



PROTECTING RIDERS, WORKERS AND TAXPAYERS IN NASSAU COUNTY: The Need for Answers in the Nassau County Bus Contract

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Prepared by:

**Tri-State Transportation Campaign
Long Island Jobs with Justice
Long Island Federation of Labor**

Executive Summary

Nassau County recently released a 300-page contract it hopes to enter into with Paris-based multi-national corporation, Veolia Transportation. The new public-private partnership, renamed “NICE”— for “Nassau Inter-County Express”—has raised many concerns from the community.

The contract grants Veolia Transportation a great deal of control over bus operations: including the ability to cut services and raise fares with little to no input from the Nassau County Legislature or public at large. By ceding so much power to Veolia, with little oversight, Nassau County puts bus riders and businesses at risk for higher fares and business expenses, as well as reduced service. This contract ensures that Nassau County residents and taxpayers will be responsible for future costs.

Before the County Legislature votes to adopt this contract, many outstanding questions must be answered in order to protect bus riders, workers, Nassau County businesses and taxpayers.

Unanswered Contract Questions

Transit Policy—Levels of Service, Fares and County Subsidy Levels

- According to the contract, Veolia has the ultimate authority to decide service levels in Nassau County (page 5-6) without a mandated public process. In contracts with other areas of the country, local governments have sole authority over transit service levels and fares. Only ‘Major Changes’, including fare increases and service changes of 25% in the number of hours assigned to specific routes require Transit Advisory Committee approval (page 21). ***Why does Veolia have ultimate authority to decide service levels in Nassau, when in other contracts the local government or transit authority dictate service levels? When determining ridership levels, who will survey ridership on routes to determine the necessary levels of service? Veolia? Nassau County? If Veolia, how will its numbers be verified?***
- According to the contract, Able-Ride service will not be adjusted downward during the first two years (page 6). ***Why is there no guarantee that Able-Ride fares will not be adjusted upward during this same time period?***
- While the County and Veolia have made statements that fares will remain stable in 2012, there does not appear to be specific language in the contract guaranteeing this fare freeze. In fact, the contract explicitly states that fares can be raised on a quarterly basis if revenue estimates come in under projections (page 20). ***What guaranteed protections do riders have from fare increases in 2012 and from fare increases each quarter?***

- According to the contract, Veolia can mandate an immediate change to service, routes, fees and/or fares if a “Major Event” occurs (page 21). ***What is the threshold to declare a ‘Major Event’? Who decides when a ‘Major Event’ takes place? Nassau County or Veolia?***
- According to the contract, there is no guarantee of free transfers or MetroCard use (page 27). ***How will riders be protected from increases costs if these transfers are not obtained? Will there be a public hearing?***
- According to the contract, Veolia can demand service cuts, fare increases or additional subsidy on a quarterly basis if “(i) actual revenues are below projected revenues; (ii) changes in operational cost drivers are in excess of CPI including without limitation fuel, insurance and health benefits; or (iii) there are material changes in applicable laws which result in additional cost” (page 20-21). If the Transit Advisory Committee declines the adjustments by Veolia, Veolia may terminate the agreement (page 21). ***How will riders be protected from quarterly fare increases and service cuts if revenues come in under projections? How will taxpayers be protected from increased subsidy demands?***
- According to the contract, Veolia can also adjust funding requirements in the Annual Plan if Veolia determines “any...circumstance reasonably requiring that [rates] be adjusted ... in order to maintain for Veolia the opportunity to earn a reasonable margin for overhead and profit for Veolia”] (page 10). ***What is a reasonable margin of profit for Veolia? What protections are in place for riders, businesses and taxpayers if Veolia and Nassau County cannot come to an agreement over funding levels?***

Labor Obligations

- The County is ultimately liable for 13(c) obligations and all claims. However, the County can contract with Veolia to assume joint responsibility for those obligations. It is not uncommon for governments/agencies and contractors to apportion or shift liability by contract; but legally, the government/agency is responsible (e.g. if Veolia does not pay claims). Under the Nassau County-Veolia Agreement, significant 13(c) liabilities to Veolia – identified as “major events” – can lead to service cutbacks and/or fare increases (page 21).
 - In Veolia’s contracts with Phoenix, Arizona and Columbia, South Carolina, Veolia is solely responsible for 13(c) liabilities. According to the Nassau County-Veolia Agreement, both Nassau County and Veolia are responsible for 13(c) liabilities (pages 25-26). ***Why is Nassau County assuming joint responsibility for future 13(c) obligations?***

- According to the contract, Veolia agrees to make offers of employment to a majority of employees working for LI Bus (page 25). ***How many current employees will Veolia hire?***

Oversight, Public Process and the Transit Advisory Committee

- According to the legislation, every January 1st the County Executive has the ability to weaken the powers of the Transit Advisory Committee (page 3 of proposed local law). ***Why would the powers of the TAC need to be weakened, and why is the County Executive the sole decider of these powers?***
- According to the contract, the Transit Advisory Committee will be comprised initially of appointees from the County Executive (3), the Majority (1) and the Minority (1) (page 4 of proposed local law). ***Why are there no representatives from the bus riding public or labor force? What happens after the 'initial' appointments? Are they term limited? Are subsequent members of the Transit Advisory Committee self-selected?***
- According to the legislation, the Transit Advisory Committee may receive a per diem and could be staffed by County employees (page 4-5 of proposed local law). ***Who will pay for this, and where will this funding come from? Transit operations?***
- According to the contract, a public process for hearings on fare increases and service cuts are only necessary if applicable by law (page 6, page 21). ***What are the 'applicable laws' regarding public hearings and public access to the Transit Advisory Committee meetings? What is the hearing process for fare increases and service cuts?***
- According to the contract, the County may not assess liquidated damages against/or award incentives to Veolia before July 1, 2012 (page 8). ***Why? How will riders be protected from poor and unsafe service for the first 6 months of next year?***

In order to avoid hardships that businesses, workers and taxpayers have faced in other areas where Veolia operates (see below), these questions, and many more, must be answered and addressed.

Phoenix, Arizona

Veolia operates under one of its largest contracts in Phoenix, Arizona. A contract worth \$386 million over 5 years, Veolia operates the "Valley Metro" bus system, a system that encompasses the Greater Phoenix Metropolitan Area; but not without a substantial subsidy from the City. The City of Phoenix paid \$77 million in 2011 for

50 million rides per year.¹ Even though Nassau County's ridership is just over 30 million rides per year, under the same percentage comparison, Nassau County would have to pay between \$32 and \$40 million per year to continue their current level of service and fares.²

In January 2011 Phoenix fined Veolia \$3.3 Million for having late, broken, and unkempt buses. When a bus arrives ten minutes late, the company gets a \$40 fine. To acquire such fines in a period of three months, buses must have arrived late to bus stops nearly 50,000 times. This is particularly disturbing given that the city of Phoenix is subsidized at a much greater rate than Veolia Transportation will be in its contract with Nassau County.³

Columbia, South Carolina

Since Veolia took over the Central Midlands Transit Authority (CMRTA) in Columbia, South Carolina in 2002, fares have risen 100 percent, downtown trolley service was eliminated, and service cuts were implemented.⁴

Columbia Mayor Steve Benjamin has voiced concerns over Veolia's lack of financial transparency, because Veolia refused to open its books to the public. Veolia stated that a "private, for-profit" operation cannot be forced to disclose that much detail, because it will give them a disadvantage with potential competitors.⁵

To date, Veolia is proposing an additional 63% cut to service, eliminating weekend, holiday, and midday service. The result, if approved: buses will run from 5am-Noon and 2-7:30pm from Monday to Friday.⁶ The cuts to service will lead to cutting 66 drivers jobs.⁷

Las Vegas, Nevada

After Veolia took over bus service in Las Vegas, in order to meet their profit goal of 7-12%, fares nearly doubled and services were reduced by over 20%. Route

¹ Veolia Transportation Press Release: "Veolia Transportation Wins City of Phoenix Contract", June 17, 2010 http://www.veoliatrtransportation.com/pdfs/Veolia_Transportation_Wins_City_of_Phoenix_Contract.pdf

² "Why Privatizing Long Island Bus Could Cost Taxpayers More." *Tri-State Transportation Campaign*. TSTC, June 2011. Web.

² "Why Privatizing Long Island Bus Could Cost Taxpayers More." *Tri-State Transportation Campaign*. TSTC, June 2011. Web. http://www.tstc.org/reports/LiBusReport_2011.pdf

³ King, James. "Veolia Transportation Deal: Phoenix Gave Away More Than \$3 Million to Veolia by Waiving Poor Performance Fines. UPDATED - Phoenix News - Valley Fever." *The Phoenix New Times' Blogs*. Phoenix New Times, 3 Jan. 2011. Web. 05 May 2011. http://blogs.phoenixnewtimes.com/valleyfever/2011/01/phoenix_gave_away_more_than.php

⁴ Central Midlands Transit Authority Historical Timeline, CMRTA.

⁵ LeBlanc, Clif. "Cash from City, County Keeps Buses Rolling until September - Local / Metro - TheState.com." *TheState.com: South Carolina's Source for News, Politics, Weather and Sports*. The State, 20 July 2011. Web. 15 Nov. 2011. <http://www.thestate.com/2011/07/20/1904254/city-county-give-bus-system-big.html>

⁶ Flach, Tim. "Riders: Don't Cut Our Bus Service - Local / Metro - TheState.com." *TheState.com: South Carolina's Source for News, Politics, Weather and Sports*. The State, 19 Oct. 2011. Web. 15 Nov. 2011. www.thestate.com/2011/10/19/2014846/riders-dont-cut-our-bus-service.html

⁷ Dozier, Al. "Free Times: Archives." *Free Times - Columbia's Free Alternative Weekly*. Free Times, 18 Oct. 2011. Web. 15 Nov. 2011. www.free-times.com/index.php?cat=121304064644348

schedules are tightly confined, forcing drivers to race from one stop to the next, often without appropriate breaks.⁸

Veolia's high cost to local taxpayers and government and their lack of transparency and accountability to the public were the reasons cited for the company's losing bid to First Transit earlier this year⁹. Veolia and First Transit appear to be on course to split the contract to run Las Vegas' bus system¹⁰. It is unclear what this split in service could mean for riders or workers as well as the seamlessness of the City's transit service.

York, Canada

In October of 2011, bus drivers in York, Canada, went on strike in response to complaints over wages and the lack of sick days. Workers and Veolia have yet to come to an agreement while 44,000 riders a day have been stranded¹¹. Veolia has the lowest paid transit workers *and* the highest fares in the country.¹² To date, Amalgamated Transit Union Local 113 is in its fourth week on strike.

Conclusion:

With little more than a month until Veolia Transportation is scheduled to assume control of Nassau County's bus system, riders, workers, businesses and taxpayers remain exposed to fare hikes, service cuts and revenue demands, with little public oversight. In order to serve their constituents, the County Legislature must thoroughly analyze the proposed contract, and identify solutions that best protect both the residents and one of the County's most prized assets—its transit system.

⁸ Raske, Jeff. "How Cooperative Management, Financial Common Sense and Transparent Decision Making Can Save the Regional Transportation Commission of Southern Nevada." *ATU1637.com*. ATU, 30 Jan. 2011. Web. <http://atu1637.com/files/ATU_Transit_Management_Issue_Paper.pdf>.

⁹ Hansen, Kyle. "RTC Negotiation with New Company to Run Bus System", *The Las Vegas Sun*, 3/10/11, <http://www.lasvegassun.com/news/2011/mar/10/rtc-negotiating-new-company-run-bus-system/>

¹⁰ Packer, Adrienne. "RTC to Re-Bid Bus Contract; First Transit to Drop Lawsuit, *The Las Vegas Review Journal*, 11/10/11, <http://www.lvrj.com/news/rtc-to-re-bid-bus-contract-first-transit-to-drop-lawsuit-133633713.html>

¹¹ Kalinowski, Tess. "Commuters stew as York transit strike drags on", *The Toronto Star*, 11/16/11, <http://www.thestar.com/news/transportation/article/1088135--commuters-stew-as-york-transit-strike-drags-on>

¹² "STRIKE! Bus Drivers to Walk on Tuesday | Vaughan Today." *Vaughan Today :: Local Community News for the People of the City of Vaughan*. Vaughan Today, 20 Feb. 2011. Web. 08 May 2011. <http://www.vaughtoday.ca/2011/02/strike-bus-drivers-to-walk-on-tuesday/>