

GAO Highlights

Highlights of [GAO-13-782](#), a report to congressional committees

Why GAO Did This Study

Some transit agencies have found that they can save money by contracting out some or all of their services with private providers, while others have found it more beneficial to use their own staff to provide services. The Moving Ahead for Progress in the 21st Century Act mandated that GAO review issues related to transit contracting. In this report, GAO identified: (1) the extent that public transit agencies contract operations and reasons why agencies decide to do so, (2) methods used to select and oversee contracted services, and (3) potential benefits, challenges, and disadvantages of contracting out public transit operations and other services.

GAO conducted a web-based survey of 637 transit agencies that submit reports to the Department of Transportation (DOT) and obtained 463 responses for a 73 percent response rate. The survey and results can be found at [GAO-13-824SP](#). In addition, GAO interviewed federal officials, representatives from industry organizations, and national union officials. GAO also interviewed officials from 10 transit agencies, chosen based on a variety of characteristics, including geographic diversity, population served, use of contracting, and modes operated. At each transit location, GAO interviewed private transit providers, citizens' advisory groups, and local unions. The results of the survey and interviews are not generalizable to all transit agencies. GAO also reviewed relevant studies and literature on transit contracting.

GAO is not making recommendations in this report. DOT and Department of Labor reviewed a draft of this report and had no comments.

View [GAO-13-782](#). For more information, contact David J. Wise at (202) 512-2834 or wised@gao.gov.

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PUBLIC TRANSIT

Transit Agencies' Use of Contracting to Provide Service

What GAO Found

Contracting is a prevalent means of providing transit services. About 61 percent of the 463 transit agencies responding to GAO's survey reported they contract out some or all operations and services, while the rest reported that they do not contract out at all. According to GAO's survey, paratransit (services for the disabled), demand response (also known as dial-a-ride), and commuter rail service are most often contracted out, and fixed-route bus, heavy rail, and light rail service are most often operated by the transit agency. Operations are most frequently contracted out, followed by maintenance services. Transit agencies most consistently cite reducing costs as a factor influencing their decision to contract. Contracting can reduce costs because contractors' workforces are more flexible, with more employees working in part-time positions, and lower insurance costs, among other things. Transit agencies also frequently cited starting new service, improving efficiency, and allowing for more flexible service as reasons for contracting. State laws are generally not a reason for contracting, according to GAO's survey. Transit agencies that do not contract most often cited one of these three reasons: desire to maintain control over operations, no reason to change from the transit agency's providing service, or contracting was determined not to be cost effective.

Transit agencies GAO surveyed use various methods to select contractors and oversee contractor performance. To select contractors, most agencies used competition with a request for proposals. For oversight, transit agencies most commonly used periodic reports or meetings, on-site inspections, performance metrics, and real time monitoring, according to GAO's survey and interviews. About 84 percent of surveyed transit agencies that contract out services reported having a specific oversight unit. Of the nine transit agencies GAO interviewed that use contracting, seven used transit agency staff for monitoring, while two used contractors to perform this function. Seven of these agencies used performance metrics to establish incentives and/or penalties in contracts.

Transit agencies and contractors cited benefits and challenges to contracting, while labor unions primarily noted disadvantages—most notably, reduced wages and benefits and a potential decline in safety and service, among other issues. Specifically, transit agencies GAO interviewed and the literature cited benefits to contracting, which vary based on the individual needs and circumstances of transit agencies. For example, transit agencies that use contractors view contracting as advantageous when starting or expanding services in order to avoid start-up costs—such as the large capital cost of acquiring new vehicles and hiring new staff. Contractors reported they could improve transit agencies' operational efficiency by providing the latest technologies, such as routing systems and lower costs by providing more affordable insurance on vehicles. Transit agencies also cited some challenges to contracting, such as the agency's loss of direct control over operations. Officials from national and local unions GAO spoke with said that while contracting may provide some short-term cost savings to transit agencies, in their view the savings are almost entirely from lower wages and benefits paid by the private companies to employees.