Awaiting The Fate Of City-Subsidized Private Bus Lines

by Bruce Schaller
Monday, March 15, 2004 12:00 AM

Â The long-simmering controversy over the fate of New York City-subsidized bus lines was brought to a boil early this month when news reports revealed that the Bloomberg administration has $150 million in unspent funds to replace aging buses and improve bus facilities of the seven private bus companies. This pot of money has accumulated over more than two years as Bloomberg and the Metropolitan Transportation Authority have been negotiating the authority's takeover of the bus routes, which primarily serve local bus riders in Queens and the Bronx and express riders coming into Manhattan.

Bloomberg wants to turn the bus routes over to the MTA and eliminate the city's $100 million annual subsidy of the bus companies. Shedding the subsidies for the private bus companies would help close city budget deficits. It would also further reduce the city's contribution to mass transit. City contributions to the authority's capital budget fell from $205 million in the early 1990s to only $75 million last year.

Critics believe that the city has refused to purchase new buses as a way to intensify political pressure for the Metropolitan Transportation Authority to take over the bus routes. Using the existing old buses leads to more breakdowns and poorer service for riders. The private bus companies charged in a lawsuit last year that the city had decided "to starve the companies of new buses as part of its plan to create intolerable operating and financial pressures."

The Bloomberg administration responded that the authority and private bus lines use different types of buses. "If we purchase the buses before the negotiations are complete," a Bloomberg spokesman reportedly said, "we run the risk of buying obsolete buses that the MTA does not use and cannot service."

This argument has not passed muster with critics. Unless the city insisted on purchasing more buses fueled with compressed natural gas (CNG), there are no fundamental differences between MTA and city-purchased buses. If the city wished to do so, it could order buses that meet the Metropolitan Transportation Authority's bus specifications and could be used by the MTA once the agency takes over the routes.

The authority would gladly take over the bus routes under the right fiscal arrangements. It believes that it can provide better service by applying its expertise in bus operations and through economies of scale. But the authority has rejected Bloomberg's proffered deal unless it is "made whole" financially. If it takes over the bus routes without receiving additional funding, it would have to find scarce dollars either through increased state or federal subsidies â€“ an

unlikely possibility â€“ or through higher fares.

Already, the city and the Metropolitan Transportation Authority have missed self-imposed deadlines of last June 30 and of January 1 to complete a deal. The city has extended the current franchises with the seven bus companies until June 30, 2004 and hopes to agree to a transfer by that date.

Meanwhile, service on the lines deteriorates. According to the city's latest Mayor's Management Report, the cleanliness rating on the city-subsidized buses declined from 85 percent in July-October 2002 to 68 percent a year later. In interviews with the New York Times, riders complained of buses taking 30 minutes or longer to show up.

(Large) Relic Of A Bygone Era

In the context of public transportation in the New York region, the privately operated bus lines seem like small potatoes and generally receive scant attention. But compared to any other city, the service is substantial â€“ 82 routes, 1,250 buses and 400,000 riders a day make the private operators as a group the twelfth largest transit bus fleet in the U.S. and Canada.

Current franchise arrangements are a relic of a bygone age when private bus operators could make a profit providing service. The city once franchised or contracted with a variety of transportation providers including bus companies, trolley operators and even the companies that operated the first subways. When bus companies were profitable, franchises made sense as a way to select which operators would have the right to use the city streets. But the city has provided capital subsidizes to the bus companies since 1974, thus making for an odd arrangement of public subsidies for franchise operators.

The city owns the buses and some of the bus depots while the bus companies own most of the depots and provide the service. Drivers, mechanics and other workers are bus company employees. Most employees are unionized and have the right to strike â€“ a right exercised several times in recent years, cutting off vital service to riders.

This system has survived previous attempts at change. Revisions to the City Charter in 1989 mandated that the bus franchises be rebid periodically to create competition among companies and thus, it was hoped, cut costs and improve service. None of this happened, however. A combination of political influence, bureaucratic inaction and the likelihood that any rebidding would be unfair led to periodic extensions of the long-running franchises. Although some

conservative writers have continued to advocate for competitive bidding for the franchises, it is difficult to imagine how new companies, lacking bus depots, could compete effectively against the incumbents.

Thus, the city has turned from the idea of franchising to the hope of transferring the routes to the Metropolitan Transportation Authority. Aside from the budget and subsidy issues that have played prominently in the press, the transfer raises enormously complex issues. Presumably, unionized employees would be transferred to the MTA, as would facilities owned by the city and the companies. Under law, employees would have their jobs protected. But the private bus companies and the MTA have different unions, creating hurdles for the authority to switch bus routes between garages and rationalize operations to save costs. The different pension plans of the authority and private companies will also need to be resolved. While these issues are ultimately solvable, there may well be more bumps in the road for riders, even once the city and MTA resolve the subsidy issue.

Bruce Schaller is Principal of Schaller Consulting, which provides research and analysis to government, business and non-profit groups seeking to identify and meet customer needs in the transportation sector. He is also a Visiting Scholar at the Center for Transportation Policy and Management at New York University.