

TO: CITY MANAGER

DATE: 1998 NOVEMBER 17

FROM: DIRECTOR PLANNING AND BUILDING

OUR FILE: 08.109

SUBJECT: BUS ORGANIZATION STUDY

PURPOSE: To advise Council on the recently completed Bus Organization Study for the Greater Vancouver Transportation Authority and provide comment to the GVTA Board.

RECOMMENDATION:

1. **THAT** a copy of this report be forwarded to the GVTA Board for consideration as part of its deliberations on the recommended approach as outlined in the Bus Organization Study.

REPORT

1.0 BACKGROUND

Under the Negotiated Agreement underlying the GVTA legislation, it was envisaged that the GVTA will be responsible for policy, planning and financing the transportation system in the region, but that services and programs would be delivered by subsidiaries and contractors. It was agreed that Westcoast Express and the Rapid Transit Co. (SkyTrain) would be transferred over as distinct subsidiaries, but that the transfer of bus operations required further study.

N.D. Lea, together with Transportation Resource Associates were commissioned by the GVTA Transition Team to study three options: a single bus subsidiary, a single bus subsidiary with distinct operating units and multiple bus subsidiaries. An expert peer panel was also commissioned by the Transition Team to comment on the study and provide their views and advice.

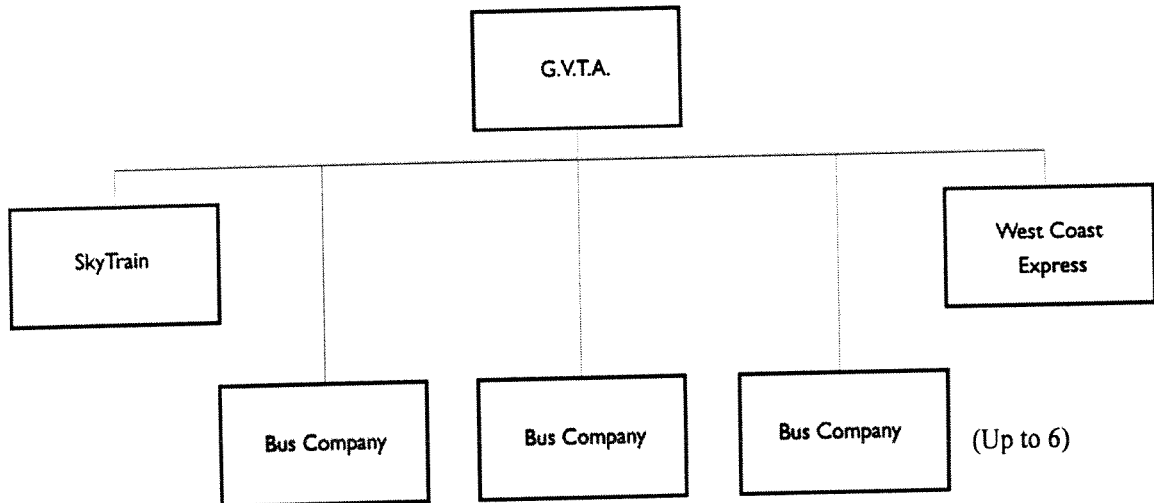
Staff have received a copy of the Executive Summary of the Bus Organization Study (1998 November) as prepared for the GVTA Board by N.D. Lea Consultants Ltd. in association with Transportation Resource Associates Ltd. and the report of the Peer Review Panel. Copies of these documents have been provided to Council under separate cover and are available for viewing in the Planning and Building Department.

It is understood that the GVTA Board will be considering the recommendations contained in the Bus Organization Study at its meeting of 1998 November 30. In anticipation of this, the Board has invited written comments by November 26 in order that the Board can consider these when the matter is raised for decision.

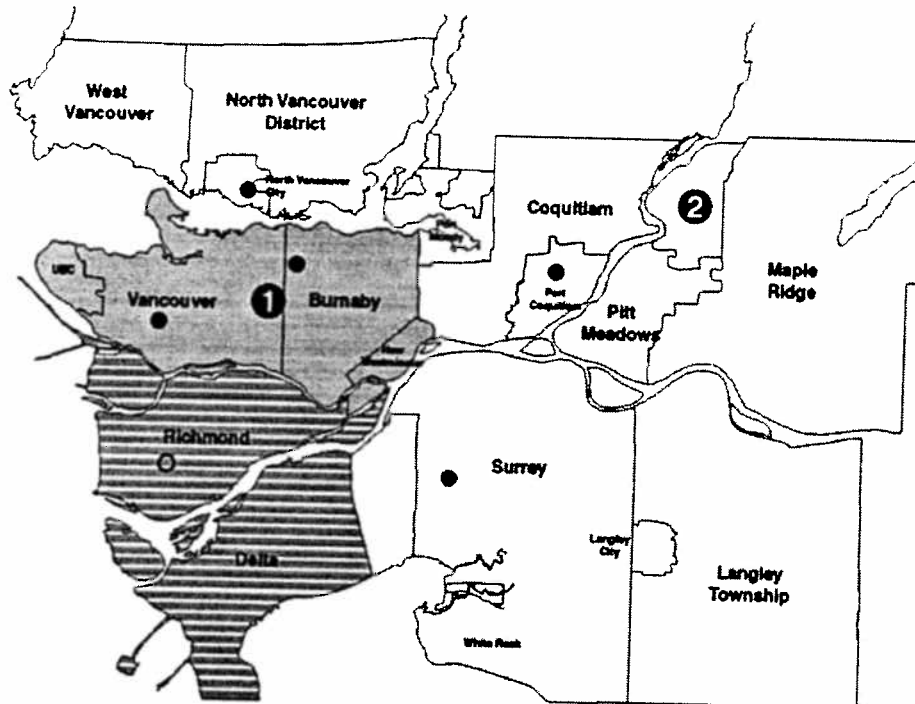
2.0 REPORT RECOMMENDATIONS

The report seeks a solution that could be implemented with minimal risk by the proposed start-up date of April 1, 1999. The recommendation is to deliver bus service through multiple subsidiaries (up to six) focused on distinct market segments and geographic and community boundaries (Option 3) with the understanding that this transition should occur over the long term.

Option 3 - Multiple Subsidiaries



However, in the short term, it is recommended that initially two subsidiaries be established for GVTA buses - a suburban and an urban subsidiary. Burnaby is included within the urban subsidiary along with Vancouver and New Westminster together with Richmond and portions of Delta until the Richmond Depot opens. Following the opening of this depot, Richmond and Delta would transfer to the Suburban Bus Company.



- ① Urban Bus Company (UBC)
- ② Suburban Bus Company (SBC)
- Existing Depots
- Future Depots

Note:
Richmond and Delta would transfer to Suburban Bus Company when Richmond Depot opens

GVTA Bus Reorganization Study 2 Subsidiary Model

3.0 COMMENTARY

Staff have had an opportunity to give the study a preliminary review and would provide the following observations and comments:

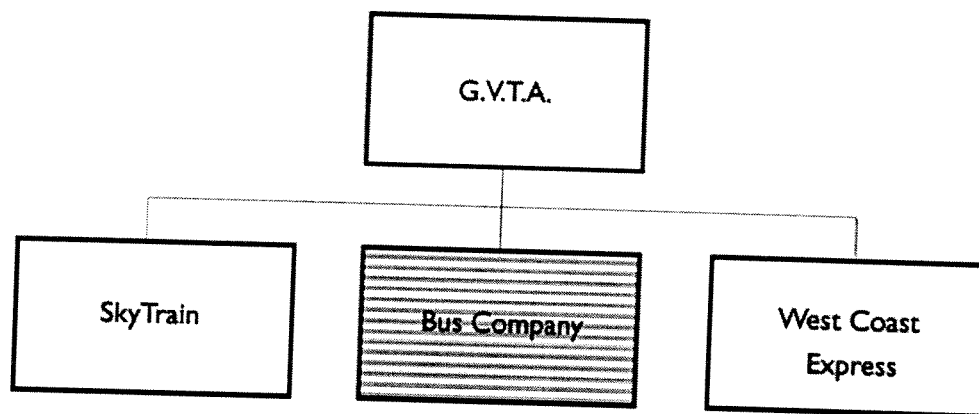
- Under the recommended subsidiary model, policy and planning functions remain with the GVTA. The GVTA would develop and approve service plans for the subsidiaries. In fact, the Executive Summary points out that these service plans would be prepared by GVTA transportation planners and policy makers and be “mandatory” in the interests of keeping the operating agreement simple. This is somewhat contradictory with an earlier statement

in the report which is “to have the subsidiaries focus on providing reliable quality service that satisfies community expectations...”. ***This raises a key question as to the degree and form of local input that would be incorporated in the service plans under the initial phases of the new operating arrangement.***

- It is noted that the definition of “local needs” is not well defined and may in fact result in “future misconceptions relative to regional versus local transit requirements”. While recognizing that the initial operating agreements would be prescribed on a mandatory basis by the GVTA, it is suggested that the GVTA consider, “over the long term”, alternative forms of operating agreement that would provide the subsidiary with more flexibility to respond to local concerns and provide better customer service. The report is clear in stating that “such an arrangement is however a great step from what is presently envisaged and should be tabled for future discussion...”. The report indicates that under Option 3 (Multiple Subsidiaries), there is the risk of increased tension between the local subsidiary boards and the GVTA Board with respect to the quality of service allocated across the region. It is further noted that “if the perception exists that the subsidiaries have the ability to alter service as directed by municipalities (as opposed to GVTA Board direction), expectations of the municipalities may be unmet”. The risk is to be managed by clearly defining the roles and responsibility of the subsidiaries and the mandate of the subsidiary boards. ***Given that the issue of local involvement was one of the primary objectives underlying the establishment of the GVTA, the definition of these roles and responsibilities should be defined, as well as the clarification of alternate forms of operating agreement prior to the establishment of the subsidiaries.***
- In further examining the risks associated with Option 3, the report states that there is risk to regional integration from the development of many locally focused operating entities. It is further indicated that the way to manage this risk is through “the proper allocation of duties between the GVTA and the subsidiaries”. ***This suggests that this discussion of duties needs to occur prior to the establishment of the subsidiaries as is being recommended.***
- The report notes that the existing “labour agreements are very generous by industry standards” and that organizational changes must support and not hinder the introduction of new management and operating procedures. It is further noted that the GVTA and its subsidiaries will not be treated as the same employer for purposes of the Labour Relations Code. As such, the report notes that there is the risk to organized labour implications given the unions’ strong objections to any decentralization of operations. It is indicated that the GVTA needs to involve labour in all discussions that may lead to development of an Option 3 model. ***This raises the question as to whether there is ample time in the transformation process for meaningful discussions with the unions prior to the April 1, 1999 target date.***
- The report also states that managing under Option 3 will initially be more complex and demanding, both for the subsidiary companies and the GVTA itself. The potential for interests to be in conflict is higher and management styles will need to be more focused on dealing with important issues involving the subsidiary companies. ***Should not the management practices associated with the desired operating model be based on a clearer understanding on the needs, responsibilities and expectations of the various entities?***

- Another key question that remains unresolved is the form of representation that would occur under the Option 3 model. Under the Vancouver, Burnaby and New Westminster alliance, what would be the representation formula on the subsidiary board? *The representation formula for both the urban and suburban subsidiaries needs to be clearly defined and accepted in advance of the approval and implementation of a multi-subsidiary model.*
- There is general agreement that, in theory, the Option 3 approach provides the best response to expectations of the collective expectations of the regional communities. However, based on the review presented in the Executive Summary, it is apparent that there are a number of outstanding issues that should be clarified before entering into the Option 3 model. Decisions would have to be made in the short term if entering into such an approach to allow time for the recruitment of the subsidiary CEO's, selection of the local board and development of mechanisms for local input to be provided. *This raises serious questions about the ability to resolve the outstanding questions prior to the April 1, 1999 date.*
- As a general approach, *it would seem more prudent to accept in principle the Option 3 model as a longer term objective, but to initially adopt Option 1 (see below) for the April 1, 1999 target date.*

Option 1 - Single Subsidiary



This approach provides the easiest form of transition and at the same time provides the transfer of control to the regional community. It reduces the short term risks described above and would give adequate time to spell out the details and understandings that as yet have not been determined. *Under this suggestion, the transition to a first phase Option 3 (as has been recommended) would not occur on April 1, 1999, but rather as soon as the various outstanding issues and matters have been resolved.*

4.0 CONCLUSION

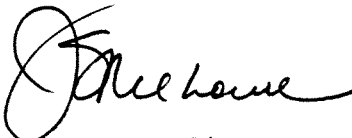
It is the stated objective that the retention of an integrated, centrally-planned transit system with full fare and schedule integration is an over-riding objective which must not be compromised. At the same time, it is indicated that the establishment of the GVTA offers an opportunity to restructure the delivery of the bus system so that it can be more responsive to the communities served. The Bus

Organization Study and the Peer Review Panel have recommended that as a starting point on April 1, 1999, or as soon as possible thereafter, there should be two bus subsidiaries, each focused on different markets. One subsidiary (the urban) primarily would serve the regional core market of Vancouver, Burnaby and New Westminster (with Richmond and part of Delta included until the Richmond Bus Depot opens). The other subsidiary (the suburban) would serve the balance of the region.

While the multi-subsi-dary model should present benefits in responding to local community needs and interests, it is the view of staff that there are a host of issues associated with such an approach, as discussed above, that requires clarification and /or additional time for a more informed decision to be made. As such, staff believe that the single subsidiary model should initially be adopted with the intent to evolve into a multi-subsi-dary model, if and when, all outstanding issues and concerns can be satisfactorily addressed.



JSB:sa
Attachment


D.G. Stenson, Director
PLANNING & BUILDING

cc: Director Engineering