metropolitan Area. According to the National Transit Database, the Phoenix 'Valley Metro' bus system provides over 50 million rides a year, nearly 20 million more rides than LI Bus provides, at a cost to local government of approximately \$77 million a year (Figure 1).

Veolia has also contracted with the Regional Transportation Commission of Nevada to operate the Las Vegas bus system. This system, at 67 million rides a year is approximately twice the size of Nassau County's bus system and the value of Veolia's contract is roughly \$80 million a

Figure 1: Veolia in Phoenix vs. MTA Operated in Nassau County



year (Figure 2).*

Based on these case studies alone, we can assume that Nassau would need to pay between \$32 million and \$40 million a year to continue their current level of service if it is to be provided by Veolia Transportation. This latter numbers may even

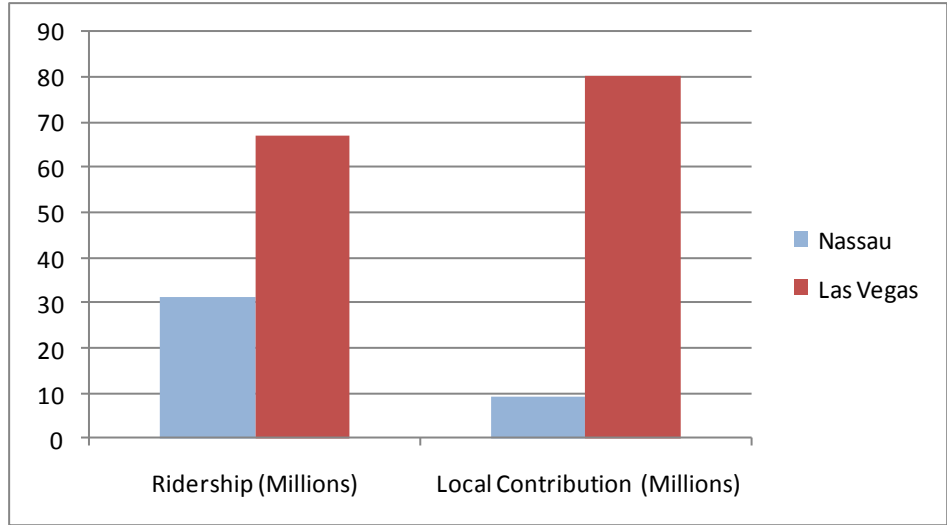


Figure 2: Veolia Operated in Las Vegas vs. MTA Operated in Nassau County

be conservative given the fact that the Las Vegas system is a system that services a more densely packed city, as opposed to Nassau County’s sprawling suburban type system, and may have a better ‘fare box capture’ rate.

MV Transit

MV Transit is a California based private transportation company that operates in 24 states.

According to press releases, MV Transit was awarded a \$9 million contract to operate fixed-route and paratransit services for the San Luis Obispo Regional Transportation Authority in San Luis Obispo, California. This contract,

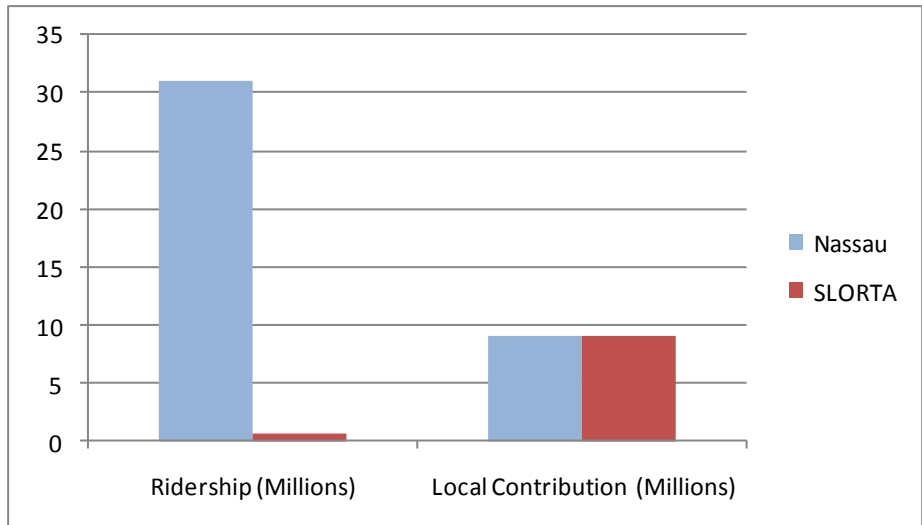


Figure 3: MV Transit Operated San Luis Obispo vs. MTA Operated Nassau County

equal to the contribution that Nassau County was providing to the MTA to operate its services, provides service to less than 600,000 riders a year, or **roughly 6 days of service for current Long Island Bus ridership** (Figure 3). However, citing a desire to have greater control over the

*Immediately prior to the publication of this report, it was announced that the Regional Transportation Commission awarded a new contract to First Transit who would operate the system for approximately \$73 million a year.

bus system, in July 2009, San Luis Obispo County moved bus operations 'in house' and is now a publicly run bus system with an operating budget of approximately \$7.4 million.

Last year, MV Transit was awarded a \$5.4 million a year contract to operate three of the five bus services for the San Joaquin Regional

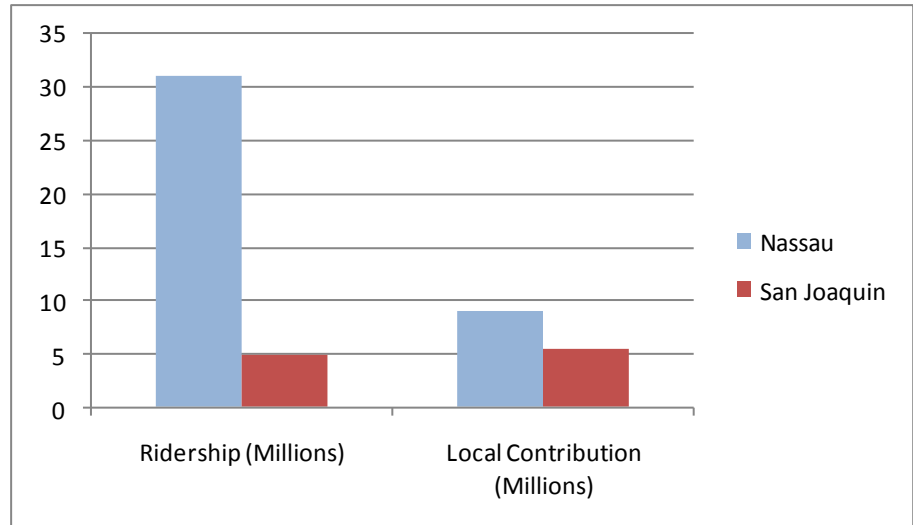


Figure 4: MV Transit Operated in San Joaquin vs. MTA Operated in Nassau County

Transit District, a system that provides just under 5,000,000 rides a year (Figure 4). While MV Transit only received a \$5.4 million contract, the total local contribution to operate the bus system from San Joaquin County is nearly \$20 million a year.

Considering that Nassau County has offered \$4 million a year to a private operator, it appears MV Transit would need to cut current Nassau County bus service by over 80% to be in line with San Joaquin's example.

First Transit

First Transit is a United Kingdom based company that operates in 41 states in the US, including Puerto Rico, Canada and on various college campuses.

Last year, First Transit announced a \$7.3 million contract to operate the Greater Hartford Transit District service, a system that provides service to more than 337,000 riders a year (Figure 5).

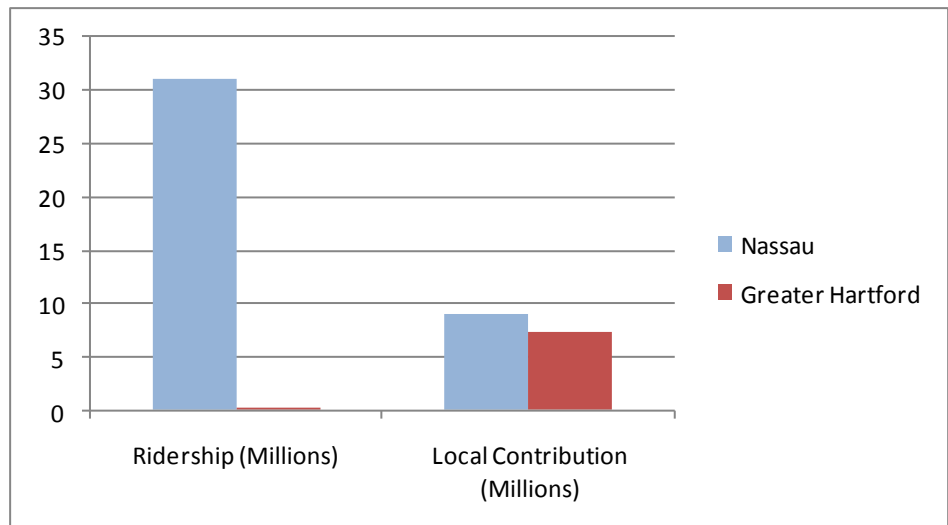


Figure 5: First Transit Operated in Greater Hartford vs. MTA Operated in Nassau County

First Transit also operates the Dutchess County, NY, bus system, a system that provides fewer than 600,000 riders a year with transit access. According to the National Transit Database, this is done at a local cost of approximately \$2 million a year (Figure 6).

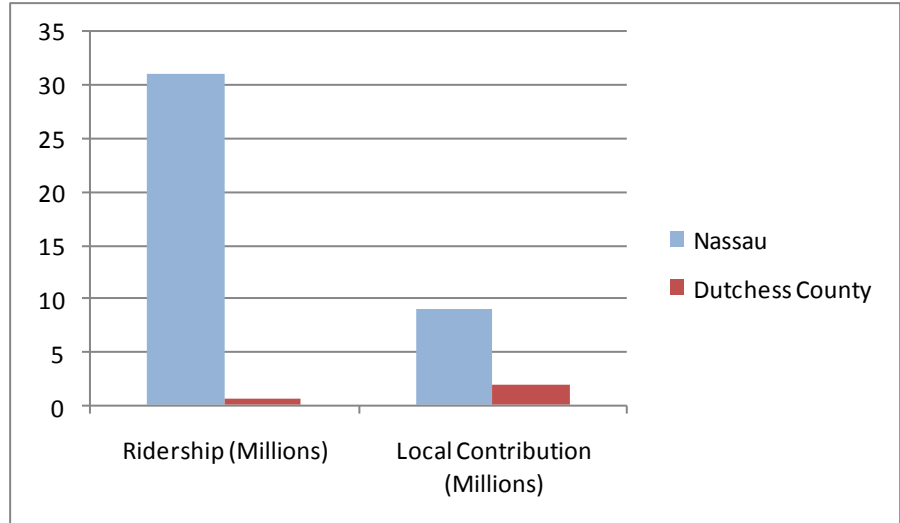


Figure 6: First Transit Operated in Dutchess County vs. MTA Operated in Nassau

If Nassau County’s bus system is to maintain the existing level of service and fares, based on these two case studies, the County would have to provide over \$100 million a year to First Transit.

Conclusion and Recommendations:

Nassau County’s failure to share the potential costs of a privatized bus system with its taxpayers has directly led to the need for this analysis. While conclusions are based on a rudimentary analysis that does not fully reflect the many variables that are considered when selecting a vendor, it is clear that analyzing how much these private operators receive in local subsidies is insightful nonetheless.

County Executive Mangano’s proposal to operate a system using only \$4 million in County subsidies is unrealistic and will lead to service cuts, fare increases or the operation of vehicles by untrained and unskilled operators. The private vendors under consideration to run Nassau County’s bus system have shown, through many of their current or former service contracts, that operating a private bus system in Nassau County will only cost local taxpayers more money than what Nassau County could expect under a publicly run system.

Instead, the County Executive should:

- Reenter into negotiations with the MTA to find a long term funding solution for Long Island Bus. This outcome is likely to provide the best deal for Nassau County and bus riders.

If the County Executive chooses to privatize the bus system, he must:

- Disclose details of each private company’s proposal.
- Hold a robust public process including numerous public hearings on its privatization plan before any decisions on an operator are made.

- Create a bus system that incorporates five core principles: the same levels of service for riders as under the LI Bus system; the same fare levels and free transfers available now; safe and efficient service; modern, clean equipment that is in a state of good repair; and transparent administration of service.

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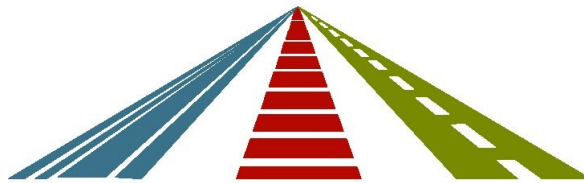
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