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Contractual Arrangements for Coordinated Transportation Services

A Contracting Manual

Fourth Manual in a Series



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16. Abstract <p>This Manual focuses on how social service agencies purchasing any type of transportation services should write an acceptable and enforceable contract. The Manual is designed to assist such agencies in determining exactly what they expect of a contractor and how to recognize and evaluate the trade-offs inherent in contract arrangements.</p> <p>The Manual describes how an agency can establish its service objectives in a format that can be used in negotiations with contract providers. The Manual also highlights the important administrative, financial and organizational questions which an agency must address and it begins contract negotiations. Finally the Manual describes the details of various contracts which an agency might consider in order to obtain the service and policy objectives it has for contract service.</p> <p>This Manual is the fourth in a series of five. The series is designed to assist transportation providers to be more efficient and effective and to provide high quality transportation services.</p>			
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NOTICE

This document is disseminated under the sponsorship of the Department of Transportation in the interest of information exchange. The United States Government assumes no liability for its contents or use thereof.

Preface

This Manual is the fourth in a planned series of five manuals. The entire series is designed to assist human service agencies and community transportation operators to provide more efficient, more effective, and higher quality transportation services to their riders and clients.

Each Manual in the series will cover one specific topic of the many topics that concern such providers. By focusing on one issue or a closely related group of issues at a time, each Manual in the series will permit the user to follow one major theme without becoming too sidetracked by other important issues.

At the same time, each of the topics covered by the Manuals is related in an integral way to all the other topics. And each of the Manuals is designed to complement and build upon the others in the series.

A serious effort is being made to keep each Manual concise and to-the-point. Therefore, very little material from one Manual will be repeated in another Manual in the series; the reader will generally be referred to that Manual in which the primary discussion of a key topic appeared.

In addition, the Manuals have been kept more concise by not including detailed descriptions of real projects and the experiences of actual providers. Full references are made, however, to sources of further information.

Each Manual will begin with a brief description of the tools, information, or data which the reader should already have to fully utilize that Manual. Often these tools or data are available from or through the use of another Manual in the series.

The other Manuals in the series are

Manual One. Cost-Analysis for Social Service Agency Transportation Providers.

Manual Two. How to Evaluate the Costs and Benefits of Participating in Coordinated Transportation Services.

Manual Three. Predicting Transportation Ridership for Social Service Agencies and Coordinated Programs.

Manual Five. How to Make Your Transportation System More Efficient and Effective.

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Chapter One.

The Approach in This Manual

THE VALUE OF CONTRACTING FOR SERVICES

Contracting for transportation or transportation-related services from existing community transportation providers is a very effective way of using all community resources to the fullest. By working with existing providers, agencies can save the very high costs associated with setting up or continuing direct transportation provision. At the same time an agency can help make an existing community provider more efficient by contracting with it.

Many social service agencies are under new policy directives to coordinate their transportation resources with existing resources and other agencies in their community. Such coordination allows all funds and resources to be used most efficiently, overall providing more service to more clients in the community.

A very cost-effective coordination option in many communities is purchasing service from an existing transportation provider. Common examples are the local taxi operator, existing social service agency transportation systems, or special demand-responsive services provided by the transit operator.

Whether an agency simply seeks a cost-effective alternative or it is required to coordinate resources, that agency should undertake a comprehensive assessment of the costs of direct transportation service provision in its own vans, and of other options available in the community. Even though an agency

may not be required to coordinate its resources, it will often find that other options in the community are less expensive than direct service provision.

How do you know if contracting for all or part of your service is a cost-effective idea for you? The second Manual in this series, How to Evaluate the Costs and Benefits of Participating in Coordinated Transportation Services, gives you a number of ways to identify and compare the costs and the level and quality of service arising under a number of different alternatives available to you. That information can not be repeated here.

Table 1 summarizes the advantages and disadvantages of the major contract options available to you. You should read the coordination Manual to get a clear idea of how various transportation options affect both your costs and the level of service that you provide to your clients.

WHAT A CONTRACT SHOULD REPRESENT

Some agencies are worried about the correct way to contract for services. Often agencies are afraid of making legal commitments, especially if anything, such as their funding level, might shortly change. Other agencies have not been concerned enough. Some agencies have rushed into signing contracts without thinking through exactly what they expected for their money, or really hearing what the provider expected to provide.

The value of contracting for services lies in the cost savings to your agency in both time and money which are received when the contract is fulfilled. The value of a contract is not that it is a legal document which forces the provider to do something which s/he doesn't want to do. A signed contract is only as good as the mutual agreements on which it is based; it is only as good as the quality of service delivered or the cost burden removed from your agency.

Certainly contracts are legally binding and can be enforced in court. But too many agencies believe that a signed piece of paper is somehow self-enforcing. It is not; if the legal agreement is violated on either side, recourse to the courts must be undertaken.

Legal action, however, can be a time-consuming and expensive process. In the interim, your clients may not receive needed services and your agency will suffer. Moreover, if the disagreement arises because you and the provider have not fully understood one another, neither of you may receive satisfaction through the courts.

This Manual is designed to help you understand what you should look for in the services for which you contract and how those objectives should be incorporated into the written or oral contract. It might surprise you to learn that a number of successful contracts are based totally on oral agreements! They work, just as written contracts work, because there is communication and understanding between the parties to the contract.

Table One
The Advantages and Disadvantages
of Various Contract Options

Type of Contract and Provider	Possible Advantages	Possible Disadvantages
<p>DIRECT TRANSPORTATION SERVICE</p> <p><u>Contracting for Services</u></p> <ul style="list-style-type: none"> • with taxi operators • with community or social service systems 	<ul style="list-style-type: none"> • better utilization of existing community resources • freedom from need to operate transportation services • lower costs • flexible & varied service levels available • experienced in service delivery • existing system • available in most communities • experienced in contracting for service • experience in dealing with agency clients • supports social service network • may be eligible for a variety of grants and operating subsidies 	<ul style="list-style-type: none"> • loss of direct control • need to monitor service & contractor performance • may not have wheelchair capability • not eligible for Federal or other grants • may not receive operating subsidies • may not have capacity (at least when required) • may not be experienced in contracting • may not be familiar or trained to deal with your particular clients • may have bookkeeping or accounting problems

Type of Contract and Provider	Possible Advantages	Possible Disadvantages
<p>DIRECT TRANSPORTATION SERVICE (continued) <u>Contracting for Services</u></p> <ul style="list-style-type: none"> • with special systems run by transit operators • with inter-city and charter bus operators 	<ul style="list-style-type: none"> • experienced in transportation service delivery • eligible for Federal & State operating grants • eliminates duplicated services • good for long trips, groups, and in rural areas • experienced in transportation service delivery 	<ul style="list-style-type: none"> • may have lengthy waits or capacity problems • may mix your clients with dissimilar riders • may have regulatory problems in serving your needs • not eligible for Federal or other grants
<p>CONTRACTING FOR VEHICLES (time sharing)</p> <ul style="list-style-type: none"> • sharing with community or social service systems 	<ul style="list-style-type: none"> • better utilization of existing community resource • lower costs 	<ul style="list-style-type: none"> • vehicles may require maintenance, insurance • returning vehicles to required places may be difficult • may be regulatory or insurance problems
<p>CONTRACTING FOR OPERATION OF AGENCY VEHICLES</p> <ul style="list-style-type: none"> • operated by community system • operated by taxi operator 	<ul style="list-style-type: none"> • way to utilize grant monies available to you while still utilizing existing community resource 	<ul style="list-style-type: none"> • division of remaining costs may be difficult

Type of Contract and Provider	Possible Advantages	Possible Disadvantages
<p>TRANSPORTATION-RELATED SERVICE</p> <p><u>Vehicle Maintenance</u></p> <ul style="list-style-type: none"> • with other systems • with governmental garages • with private garages <p><u>Vehicle Dispatching & Scheduling</u></p> <ul style="list-style-type: none"> • by transit operator • by community broker • by taxi operator <p><u>Driver and Personnel Training</u></p> <ul style="list-style-type: none"> • by transit operator • by special training groups or consultants • by state or local agencies <p><u>Monitoring and Evaluation of Transportation Services</u></p> <ul style="list-style-type: none"> • by Regional Council of Governments • by public planning agencies • by Universities and consultants <p><u>Eligibility Screening and Referrals</u></p> <ul style="list-style-type: none"> • by other social service agencies • by transit system • by taxi operator 	<ul style="list-style-type: none"> • better utilization of existing community resources • no duplication of facilities on your part • lower costs • use of experienced personnel and resources • use of experienced personnel and resources • lower insurance rates possible • use of experienced personnel and resources • may provide objective appraisal • useful if agency clients are many and varied (eg. welfare recipients) • can remove unpleasant burden from agency staff • can make eligibility process fair and orderly 	<ul style="list-style-type: none"> • distances to be travelled may remove cost savings • waits and delays may be incurred • may not be appropriate for your service levels • may be expensive • agency will lose some control • may alienate clients

Anything you desire can probably be written into a contract and it can just as easily be ignored by the contractor. Your goal should be to produce a written contract which is truly descriptive of the services which you expect to receive and which the contract provider expects to deliver. If you achieve that, you will not have to worry about law suits and contract violations.

DETERMINING YOUR NEEDS AND OBJECTIVES

In order to achieve a workable contract you must know exactly what services you or your clients are to receive, how they are to be delivered, what they are to cost, and when you will pay for them. You must carefully formulate preliminary objectives about all these service aspects before beginning to negotiate a contract.

You must also decide what you will not accept -- common examples are late service or service refusals, dirty vehicles, untrained drivers, etc. Of course, this is just another way of establishing what your agency and client needs and objectives are.

During the negotiation phase, before anything has been signed, you may find that you cannot purchase all the services which you would like, or exactly the same level of service which you currently provide, or at the cost which your agency is willing to pay. Then you may have to re-think your original objectives in light of your policy mandates and cost patterns.

The re-thinking of your service objectives is a valid part of the contracting process. An agency would be extremely lucky indeed to get all the services it wanted at exactly the price it hoped to pay. It is common to have to decide exactly what minimum level of service(s) must be provided after hearing what the maximum level will cost. So the second part of the process of contracting for services is to decide what minimum levels or combinations of services would be acceptable.

In short, as you begin the contracting process, you must

- 1) decide what levels and kinds of services you wish delivered,
- 2) discuss these service objectives with alternative providers and find out if they can be provided, and at what cost, and
- 3) reformulate your objectives in light of the responses of the contract provider(s).

You will go back with your reformulated objectives and service requirements to the contract provider and discuss the feasibility and the cost of the reformulated goals. If they are acceptable, you can then proceed to incorporate those agreements into the written contract, if there is to be one.

Worksheet One

Comparisons When Purchasing Service

Your System or Service Alternative Systems Costs

Current Cost Per One-Way Passenger Trip.
\$ ____ (1)

\$ ____ (1)

Number of One-Way Passenger Trips
____ (2)

____ (2)

Total Annual Cost
\$ ____ (3)

\$ ____ (3)

including

plus cost of any retained functions

- overhead and administration (4a)

\$ ____ (4a)

- vehicles and depreciation (4b)

\$ ____ (4b)

- operations (4c)

\$ ____ (4c)

- fuel and oil (4d)

\$ ____ (4d)

- maintenance (4e)

\$ ____ (4e)

- insurance (4f)

\$ ____ (4f)

Total of Retained Functions

\$ ____ (5)

Total Annual Cost (add line 3 and 5)

➡ \$ ____ (6)

To compute cost of one-way passenger trips divide line 6 by line 2

➡ \$ ____ (7)

Compare line with line

\$ ____ 3 against 6 \$ ____ or
\$ ____ 2 against 7 \$ ____

The following Chapters of this Manual will discuss the specific service, quality and cost aspects which you ought to consider as you begin negotiating a contract for service.

POINTS TO REMEMBER WHEN CONSIDERING CONTRACT OPTIONS

REMEMBERING TO CALCULATE THE COSTS OF RETAINED FUNCTIONS

Two additional points which are discussed in the Coordination Manual should be briefly repeated here. The first point is that all the costs which you will continue to incur, should you contract for service, must be added to your cost analysis when determining the advantages of contract provision. For example, if the contract provider cannot or will not screen your clients' trips but requires you to continue to perform that function, you must consider what retaining that function will cost you. It may make a difference in the attractiveness of contract options.

Worksheet One is a form which will help you compare your current service option to the alternatives you are considering. If one provider (or different providers) offer(s) different levels of service at different prices, you can use copies of the Worksheet to consider the cost implications for yourself. Again, this process is discussed at length in the second Manual in the series.

GIVING CONTRACT OPTIONS A FAIR HEARING

Contracting for service may still be the most effective and efficient thing for you to do even if the contract provider cannot provide exactly the same level of service you currently provide or wish provided. Many agencies currently provide a high quality service to only a few clients at extremely high cost. Such agencies are often unwilling to make any change even if it will allow them to provide needed transportation services to many more needy clients.

Increasingly, the financial situation is forcing agencies to forgo very personalized, very expensive services. At some point your agency might have to decide to accept a reliable but less personalized service that costs a great deal less. In short, just because contracting will not give you everything you want, it cannot be rejected out-of-hand.

HOW TO MAKE TRADE-OFFS

In order to make comparisons of your options, you should have a good idea of the level of transportation service that you are currently delivering to your clients, or of the level of service you expect. If you are comparing other service options to your current system, it is hardly fair or practical to compare

the perfect level of service desired to that offered by an alternative provider. The only fair comparison is between the level of service which your clients currently receive and that offered by the contract provider.

Not only will you have to compare the current levels of service, you will have to compare the number of clients or number of trips served. That is, you may have to make trade-offs in your evaluation of your options.

Example: *A trade-off between service and more clients served*

You currently own two vans which you use to carry your elderly clients to medical appointments, shopping trips, personal business, etc. All clients need to do is call you about one hour before they have to go and you will pick them up and take them.

Your vans are currently worn out and you are investigating buying more vans. You are also considering an offer from a community provider. The community provider offers to carry your clients for \$4.50 per trip. However, your clients will have to make a reservation 24 hours in advance and there is a chance that they may have to slightly re-schedule their trips because the provider is sometimes at capacity.

You currently estimate that you carry about 50 clients for about 430 total trips per month. Your new monthly costs, should you buy the vans, are \$2,300.

To carry the same number of clients which you currently carry, the provider will charge you \$1,935 (430 X \$4.50).

The level of service is not the same; your clients will be slightly inconvenienced. But for the difference in costs you can now provide almost 70 more trips per month (the difference between \$2,300 and \$1,935 = \$365 divided by \$4.50)!

If you are not currently providing service you should understand exactly what level of service you are required to deliver to your clients as well as the level of service which you would like to deliver to your clients. Every agency would probably like to provide a very high level of service to its clients; unfortunately, such an alternative is often too expensive.

Example: *Determining an acceptable and feasible level of service*

You serve handicapped clients in wheelchairs. You wish to provide them with transportation so that they can access a variety of services and facilities in the community. You do not wish them to have to make any special arrangements, to have to change the times at which they wish to travel, or to have to give any special kind of notice.

The local taxi operator has a small number of lift-equipped vans which are licensed to operate in a taxi-like manner. He offers to carry your clients for \$30.00 a trip, door-to-door with no advance reservation. For that price he guarantees to pick up your clients within 25 minutes of being called.

The taxi operator also offers you another option. If you agree to group your clients and you agree to a 24-hour notice, he will only charge you \$20.00 per trip. Your clients may occasionally be asked to reschedule a trip and they may be taken slightly out of their way to drop off other riders.

Which option do you take? Which can you afford? What if you can only afford to carry 15 clients per month on two trips each at the higher level of service, but you can carry twenty-two clients for two trips apiece at the lower level of service (or the same 15 clients for three trips apiece)?

THE MESSAGES OF THIS MANUAL

There are two major messages presented in this Manual. The first is that you must understand exactly what you expect through contracted transportation arrangements and these expectations must be shared by the contractor. Only in this way can you assure yourself of the smooth operation of the system and of continued, reliable service to your clients.

The second message of this Manual is that there are a series of trade-offs to be made in both contracting for service and in monitoring contractor performance. As mentioned above, it is not likely that any contractor can deliver exactly the same kinds of service in exactly the same way as is currently delivered to your clients.

The contractor may offer better services; your choice will be obvious. In other cases, the contractor will offer different but not necessarily poorer service. You must be prepared to understand that while you can lose some service aspects of concern, you may also gain some cost and service aspects as well. No one says that you must accept unsatisfactory service but you may have to rethink what levels of service are acceptable.

You must also make some trade-offs in the kinds of conditions and performance criteria which you write into a contract. It is possible to specify a large number of different service factors which you expect of the contractor; common examples are a high percentage of grouped trips, no pick-up more than 15 minutes after scheduled, no on-board riding time in excess of 15 minutes, etc.

If you place a number of specific conditions on the contractor, you will have to spend time and resources monitoring those conditions. If you do not, the contract provisions may be less than useless; your failure to monitor them may convince the contractor that you really do not care about the quality of service delivered.

In short, while negotiating a contract you may have to give up some current service aspects to gain others or to gain appreciable cost savings. For every specific performance criterion which you write into the contract, you must allocate sufficient staff resources to monitor compliance with that performance measure.

HOW TO USE THIS MANUAL

This Manual assumes that your agency has largely mastered the skills and information presented in previous Manuals in the series. In order to intelligently consider contracting for transportation or transportation-related services, you will have to know the following:

- how to evaluate the costs offered by alternate providers under a variety of situations
- how to evaluate the quality and level of service offered by alternative providers
- your current, planned, or predicted ridership totals and characteristics

The second Manual in this series, How to Evaluate the Costs and Benefits of Participating in Coordinated Transportation Services, describes how agencies can identify potential contract options and evaluate their benefits. The Manual describes how agencies compare a variety of service levels and cost patterns. Only the briefest summary of that material can be presented in the following Chapters.

The third Manual in the series, Predicting Ridership in a Coordinated Program, gives agencies a number of reasonable ways to predict or estimate ridership demand for transportation services. That Manual discusses the impact of various service and administrative restrictions on ridership and suggests how such restrictions 1) can be used to limit ridership or 2) can be removed to expand ridership. Again, only the briefest summary of that material can be presented in the following Chapters.

In order to use this Manual to the fullest, it would be extremely useful to have read and analyzed the material, techniques, and skills described at length in those two Manuals.

ORGANIZATION OF THIS MANUAL

Chapter Two describes how an agency establishes its service objectives and describes them in a format that can be used in negotiations with contract providers. These service objectives should represent agency policy and goals about which clients should receive transportation services, under what circumstances and with what priority.

Chapter Three describes other important administrative, financial, and organizational questions which an agency must address as it begins contract negotiations.

Chapter Four describes the details of various contracts which an agency might consider in order to obtain the service and other requirements which it has established. Chapter Four discusses the advantages and disadvantages of various types of formal contracts and suggests the trade-offs that are inherent in each type of contract.

Chapter Two.

Establishing Your Objectives and Priorities

WHAT THIS CHAPTER WILL DO FOR YOU

This Chapter is designed to alert you to the many service details which will structure your contractual arrangements for transportation or transportation-related services. It is very important that every agency make clear-cut decisions about such factors before beginning contract services. Only in that way can both the contracting agency and the contractor be sure that they fully understand one another.

Sometimes conditions change, expenses increase, client needs are modified; therefore it is necessary to have a back-up or contingency strategy to deal with such changes after the contract has been formulated. This Chapter is also designed to help contracting agencies identify possible sources of change and to consider those details in the contracting process. It is often sufficient simply to have a method or strategy for dealing with such contingencies when the need arises without specifying exactly what will or should happen.

This Chapter will attempt to highlight the operational aspects of the major type of contract services -- delivery of transportation services to clients of the contracting agency. The Chapter will also give some general guidance to agencies contracting for other types of transportation-related services, such as vehicle maintenance, client eligibility screening, dispatching services, and analysis and evaluation of service.

One Manual that is attempting to aid social agencies making a number of different contractual arrangements must necessarily expand on some details at the expense of others. At the same time some of the descriptions and explanations of certain types of contracts will not be relevant or of interest to agencies not contemplating those types of contractual arrangements. This situation could only be avoided by writing a separate Manual for every type of contract, surely a hopeless task.

THE MESSAGE OF THIS CHAPTER

Achieving a workable and enforceable contract is based on the same principles no matter what the actual details are. In order to achieve a satisfactory arrangement, the contracting agency and the contract provider must have mutual expectations about

- 1) what service is to be provided,
- 2) what that service will cost,
- 3) what will happen if conditions change or expected performance levels are not met, and
- 4) when the contractor will be paid for the services rendered.

A satisfactory contract depends on both parties being honest with one another. For example, no contractor can promise that system vehicles will always be on time; s/he should be able to give you a realistic appraisal of how often they will be late based on past performance and experience. Few agencies are able to immediately pay the contractor; often sizeable delays must be acknowledged and accepted.

There is no perfect service arrangement and no perfect contract provider. You'll have to accept the fact that you can't always get all the service that you require at the price you want to pay and that service delivery won't always be perfect. The contractor may have to accept the fact that, in exchange for your business, s/he will have to wait for payment. But these occurrences, to the extent possible should be discussed before the contract is signed or agreed on.

Payment has been a very serious problem plaguing agencies purchasing transportation or transportation-related services. This topic will be discussed in depth later in the Chapter. However, an important point can be made here to illustrate the overall message of the Chapter. Many agencies contracting for service did not make it clear to their contractors exactly how long it would take to achieve payment; the providers had very different expectations and when they didn't receive money on time they simply stopped providing service. Many providers simply have no other option if they have made no arrangement for obtaining cash in the interim.

If such contract providers had been informed of the real payment delay, some would have raised their price to cover the interest charges they would have to pay on money borrowed. Others providers would have refused to provide contract service at all. Yet those situations are far easier to handle before a contract has been signed and before the agency has become dependent on the contractor for services to its clients. No one can be well served by disruptions in service.

ORGANIZATION OF THE CHAPTER

This Chapter will assist you in performing three major functions. First, it will provide guidance on how your agency can determine the kind and amount of service which is to be provided under contract arrangements. Secondly, the Chapter will illustrate how you can translate your current service levels into contractual objectives. Third, the Chapter will discuss how you can clearly establish both agency and contractor responsibility for the range of activities and functions which are associated with transportation provision.

Chapter One described achieving a successful contract as requiring a series of iterative steps. That is, you may formulate what services you would like to purchase but find, in talking to the provider, that it is not possible to obtain such services (at least for a cost that you are willing to pay). Then you have to go back and re-think your objectives in terms of what services are available in your community for the prices you wish to pay.

SERVICE LEVELS, OR WHAT ARE YOU
GOING TO GET FOR YOUR MONEY?

ESTABLISHING THE KIND AND AMOUNT OF SERVICES TO BE PROVIDED

Because social and human service agencies are so bound up in their clients' needs, they often have difficulty in sorting and out and separating those needs. Many agency clients are very disadvantaged and require a great deal of transportation service. Many clients cannot attend appropriate workshops, clinics, or schools because of a lack of transportation. More often the transportation which is available is too taxing, expensive, or unreliable.

Yet unless you have unlimited funds you will have to decide which of your clients will receive transportation services, which will receive transportation services first if capacity or resources are limited, and often, which types of trips by eligible clients are to receive priority over other types of trips by the same clients. It may not always be necessary to specify these details to a contracting agency; for example, you may continue to do your own trip screening so only your staff needs to know what those criteria are. But you will have to make those decisions before contracting so that you will get some idea of the extent of the services which you will have to purchase.

If you are only considering purchasing transportation-related services, the principle is the same. If you are considering maintenance contracts, for example, you will have to decide which vehicles will receive contracted service, whether your drivers will perform routine maintenance or contract those services out as well, and how often you are likely to need the maintenance services for which you do contract.

Before contracting for service for both your own screening purposes, and for the purposes of achieving a satisfactory contract, you will have to decide:

For Direct Transportation Services

- the number of clients to receive service
- the number and type of trips which they will take
- the times at which they will be travelling or the times you wish service to be available
- any type of special equipment or services required, for whom and how often?

For Transportation-Related Services (such as maintenance contracts)

- how many vehicles, or whatever is being considered, will be handled?
- what type of service(s) is/are vehicles (etc.) to receive?
- how often will they require this service?

Determining Service Levels;

Agencies Currently Providing Transportation Services

Agencies which are already providing transportation services directly or through contracts are in the best position to easily come up with the required information. Usually they know how many clients are to receive transportation, how often they will travel, where and when.

It is unfortunate that some agencies who are currently providing transportation services do not know such details. Sometimes agencies have never really considered it important to gather the required data. Often the agency has asked the drivers to keep certain records but the drivers have never been supervised in their collection efforts. Without such supervision drivers often quickly "forget" to gather the necessary data. Often an agency knows only the number of individual clients to whom it provides transportation but not the number of trips or trip destinations or average trip lengths.

If you are currently providing transportation services and you do not know the exact specifications of your current ridership, you have two major options. The first option is to do a limited survey or sample of your ridership patterns on different days of the week for two to four weeks. You can then use the sample data to calculate some average ridership totals and average trip characteristics.

The second option is to do work back through your records and reports to your funding agencies. Often the necessary data, or at least some of it, is available in rough form in the reports and documents which you already prepared for your agency.

Remember that in general you need to know

- the number of trips, as well as the number of clients currently transported;
- the types of trips in terms of trip length, common origins, and destinations and travel times;
- trip characteristics, particularly if trips are individual demand-responsive trips (for example, medical appointments) or group trips (for example, congregate meals).

Such characteristics have a great deal to do with how much it costs to provide transportation services. For example, carrying twenty seniors a day to a congregate noon meal and then home again, is generally much cheaper than carrying twenty seniors from their home to individual doctor's appointments all over the community at any time of the day. You will have to tell a contract provider these details so that s/he can calculate the cost of serving the trips which you require.

Determining Service Levels;
Agencies Not Currently Providing Transportation Services

Determining ridership characteristics in this situation can be very easy or very difficult. If your agency will provide transportation services to a new sheltered workshop for the mentally retarded, for example, it may be fairly easy to estimate the number and type of trips because the clients who would receive service may already have been identified. If, however, you are to provide transportation to a new congregate meal program and you do not currently know your potential clients, you may have greater difficulty.

The third Manual in this series, Predicting Transportation Ridership in a Coordinated Program, was designed to help such agencies predict the number and types of trips to be taken by potential and actual clients once transportation services are offered. The Manual could not help agencies specify exactly how long trips would be or exact destinations but it does provide useful first-cut estimates.

The ridership estimates made using the Ridership Manual can be augmented by local details and agency-specific information to obtain very credible ridership predictions. For example, the Ridership Manual will help you predict the number of seniors who will use your new transportation service to attend congregate meals; your agency should know your service or catchment area and can generally predict the average trip length to or from the congregate meal site. The two pieces of data can then be combined to provide a better picture of your potential ridership patterns.

It may not be possible to specify with great precision exactly what your ridership characteristics will be. But with your current agency information on

your clients, you can make very reasonable estimates of the number and types of trips that will be taken. These estimates will require some work on your part but they are really necessary to obtain reasonable contractual figures.

If your estimates should prove either too high or too low, you have some options. First, you can write the contract to reflect different prices for different levels of service or you can specify that the contractor will only provide a set amount of trips. If the demand goes over that number of contractually specified trips you can act to limit trip-making or you can renegotiate the contract. The Ridership Manual describes several ways that you can effectively limit ridership if demand exceeds your financial resources.

CONVERTING CURRENT SERVICE LEVELS INTO CONTRACTUAL OBJECTIVES

Once you know or estimate what your current levels of service are, you must translate those service levels into contractual objectives. But you must first question whether you really wish to purchase exactly the services which are currently provided to your clients. The answer will depend on how well current service levels represent your agency's policy and goals.

Current agency service levels may or may not reflect the conscious formal objectives of an agency. That is, some agencies have decided to provide only medical transportation while others provide only congregate meal trips. However, some agencies may be providing mostly medical or shopping trips but not because they have decided to provide exactly those trips. Their patterns may result because they have decided to respond to any transportation needs expressed by their clients.

Some agencies' current trip patterns accurately reflect agency policy about who is to receive service and for which trips. Such agencies may wish to convert their current trip patterns directly into the contractual services which they are purchasing. Those agencies will want to buy exactly the same kinds of services for their clients that those clients are currently receiving.

Other agencies, however, might find that their current trip patterns are not representative of agency concerns. In examining their current levels of service, such agencies might decide to contract for only selected services or to limit contracted services to certain clients.

Agencies Needing to Specify Their Service Objectives

When agencies undertake an analysis of their clients' trip patterns, they may be suprised. They may find that many clients are taking shopping and recreational trips more often than they are taking medical or social service trips. Some agencies many find that a relatively small number of clients are taking a majority of the trips. There is nothing inherently wrong with such patterns, if they are consonant with agency goals and objectives.

Figure 1
Setting Service Levels Consistent with Agency Objectives

<p>• Who is eligible for transportation services?</p>	<p>_____ all clients</p> <p>_____ elderly</p> <p>_____ all physically handicapped</p> <p>_____ low-income</p> <p>_____ blind only</p> <p>_____ other; _____</p> <p>_____ other; _____</p>
<p>• If limitations are necessary, who, of eligible clients, are to receive services first?</p>	<p>_____</p> <p>_____</p>
<p>• Which trips of eligible clients can be served?</p>	<p>All eligible clients</p> <p>_____ all trips</p> <p>_____ medical only</p> <p>_____ work & school only</p> <p>_____ agency related service only</p> <p>_____ other; _____</p> <p>_____ other; _____</p> <p>Elderly only</p> <p>_____ all trips</p> <p>_____ medical only</p> <p>_____ agency related service only</p> <p>_____ other; _____</p> <p>_____ other; _____</p>

• Which trips of eligible clients can be served?

Physically Handicapped

- _____ all trips
 _____ medical only
 _____ work & school
 _____ agency related service only
 _____ other; _____
 _____ other; _____

Low-Income

- _____ all trips
 _____ medical only
 _____ work & school only
 _____ agency related service only
 _____ other; _____
 _____ other; _____

Community Residents

- _____ all trips
 _____ work & school only
 _____ medical only
 _____ agency related service only
 _____ other; _____
 _____ other; _____

• If trip limitations are necessary, which eligible trips are to be served first?

All eligible clients

- _____ medical only
- _____ work & school only
- _____ agency-related service only
- _____ other; _____
- _____ other; _____

Elderly Clients

- _____ medical only
- _____ agency-related service only
- _____ shopping
- _____ social & recreational
- _____ other; _____
- _____ other; _____

Physically Handicapped

- _____ medical
- _____ work & school
- _____ agency-related service only
- _____ shopping
- _____ other; _____
- _____ other; _____

Low-income

- _____ medical
- _____ work & school only
- _____ agency related service only
- _____ other; _____
- _____ other; _____

• May tripmaking for eligible clients and for eligible trips be limited? By number or time of day?

No

_____ for all clients

_____ for all trips

_____ other; _____

_____ other; _____

Yes

_____ for all clients

_____ for elderly

_____ for handicapped

_____ for low-income

_____ other; _____

_____ other; _____

Yes

_____ by number of trips/month

_____ by time/day

_____ other; _____

_____ other; _____

_____ other; _____

Figure 1 Setting Service Levels Consistent with Agency Objectives

<p>• Who is eligible for transportation services?</p>	<p><input checked="" type="checkbox"/> all clients <input type="checkbox"/> elderly <input type="checkbox"/> all physically handicapped <input type="checkbox"/> low-income <input type="checkbox"/> blind only <input type="checkbox"/> other; _____ <input type="checkbox"/> other; _____</p>
<p>• If limitations are necessary, who, of eligible clients, are to receive services first?</p>	<p><u>Physically Handicapped</u> <u>Blind</u></p>
<p>• Which trips of eligible clients can be served?</p>	<p>All eligible clients <input type="checkbox"/> all trips <input checked="" type="checkbox"/> medical only <input checked="" type="checkbox"/> work & school only <input checked="" type="checkbox"/> agency related service only <input type="checkbox"/> other; _____ <input type="checkbox"/> other; _____</p> <p>Elderly only <input type="checkbox"/> all trips <input checked="" type="checkbox"/> medical only <input checked="" type="checkbox"/> agency related service only <input type="checkbox"/> other; _____ <input type="checkbox"/> other; _____</p>

• Which trips of eligible clients can be served?

Physically Handicapped

- all trips
- medical only
- work & school
- agency related service only
- other; group recreation
- other; _____

Low-Income

- all trips
- medical only
- work & school only
- agency related service only
- other; _____
- other; _____

Community Residents

- all trips
- work & school only
- medical only
- agency related service only
- other; _____
- other; _____

• If trip limitations are necessary, which eligible trips are to be served first?

All eligible clients

- 1 medical only
- _____ work & school only

- 2 agency-related service only
- _____ other; _____
- _____ other; _____

Elderly Clients

- 1 medical only
- _____ agency-related service only
- _____ shopping
- _____ social & recreational
- _____ other; _____
- _____ other; _____

Physically Handicapped

- 1 medical
- 3 work & school
- 2 agency-related service only
- _____ shopping
- _____ other; _____
- _____ other; _____

Low-income

- 1 medical
- _____ work & school only
- _____ agency related service only
- _____ other; _____
- _____ other; _____

• May tripmaking for eligible clients and for eligible trips be limited? By number or time of day?	No	
	<input type="checkbox"/>	for all clients
	<input type="checkbox"/>	for all trips
	<input type="checkbox"/>	other; _____
	<input type="checkbox"/>	other; _____
	Yes	
	<input checked="" type="checkbox"/>	for all clients
	<input type="checkbox"/>	for elderly
	<input type="checkbox"/>	for handicapped
	<input type="checkbox"/>	for low-income
	<input type="checkbox"/>	other; _____
	<input type="checkbox"/>	other; _____
	Yes	
	<input checked="" type="checkbox"/>	by number of trips/month
<input checked="" type="checkbox"/>	by time/day	
<input checked="" type="checkbox"/>	other; <u>only 3 trips/week</u>	
<input type="checkbox"/>	other; _____	
<input type="checkbox"/>	other; _____	

It is time to get a firm handle on what you are doing for your clients and why when contracting for transportation services. Often agencies have not had the time or the resources to stop and really consider the kinds of transportation services being provided to clients. When specifying service levels under a contractual arrangement it is necessary to do so.

Figure 1 is one way to ask the kind of questions that will provide detailed guidance to agency personnel and ultimately to service contractors. The Worksheet is a series of important questions whose answers reflect your agency's goals and objectives.

It may be important to you that very handicapped people, such as those confined to wheelchairs, receive all the transportation services that they require. However, it may be more important that all the medical trips of your clients be served even if those in wheelchairs have other unmet travel needs. Only your agency can make those decisions and trade-offs.

Once you have established your priorities and goals you will have to express those goals as level-of-service objectives. For example, if handicapped people are to receive services first, you will have to calculate or estimate how many handicapped clients you have, how many trips they will take, when, and how long those trips will be. Again, the second Manual in the series will be helpful to you in estimating these numbers.

Now use Worksheet Two to summarize the service requirements you seek under a contractual arrangement.

Agencies with Known Service Objectives

If the level of service currently being provided to your clients is representative of the policy and objectives of the agency, you can use Worksheet Two to put that information into a usable format. The format suggested by Worksheet Three will help you array your service requirements in a way that will be useful in contact negotiations.

A Note About Averages

Overall average trip figures are often misleading if: 1) your agency currently provides (or wishes to provide) several different types of transportation services, 2) your agency has clients very different from one another, and/or 3) there are wide differences in the geographic distribution of trip origins and destinations.

The Ridership Manual discusses the problem of using average cost and ridership figures. Here we can only repeat a few key points. The most important point is that you should only use average ridership figures if most of your riders and most of the trips taken are close to the "average". If your average

figures are only the result of a numerical exercise they will not be very useful to a contractor trying to calculate a price to charge you.

For example, if you have a small number of riders who make very long trips and a larger number of riders who make very short trips, the average trip length may be a number which reflects nobody's trip patterns!

Example: *The problem of averaging trip lengths*

You provide transportation services to seniors living in a four county area. You carry 30 seniors each weekday to and from the congregate meal site in a large rural county; their average trip length for a one day trip is 4.5 miles.

You also carry 10 seniors each week from all over the county to the medical center in the nearest large city - 40 miles away.

If you were to average your weekly ridership you would:

Multiply 30 seniors x 2 (for roundtrips) x 5 days
= 300 one-way trips

300 one-way trips x 4.5 miles = 1350 miles

Then add 10 seniors x 2 (for round trips)
= 20 one-way trips

20 one-way trips x 40 = 800 miles

which would equal 2150 miles travelled for 320 (300 + 20) one-way trips, or an average of 6.7 miles.

If the contractor were bidding on the basis of the average mileage figures she/he would probably be misled. S/he would probably bid too high for the congregate meal service and too low for the weekly medical service.

Worksheet Two includes a place for you to identify any such anomalies in your average trip and ridership data. It is very important for you to give potential contractors a very clear idea of the type of service that you will require. If your average figures are misleading, you should lay out the reasons why, and the situations in which those figures are misleading.

Example: *The problem of the "average" rider*

You currently provide transportation services to both elderly and handicapped people in a redevelopment area in your city. All trip purposes are allowed.

Elderly, ambulatory people, use your service only occasionally, perhaps twice a month (two one-way trips). Handicapped people in wheelchairs, however, frequently use your service. Most such handicapped people make 17 one-way trips per month using your system.

If you served 60 elderly people per month and 12 handicapped people you would calculate your average number of trips by totalling both and dividing the number of trips by the number of travellers:

$$\begin{aligned} & 60 \text{ elderly} \times 2.0 \text{ trips/month} + 12 \text{ handicapped} \times 17 \text{ trips/mo.} \\ & = 120 + 204 = \frac{324 \text{ trips/month}}{60 + 12 \text{ clients}} = \text{an average of } 4.5 \text{ trips per client} \end{aligned}$$

This number doesn't really represent your trip patterns; it doesn't actually reflect anybody's tripmaking.

The significant problem with this number is that it is usually much harder and more expensive to serve handicapped people in wheelchairs than to serve ambulatory elderly people. A contractor would quote you a rate really too low based on your average figures. Moreover, s/he wouldn't make the correct assessment of the number of lift-equipped vehicles needed.

When specifying the service levels you desire in a contractual arrangement, it would be useful to:

- 1) divide trip and user data by client types (e.g., wheelchair vs. ambulatory)
- 2) divide trip and user data by trip type (e.g., group vs. individual)
- 3) divide trips which are quantitatively or qualitatively different from one another (e.g., local shopping trips vs. lengthy trips to distant cities for medical treatments)

Array such data on the last page of Worksheet Two.

You may find that some contractors will be able to serve some trips but not others. Other potential providers will be able to serve different classes of

riders or trips but will wish to charge different rates. To the extent possible, you should alert potential contractors to any important differences which might be hidden in your aggregate or average ridership data.

Not Specifying Service Levels

It is not uncommon for agencies in the human service network to ask a contractor to provide "all the transportation services needed." Such a request usually represents the unwillingness, or the inability of the agency involved to analyze their needs and to make the hard decisions that need to be made. While it is sometimes possible to actually get a contractor to agree to such a vague specification, it is often exactly this type of request that sends potential contractors running for the door. Moreover, those contract providers which do agree to such contracts have had relatively poor histories over the long-run. Either they took on too great a load (and failed to provide adequate service) or they were really taking advantage of the agency to which they promised such unrestricted service.

Sometimes it is just not possible for an agency to know exactly the kinds of trips or the number of trips or the trip lengths that are needed. If your agency has made a serious effort, using the three Manuals in this series, to identify ridership needs, but cannot do so, you could consider an open-ended service level for a short demonstration or trial period. Some providers will be willing to consider providing such services in order to gauge the demand for the transportation. Most providers, however, will expect to be paid more for such services if they are taking any financial risks.

Specifying Service Levels for Non-Direct Transportation Functions

If you contract for transportation-related services such as vehicle maintenance or driver training, you will also have to be fairly specific about what service levels you expect.

For example, if you contract for maintenance you will have to let potential contractors know how many vehicles you wish serviced, how often, and what kind of service they are to receive. If you contract for driver training services you will have to specify how many drivers are to be trained, what skill level or abilities you expect them to attain, and how often your drivers will require such training.

Worksheet Three is designed to show you how to identify and array the information that is necessary to progress to contract negotiations with the two examples considered above. Table 1 in Chapter One listed other transportation-related services you might wish to purchase; for example, eligibility screening for your clients or information gathering and analysis. Each of these types of transportation-related services will have different service factors which you

Worksheet Two

Direct Transportation Services: Arraying Level of Service Requirements in a Format Useful for Contract Negotiations

Total Number of Clients to Receive Transportation Services
(if possible, compile a list of addresses) _____

Total Number of One-way Trips per month _____

Days of Week Service is to be Available/Delivered. _____

Hours of the Day Service is to be Available/Delivered. _____

Total Number of Clients/Month	Type(s) of Trips	Monthly Average/Actual Number of One-Way Trips	Time of Day	Actual/Average Trip Length
<ul style="list-style-type: none"> • ambulatory _____ 	medical; demand responsive			
	agency services; group trip			
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			
<ul style="list-style-type: none"> • requiring driver assistance _____ 	medical; demand responsive			

Total Number of Clients/Month	Type(s) of Trips	Monthly Average/Actual Number of One-Way Trips	Time of Day	Actual/Average Trip Length
<ul style="list-style-type: none"> • requiring driver assistance (continued) 	agency service; group trip			
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			
<ul style="list-style-type: none"> • requiring escort service 	medical; demand responsive			
	agency services; group trip			
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			

Total Number of Clients/Month	Type(s) of Trips	Monthly Average/Actual Number of One-Way Trips	Time of Day	Actual/Average Trip Length
<ul style="list-style-type: none"> • requiring lift-equipped vehicle _____ 	<ul style="list-style-type: none"> medical; demand responsive 			
	<ul style="list-style-type: none"> agency services; group trip 			
	<ul style="list-style-type: none"> social/recreational; group trip 			
	<ul style="list-style-type: none"> shopping; demand responsive 			
	<ul style="list-style-type: none"> other; _____ 			
	<ul style="list-style-type: none"> other; _____ 			
<ul style="list-style-type: none"> • other requirements; specify _____ 	<ul style="list-style-type: none"> medical; demand responsive 			
	<ul style="list-style-type: none"> agency services; group trip 			
	<ul style="list-style-type: none"> social/recreational; group trip 			
	<ul style="list-style-type: none"> shopping; demand responsive 			
	<ul style="list-style-type: none"> other; _____ 			
	<ul style="list-style-type: none"> other; _____ 			

• Any wide variations in:

•trips per eligible client _____

•average trip lengths _____

•trips of wheelchair users _____

Worksheet Two

Direct Transportation Services:
 Arraying Level of Service Requirements in a Format
 Useful for Contract Negotiations

Sample

Total Number of Clients to Receive Transportation Services
 (if possible, compile a list of addresses) 50

Total Number of One-way Trips per month 380 MAXIMUM

Days of Week Service is to be Available/Delivered. Monday - Friday

Hours of the Day Service is to be Available/Delivered. 8 AM - 6 PM

Total Number of Clients/Month	Type(s) of Trips	Monthly Average/Actual Number of One-Way Trips	Time of Day	Actual/Average Trip Length
• ambulatory <u>40</u>	✓ medical; demand responsive	4.2/client 180 maximum	All day	8.2 miles per one way trip
	✓ agency services; group trip <i>congregate meals</i>	3.0/client 120 maximum	11 ⁰⁰ AM - 1 ³⁰ PM	2.4 miles per one way trip
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			
• requiring driver assistance <u>n.a</u>	medical; demand responsive			

Total Number of Clients/Month	Type(s) of Trips	Monthly Average/Actual Number of One-Way Trips	Time of Day	Actual/Average Trip Length
• requiring driver assistance (continued)	agency service; group trip			
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			
• requiring escort service <u>n.a.</u>	medical; demand responsive			
	agency services; group trip			
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			

Total Number of Clients/Month	Type(s) of Trips	Monthly Average/Actual Number of One-Way Trips	Time of Day	Actual/Average Trip Length
• requiring lift-equipped vehicle <u>10</u>	✓ medical; demand responsive	5.0/client 50 maximum	All day	6.8 miles per one way trip
	✓ agency services; group trip congregate meals	per client 3.0 30 maximum	11 ⁰⁰ AM - 1 ³⁰ PM	1.9 miles per one way trip
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			
• other requirements; specify _____	medical; demand responsive			
	agency services; group trip			
	social/recreational; group trip			
	shopping; demand responsive			
	other; _____			
	other; _____			

• Any wide variations in:

- trips per eligible client 2 or 3 wheelchair clients make most of the trips
- average trip lengths 4 people (ambulatory) live 60 miles from the meal site
- trips of wheelchair users sometimes require medical trips to regional center 18 miles away

Worksheet Three

Non-Direct Transportation-Related Service Requirements Selected Services

SERVICE REQUIRED <u>Maintenance</u>	Type of Vehicles to be Serviced	Number of Vehicles to be Serviced	Frequency of Service; Time/Mileage
<ul style="list-style-type: none"> • preventive maintenance • routine maintenance • major repairs • body work & painting • lift repair • other _____ 			
<u>Driver Training</u>	Numbers of Drivers Involved	Length of Training Period	Skill Level to Be Attained
<ul style="list-style-type: none"> • basic vehicle skills • consciousness raising • other _____ 			

Worksheet Three

Non-Direct Transportation-Related Service Requirements Selected Services

Sample

SERVICE REQUIRED	Type of Vehicles to be Serviced	Number of Vehicles to be Serviced	Frequency of Service; Time/Mileage
<u>Maintenance</u>			
• preventive maintenance	• Modified Dodge Vans • Chance Small Trucks w/ lifts	3	1/month
• routine maintenance		2	1/month
• major repairs			as needed
• body work & painting			
• lift repair			
• other <u>radio</u>	std. mobile unit	5	as needed
<u>Driver Training</u>	Numbers of Drivers Involved	Length of Training Period	Skill Level to Be Attained
• basic vehicle skills	4	2 days	Certificate
• consciousness raising	4	3 hours	n.a.
• other <u>handling wheelchairs</u>	2	3 hours	proficiency

Figure 2
Identifying Responsibilities for Activities and Functions
Associated with Transportation Provisions; Direct Service Contracts

Function/Activity	AGENCY		CONTRACTOR	
	Provides	Pays for (or billed by contractor)	Provides	Pays for (or included in contract cost)
Vehicle Licenses & Fees				
Vehicle Insurance				
Personal Injury/ Liability Insurance				
Driver Training				
Escort Training				
Routine Vehicle Maintenance				
Parts				
Preventive Vehicle Maintenance				
Parts				
Repair & Body Work				
Parts				
Lift Repair & Maintenance				
Ridership Data Collection				
Data Synthesis and Analysis				
Client Eligibility Screening				
Trip Screening				

Function/Activity	AGENCY		CONTRACTOR	
	Provides	Pays for	Provides	Pays for
Vehicle Scheduling & Dispatching				
Issuing Tickets, passes, vouchers				
Providing escorts				
Fuel & Oil				
Tires				
Other _____				
Other _____				
Other _____				

*NOTE: The cost or expense of all transportation-related functions/ activities which are retained by an agency must be added to the cost of the contract services when calculating the savings offered by various alternatives.

Sample

Figure 2
Identifying Responsibilities for Activities and Functions
Associated with Transportation Provisions; Direct Service Contracts

Function/Activity	AGENCY		CONTRACTOR	
	Provides	Pays for (or billed by contractor)	Provides	Pays for (or included in contract cost)
Vehicle Licenses & Fees		X	X	
Vehicle Insurance			X	X
Personal Injury/ Liability Insurance	X	X		
Driver Training		X	X	
Escort Training <i>Na</i>				
Routine Vehicle Maintenance			X	X
Parts		X	X	
Preventive Vehicle Maintenance			X	X
Parts		X	X	
Repair & Body Work			X	X
Parts		X	X	
Lift Repair & Maintenance			X	X
Ridership Data Collection		X	X	
Data Synthesis and Analysis	X	X		
Client Eligibility Screening	X	X		
Trip Screening	X	X		

Function/Activity	AGENCY		CONTRACTOR	
	Provides	Pays for	Provides	Pays for
Vehicle Scheduling & Dispatching			X	X
Issuing Tickets, passes, vouchers	X	X		
Providing escorts	n.a.		X	X
Fuel & Oil			X	
Tires		X	X	
Other <u>radio repair</u>		X	X	
Other _____				
Other _____				

*NOTE: The cost or expense of all transportation-related functions/activities which are retained by an agency must be added to the cost of the contract services when calculating the savings offered by various alternatives.

must consider. It is not possible to develop a Worksheet that will cover all contingencies.

Use sample Worksheet Three to alert you to the types of information about service levels which you must identify before approaching potential contractors.

ESTABLISHING RESPONSIBILITY FOR ASSOCIATED ACTIVITIES

There are a large number of functions, activities, and responsibilities which must be undertaken when providing transportation service to agency clients. The first Manual in this series, Cost Analysis for Social Service Agency Transportation Providers, discusses these activities at length. If you contract for direct transportation services, you must be certain that both you and the contractor(s) understand who has responsibility for all those activities and functions.

Figure 2 is a checklist of the most important or frequently performed functions which are associated with direct transportation delivery. You can use Figure 2 to make sure that both you and the contractor agree on 1) who is to perform which services and, 2) who is to pay for those services.

It is very important for you to understand exactly which services and functions are included in the contract cost offered to you by a contractor, which services the contractor is willing to provide but for which s/he will charge an extra fee, and which services the contractor will not or should not provide.

Some of the decisions are policy ones; for example, you may not wish the contractor to gather ridership data. You may wish to perform that activity yourself or even hire a second contractor to do so. On the other hand, even if you wish a contractor to provide a certain service, for example escort training, s/he may not be able or willing to do so.

Use Figure 2

- to alert your agency to the functions which you will still retain if you contract for service (and of the associated cost of those functions to your agency);
- to identify exactly which services are to be performed by the contractor and included in the basic contract price; and
- to identify which services the contractor will perform if the need arises but for which your agency will be charged extra.

If you have offers or bids from more than one contractor, you will be able to use Figure 2 to make sure that all bidders are offering the same level of service. Or if the bidders are not offering the same level of service, you can

make sure that the differences are reflected in differences in the contract costs.

Chapter Three.

Writing Contracts to Reflect Your Objectives

WHAT THIS CHAPTER WILL DO

This Chapter will discuss other important aspects of negotiating a contract for transportation or transportation-related services. This Chapter will discuss three important contract parameters:

- payment and payment systems
- contingencies and contingency planning
- administrative requirements and recordkeeping

The emphasis of this Chapter is on writing or negotiating a contract that meets all your needs and expectations. The Chapter attempts to show you how to determine your needs and how to relay them to potential contractors. The Chapter makes the point, however, that many of your requirements may create extra expenses for you or the contractor. Where this is so, you must recognize those additional costs and make sure that you are really willing to incur them.

The contractual aspects considered in this Chapter share many of the same requirements as the service aspects discussed in the previous Chapter. In establishing your system objectives and needs, you must be sure that you and the contractor understand one another and mutually agree on key contractual elements. Satisfactory contract performance is only possible in such a situation.

Establishing key contractual obligations for the variables considered here may require trade-offs and iterative decision-making, too. You may determine an ideal contractual situation. In negotiating with a potential contractor you may find that the contractor cannot perform to that level, or deliver the kind of reports that you require, or do so at a cost that you can afford. If this is so, you may have to re-think your needs and re-establish your contractual requirements.

The last Chapter of this Manual will discuss the actual types of contracts and contract provisions into which your agency may enter. This Chapter will

describe and summarize the key elements of service, performance, reporting, and financial recordkeeping which you should consider as you begin to negotiate a contract for service.

PAYMENT AND PAYMENT SCHEMES

An important element in negotiating a successful and workable contract is determining what the service levels you wish to receive will cost you. Once you understand and have accepted the costs to be charged by the contractor(s), you must agree on when and how the contractor is to be paid. As part of this process you will have to decide a number of side issues, such as if and how fares are to be charged to your clients, and what information contractor invoices must contain.

THE CONTRACTOR'S COST STRUCTURE

Most direct transportation providers wish to charge for service using one of the following three unit measurements:

- charges per one-way passenger trip
- charges per vehicle hour
- charges per vehicle mile

It is possible to be quoted charges based on other unit figures but these are the most common.

These type of unit cost figures may or may not be familiar to you. The first Manual in this series, Cost Analysis for Social Service Agency Transportation Providers, describes these measures, and some of their uses in depth. Here we can only repeat the basic definitions of these terms.

Cost Per One-Way Trip

charges per one-way passenger trip = the cost of carrying one passenger one way; computed, if not given, by dividing total annual/monthly/weekly charges for all trips by the total number of trips.

One-way passenger charges may be described in advance as a flat rate (e.g., \$1.50 per trip). Or they may be variable and only the method of calculating individual trip costs may be expressed (e.g., you will pay whatever the taxi

meter reads). A contractor who offers to carry your congregate meal trips for \$1.50 per person each way is offering a charge for a one-way passenger trip. A taxi operator who offers to carry your elderly clients to medical appointments for 10% off the regular meter fare is also offering you a one-way passenger trip cost (if only one person is in the cab).

Some providers may offer you a flat annual, monthly, or weekly rate, although this is not very common. If you know the number of one-way passenger trips that you will receive for that total amount of money, you can compute your one-way passenger trip costs.

Remember that the number of individual clients carried is not the same as the number of one-way passenger trips. If you carry three seniors to and from a congregate meal site, you have provided six one-way passenger trips.

If you are offered a flat rate per one-way trip and you know the number of one-way passenger trips that you wished carried by the contractor in a given time period, you will be able to figure out your total costs for that time period. You will multiply the flat rate per trip times the number of one-way trips to be carried in the time period in question.

If you are offered a variable rate, such as the meter reading on a taxi trip, you can approximate your total costs for a given time period by calculating taxi rates for the average trip length of the clients involved (taxi meter rates are based on mileage charges). The taxi operator in this example would be able to help.

Variable rates may alarm you because your budgetary limits might be exceeded. However, you can specify that the contractor notify your agency when close to a given maximum monthly or weekly total.

Cost Per Vehicle Hour

This unit figure represents the charge to you for the contractor operating a given vehicle for one hour on your behalf. This figure says nothing about how many of your clients will be or are carried during that hour.

Vehicle hour charges are most common when the contractor is dedicating vehicles entirely to your service, for all or part of a day. It is not a common charge when your clients will be mixed aboard vehicles with clients of other agencies.

If a contractor either totally dedicates a vehicle to you, or leases you one or more vehicles for part of a day, this is generally the cost figure that will be quoted to you. Remember that the quoted cost per vehicle hour will be multiplied by both the number of hours of service provided and the number of vehicles used.

Example: *Calculating total charges using a vehicle hour figure*

A contractor offers to carry your handicapped clients to sheltered day care sites, five days a week. He will charge you \$14.00 a vehicle hour for four hours per day (7:00 am to 9:00 am and 3:00 pm to 5:00 pm).

However, because so many of your clients need lift-equipped vehicles and wheelchair securement aboard the vehicle, and because these clients take longer to board and deboard, he will require three vehicles to be used in your service each day.

To calculate your total weekly cost you would have to multiply the hourly vehicle charge by the number of hours per day by the number of vehicles to be used;

$$\begin{aligned} & \$14/\text{vehicle hour} \times 4 \text{ hours/day} \times 5 \text{ days/week} \times 3 \text{ vehicles/day} \\ & = \$840 \text{ per week} \end{aligned}$$

If you know the number of clients to be carried, one of the hardest conceptual problems is converting that number of clients into vehicle hours. Often a contractor will work with you, using the ridership data which have been gathered and synthesized using Worksheet Three.

Contractors will often be able to help you calculate how many vehicles will be needed as Worksheet Three shows. They will need to know the number of clients to be carried who do and do not need wheelchair lifts, the number of riders who will be travelling in groups or those travelling, and the average trip lengths involved. With such information the contractor, and even your agency, can figure out sample vehicle routing and the time such routes will take to complete.

Sometimes an agency and a contractor will simply make an arrangement to purchase a given number of hours of service per day in a given number of vehicles. This is not an uncommon contract when an agency is not sure how many clients will require transportation or if the agency is required (perhaps under a court decision) to have transportation service available a certain number of hours per day.

If your agency makes such a blanket arrangement, you should monitor it carefully and find out if there are times when the vehicles are not being used to their fullest capacity. You are losing a lot of the value of contracting for service if you are paying for times when the vehicles are not being used.

Of course, many contractors will not be willing to sell you service for just the hours when your needs are greatest because they feel that they cannot sell

the remaining hours to someone else. It might be worthwhile for you to see if any other agencies in your community would be interested in buying service from the contractor during the times you have left free. If you are a senior congregate meal provider, your hours of need are generally in the middle of the day; you might be able to match your needs with a sheltered workshop provider whose clients need early morning or late afternoon trips.

Perhaps there are still hours of service not well used under a blanket contract for a given number of vehicle hours per day. You might consider relaxing your trip or client restrictions and allowing additional tripmaking during the times in question. Additional tripmaking would not cost you any more in such a situation. You might, however, have to carefully monitor the additional riders to make sure they used the service during the hours that there was excess capacity and not at times when the contractor's vehicles are already full.

Remember that you will have to figure out how many passengers will be carried per vehicle hour to know what your total charges will be for a given number of trips. Conversely, if you are buying a certain number of vehicle hours per day you should try to figure out how many of your clients will receive service.

Generally, you cannot convert your current system's passengers per vehicle hour figures (if known) into those of another system (unless the contractor is actually taking over and operating your current system). To find out how many passengers would be carried per vehicle hour, you will have to use the contractor's current figures (if available) or actually work out vehicle routing and tours based on your clients' trip patterns.

Contractors usually calculate vehicle hour charges from the time the vehicles become dedicated to you and not only during the time your passengers are on-board. For instance, if the contractor must send a vehicle 20 miles out into a rural area to pick up one of your clients, you usually will be charged from the time the vehicle leaves the contractor's garage. If you are in doubt about this, ask the contractor when "the clock starts running."

Cost Per Vehicle Mile

This is the cost of a vehicle travelling one mile in your service. Often this unit charge is combined with a charge per vehicle hour. Large group or charter trips might be charged only a vehicle mile charge. As with vehicle hour charges, this cost figure says nothing about how many of your passengers are carried in a given vehicle mile.

If a contractor only charges you for vehicle miles, that charge will be substantially higher than if the contractor is charging for both vehicle hours and vehicle miles. Be sure you are clear as to what the charge covers. Also be careful when listening to stories about far lower vehicle mileage charges in

other areas; perhaps those lower charges were combined with vehicle hour charges.

Most of the discussion about vehicle hour charges applies to vehicle mileage charges. You will have to know how many clients are carried per vehicle mile to know how many clients will be carried in the number of vehicle miles which are contractually established. Conversely, you will have to calculate, using actual trip and trip length data, how many vehicle miles it will take to carry your current trip load. Only in that way can you know how much it will cost for the contractor to carry your current client load. Again, the contractor will often be able to help you figure these costs if you have gathered sufficient information on your current ridership.

Data on your current vehicle mileage will be useful to the contractor in calculating vehicle routing and scheduling but it usually cannot be converted into the contractor's vehicle mileage figures. To calculate the number of clients carried per vehicle mile you will either have to use the contractor's current figures for comparable trips, or actually sit down and set up vehicles routes and schedules for your client trips.

As with vehicle hour charges, vehicle mileage charges usually start from the time the contractor takes the vehicle from where it is parked. Usually included in vehicle mileage charges are trips to gassing facilities and to repair and maintenance facilities. Again, be sure what is and what is not included in the vehicle mile charge offered by a contractor.

FARES AND FARE STRUCTURES

You must decide if and when your clients will be charged for any portion of the trip for which you are contracting. This decision will depend on many factors; the type of trip, the circumstances of the client, the time of day, your resources, etc.

It is possible to set up a number of different types of pre-payment and partial payment schemes. Among the most common are:

- you pay all, the client pays nothing but may tip or give a contribution
- you pay a minimum or set rate, the client pays any part above that
- you pay different percentages for different types of trips, the client pays the remainder

You can use tickets, vouchers, or actual cash reimbursements to effectuate any plan.

If you use any variety of ticket or coupon scheme, you will have to decide who will administer it, how the coupons are to be handled by the contractor's

drivers, and what responsibility the client will have. How will the taxi meter rates be verified? If different rates are given for different types of trips, who will establish that fact?

If you use a no cash, no coupon system, the contractor can bill you for services after they are delivered. No matter what you collect from your clients yourself, you will still have to have some way to assure yourself that the trips billed were actually delivered.

Cash systems have their own problems. In a system where the client pays his or her portion in cash, there is a greater tendency for the client to be sure the driver is recording accurately the trip taken (and so your portion is billed correctly). However, contractors are often not happy about drivers receiving cash for which there is no record. And you may not wish your clients to have to handle money.

The three things which you must decide, as you begin negotiating a contract are:

what role will the client have in checking the contractor's record or assessment of a trip taken;

what role will the contractor or the contractor's drivers have in checking the eligibility of a given client trip or in determining which (of several) trip rate applies; and

what will the contractor be required to do with any coupons, tickets, or vouchers?

For example, you may wish the contractor to sell tickets, check whether the client is making a permissible trip (e.g., to the doctor as opposed to the hairdresser's) and write up detailed trip records. Most contractors will want to charge you more for these services. Even if they don't, you still must be sure that they understand and accept the responsibility which you have assigned them.

The same is true of your clients. If you expect your clients to check the drivers' records of the trips they make, you must be sure that they understand and carry out these responsibilities. If the client is to pay part of the cost of the trip, it is imperative that they fully understand this fact before they make the trip.

It is possible to create fairly elaborate fare and payment structures. However, the more elaborate they are the more confusing they are to both your clients and often to the contractor's drivers. If you feel that such systems are necessary you must be very sure that your clients are well-informed about varying trip rates and that the contractor has really accepted his or her share of the responsibility.

THE CONTRACTOR'S BILL TO YOU

Contractor invoices and bills are an important part of your accounting and bookkeeping system. They should reflect as much information as possible so you can monitor service and keep your accounts accurate. There is a great difference between a bill that reads: "Twenty-one trips at \$5.40" and one that lists each of the clients receiving service, how many trips each took, and on what days they travelled.

During the negotiation process it is important for you to identify exactly what type of information that you require when being billed. You should meet with your accountants and funding agencies and determine the kind of trip information which you are required to have. Ideally you may wish to have every single trip detail but such data may be very expensive for the contractor to gather. Therefore, you should determine the minimum level of acceptable trip information for both billing and evaluation purposes.

You will probably be interested in the following data, although all may not be necessary at all times or for only billing purposes:

- the total number of one-way trips taken in the given time period
- the total number of clients served in the given time period
- either the actual or the average number of trips per client per time period
- either the actual or the average trip lengths
- trips characterized by trip type (e.g., medical, shopping, etc.)
- trips characterized as individual, group, demand-responsive, subscription, lift-required, or other relevant variables
- the names of clients transported and all details of their individual trips
- the percentage of trips picked up on time (which must be defined), late, and unacceptably late
- the number and percentage of late cancellations
- the number and percentage of no-shows

One of the biggest mistakes some agencies make is not using the invoicing process to generate useful system data for monitoring and evaluation. Certainly the invoices will not be your only source of information on your service, but you should take the opportunity at the onset of your contract to see that useful information is gathered and tallied at reasonable time intervals.

The monitoring and evaluation of your system is different from billing for service. However, at the time you begin the contract service, it is extremely important to identify the type of information which you will require to judge the effectiveness and efficiency of the service. To the extent possible, you should try to incorporate those measures into the invoicing process.

A major problem arises if there is a misunderstanding over the extent of trip information required by the agency purchasing service. Some of the data commonly required may be very difficult for a contractor to collect. Therefore, it is absolutely necessary that s/he understand your needs at the onset of the contract. It is far more difficult to change recording procedures once the service has started than it is to set them up at the beginning of the contract service. Moreover, it is often impossible to recreate needed data if they were not originally gathered.

Many factors will determine how easily a contractor can respond to your requests for trip information. There are some cases where the contractor may have to charge you more for that information. S/he may have to institute new driver procedures and re-train the drivers or extra staff time may be required.

As in most of your contract negotiations, you will have to decide if the data which will cost more to collect is really required by you or your funding agency or really needed in order to evaluate your system. If those data are required, you will have to pay for their collection. If they are not required, you might see if they could be collected at less frequent intervals, or by your agency yourself at lower cost.

Although some agencies do not try to collect enough data through their invoices, many try to collect far more than they need. Several of the studies listed at the end of this Manual visited agencies in the same state funded by the same Federal and State sources and found those agencies collecting very different types of data. Before you insist that a contractor collect very comprehensive data, make sure 1) that your funding sources really need that of level of detail, and 2) that you know what to do with, and can effectively use the data that you do collect.

YOUR PAYMENT TO THE CONTRACTOR

A contractor providing service to you has the right to know how long it will take you to pay the invoices for services. In many cases, the contractor has already spent substantial amounts of money on salaries, gas, maintenance, etc., before you even receive the invoice. If you do not or cannot pay promptly, the contractor will have to borrow money at high interest rates to stay in operation. If s/he cannot borrow money, the contractor may simply stop providing the transportation or other services on which you are counting.

Before you begin negotiations, you should discuss with your funding agency and your accountants how long it will take to process the contractor's invoices

through the necessary administrative channels. You may have to chart all the agencies and all the steps through which invoices and other documents will flow and make some reasonable guesses about how long the invoice will stay in each agency.

It is not uncommon for a local agency to have to bill the State who in turn bills the Federal government. This kind of process can take 90 to 120 days. Note that if you owed a contractor \$3,000 for 120 days and he was required to borrow money to cover his expenses at 14% interest, a \$3,000 loan would cost him \$140. He would be well within common business practice to directly or indirectly charge you that interest expense. Also, note that you might be adding to his (and your) indebtedness at a continuing rate of \$3,000 per month if you always paid 120 days late.

The problem is only slightly different if the contractor is a public agency like a transit system or another social service agency system provider. You have the obligation to tell any contractor when it is reasonable to expect payment on invoices correctly rendered.

You also have the obligation, once the contracts have been signed, to do everything possible to expedite payment to the contractor. You should follow the progress of invoices through administrative channels. If an invoice stays too long in one agency, someone on your staff should find out why. Contractors do have the right to expect you to try and see that they are paid for the service which they have provided your clients within the time period you originally discussed with them. Only very unusual circumstances justify payments later than originally promised.

Some contractors will actually write penalties into the contract for late payment or provide 1% to 2% discounts for prompt payment. Where these contingencies are legal, it is obviously to your advantage to try to pay on time.

CONTINGENCIES AND CONTINGENCY PLANNING

There are three basic situations for which you should prepare as you write a contract. The first is what will happen if external events, not under your control or that of the contractor, should suddenly change. The second contingency is what will happen if some mutual goals are not attained or service must be re-structured because some service facet was not received as expected. The third situation is to define what will happen if the contractor does not perform satisfactorily. Each of these contingencies will be briefly discussed below.

CHANGES IN EXTERNAL EVENTS

The most common external event not under the control of your agency or the contractor is a large price increase in any component of service. In recent

years the most conspicuous price increase in the transportation field has been gasoline. Another large increase in this area has been vehicle insurance.

Not all price increases should call for re-negotiating a contract for service. The contractor should have figured routine cost increases over the life of the contract into the contract price offered to your agency. But many contractors in the transportation field are understandably worried about extraordinary changes in gas prices or insurance.

There are two major ways to approach such issues. The first is to write or agree upon an automatic price increase if the cost of something goes up over a given percent. For example, you and the contractor could agree that the price of a one-way passenger trip would go up 3% every time the price of gasoline went up 10%. (Remember that the price of gasoline is really only about one-third the cost of operating a car and about 15% of operating a transportation system.) An automatic clause such as this one has the great virtue of not tying up the service while you have to re-negotiate the contract. The problem is that you may not have the additional money.

A second way to deal with a potentially large price increase is to call for automatic re-negotiation if the price of that component goes up over a given percent. The clause could say that the service would continue in force while the contract was being re-negotiated or for a reasonable time period, say 60 days. If insurance costs went up 30%, you might agree to pay it or you might ask the contractor to sell you less service because you could not afford the new costs. Generally, you would not have the option of entirely dropping the contract because the contractor may have made some financial commitments in order to provide the contract service. (S/he may have bought new vans, for example.)

Many agencies are supported in part or in full through Federal or State grants. Such grants are always liable to being cut or withdrawn. It is unwise to make a contract with a provider that extends beyond the guaranteed life of the government grant. If you do, however, your contract will have to have a clause dealing with termination under those circumstances.

GOALS AND OBJECTIVES NOT ATTAINED

Sometimes an agency and a contractor agree upon a certain level of service and a certain price for that service, based on key expectations. If those expectations are not realized, the contract may have to be re-negotiated.

The most common service expectations have to do with client trip patterns and the contractor's ability to respond to them. An agency may estimate the kinds of trips its clients will take, how often, and how long those trips will be. If the actual trip patterns are very different, the contractor's cost parameters may be very different than anticipated.

A very common, and very serious problem, is overestimating the number of group trips. Many systems hope that their clients' trip demands will be such that the contractor will be able to group several clients aboard the same vehicle. The contractor usually quotes a lower per passenger rate in this case. However, very few systems actually not dealing with group trips (like congregate meals) have been able to group riders, at least not without considerable inconvenience to the clients. Therefore, it costs the contractor a great deal more to serve the agency trips.

There are several options in this case. The agency and the contractor can make explicit in the contract what percentage of group trips or what average vehicle occupancy is anticipated for the rate originally quoted. If these objectives are not met, the contractor can be given the right to re-negotiate the price to more accurately reflect his or her costs. Or the agency can be required to change its advance requirement reservation or take a more active role in grouping trips so that the original expectations can be met.

Some agencies believe that contractors should take these risks as part of their normal business operation. Actually, private operators might well have quoted you their original rate with some cynicism over agency expectations about group riding. But many private, and most social service and public operators have less experience and may well have quoted rates based on the stated agency expectations.

What will happen if the expectations are not met and the transportation or other services cost considerably more to provide? The contractors will either go out of business, break their contract, or stop providing contract services the minute the contract ends. In the long run, such a situation is not a pleasant one for your agency and its clients. It is far better to recognize that unless you are absolutely sure about the ridership characteristics of your clients, you should incorporate some provision for differences in costs which arise because your ridership estimates were not correct.

However, the reverse is also true. If a contractor has been able to group more travellers than you expected, and so is providing service at a lower cost than estimated, you should have the right to some of the savings. Remember that you do not want to remove all of the contractor's incentives; if it does not pay him or her to group your clients, the contractor probably will not do it. This issue is discussed in the next Chapter.

If the contractor is offering your agency a per passenger rate based on a small amount of group riding, you might specify that the rate be lowered by one-third if three or more clients ride together. Or you might specify that at some point you will be charged a vehicle hour charge rather than an individual charge per passenger if that saves you money.

Another option is to specify a certain rate per trip or per vehicle hour for a trial or demonstration period. If the contractor makes a lot of money, fine; if not, he will have accepted that risk knowingly. After the trial period,

however, you will have a much better idea of the number of trips that can be grouped, and under what conditions, the number of riders requiring escorts or assistance or wheelchair lifts, and other important ridership parameters. Then you can re-negotiate rates based on more objective service expectations.

UNSATISFACTORY PERFORMANCE

When your agency identifies its goals and priorities, it should also identify what aspects of service are unacceptable. When negotiating a contract you should identify which service aspects are the most important to you, how they can or should be measured, and what penalty the contractor should accept if s/he violates the service standards.

It is necessary to identify only the most important issues because your agency simply cannot enforce and police a large number of service standards. You should identify those service and quality factors that are worth monitoring and determine how you will judge if standards in those areas are violated.

You should not be signing a contract with an agency or provider whom you don't trust. If you do not feel that you can generally count on the provider to maintain an acceptable level of service, as you both define it, you should not bother contracting with that provider. You simply cannot monitor all aspects of service delivered by a contract provider. You should, however, be prepared to monitor the most crucial service aspects.

Your attention to the crucial service aspects will direct the provider's attention to them as well. Most contractors are trying to do a good job for you and your clients but sometimes things just get out of hand. If a contractor is aware that certain service standards are very important to you, and that your agency will be checking them, you may not even need contract provisions. The contractor will see that those standards are met if at all possible.

Most agencies have concerns in the following service areas:

- condition of vehicles
- training and assistance provided by drivers
- timeliness of service
 - how long it takes to make a reservation
 - how long a client must wait before being picked up
 - how long a client must ride aboard a vehicle
 - how much time a client must allow to get an appointment on time

- courtesy with which a client is treated in all aspects of service

There are also non-service areas in which an agency has some interests. Recordkeeping and administrative details are often important. Proper invoicing and prompt response to requests for service changes are also of concern.

Standards must be set for all of these areas. However, many of them are self-enforcing because the agency and the contractor set them up that way. For example, if you and the contractor agree that a client must call twenty-four hours in advance of the need for service and be ready to be picked up in a "window" of time one hour long, you will establish your requirements that way and so inform your clients. Only if clients are told by the contractor to wait longer or call earlier will these standards be violated.

Dirty vehicles, late pick-ups, rude service, and lengthy on-board ride times are harder to observe. If you are willing to expend time in monitoring these areas of service, you should set some acceptable service levels and write them into the contract. Then be prepared to actually monitor them.

Some agencies rely only on casual observation or client complaints. Both are very haphazard ways to proceed. If you are really concerned about these service factors, you should be willing to expend some resources to make sure that the contractual standards are being met. Remember that your monitoring and concern are what really compel the contractor to perform to those standards; it is not the piece of paper on which the contract is written!

Clients may complain constantly or not at all. Certainly you should have a mechanism to investigate client complaints. But you cannot rely on your clients to see that contractual service standards are being met. And you cannot assume that all client complaints are valid. You must have some objective standards against which to judge those important service parameters.

Once you have established contractual performance levels in those service areas which are important enough to your agency to actually monitor, what can you do about non-compliance? One way is to have a two-part enforcement system; the first time a contractor violates the standards s/he is warned and given a short amount of time to put the service in order. The second time there is some sort of financial penalty.

Some systems will not pay at all for providers who show up more than 30 minutes late. Others set up a sliding scale for non-compliance; 20% off the contractual price for being 30 minutes late, 30% off for the next ten minutes, etc. Each option has advantages and disadvantages. If you will not pay a contractor for the trip after thirty minutes, it may not pay him to show up at all if he is late; would you rather that your clients are late or don't go at all? Sliding scales solve that problem, but they are hard to administer. Who will sit around and keep track of the time involved?

Another option is to require the contractor to provide alternative service if service is very late. For example, the contract could specify that if the

provider is more than 30 minutes late, you will call a full-fare taxi for the client and the contractor will have to pay the fare. If the contractor does not fill in the required (and agreed upon) forms, you can charge him at an hourly rate for the staff time required to fill in the forms for him.

No provider, no matter how experienced or well-intentioned, can always deliver all promised services exactly in the way specified and on-time. You must have some flexibility and some tolerance in the system. But you must also stop any contractor who repeatedly violates an important service standard.

You must understand that gaining compliance with certain service standards may well cost you more money. For example, taxi operators are often the cheapest contract providers for demand-responsive individual trips. However, the nature of the taxi business is such that in many communities the taxi operator cannot guarantee high levels of service with commissioned drivers. For the operator to meet your service levels, he will have to hire full-time drivers dedicated only to your service; this cannot help but cost you more.

There are two points being made here. The first is that high levels of guaranteed service may well cost more than lower levels of service; you will have to decide whether and if these costs are acceptable to you. The second point is that since the service levels which you seek may have an impact on the costs to the contractor, these service levels must be part of the contract negotiation process. You cannot simply add them on at the end of the process. Like almost everything else discussed in this Manual, you may well have to make some trade-offs within your own agency and with the contract provider.

You can see why it is so imperative that you actually expend resources to monitor service standards; you may well have paid more to obtain those levels of service! You should make sure that you are getting the items for which you paid.

ADMINISTRATIVE AND RECORDKEEPING REQUIREMENTS

You may require three different types of records or reports from the contractor. The first is the invoice or bill; you should inform the contractor of the minimum amount of trip and client information that is required on every invoice. Second, you may require details of the delivery of service, including but necessarily limited to the percentage of group vs. individual rides, average riding time, average waiting times, clients requesting service not receiving it, hours of excess capacity, hours of congestion, etc. Third, you may require information on other aspects of service quality such as client comments, driver training programs, vehicle status and safety reports, etc.

You may require all of this information every month or every time an invoice is received. On the other hand, in the interests of saving money, you might only wish the second and third types of data, quarterly or even twice a year.

Most of the information your agency may require or seek has already been discussed. You must make all these details very clear to the contractor. If you expect the contractor to gather, keep, or tally any type of information, you both must agree on the format in which that information should appear, when, and how often.

You and the contractor should agree on how often invoices will be submitted, how many of the ridership details discussed in the previous section will be included, and how much analysis of trip or other data is required. Will you require the contractor to monitor service levels over time or will your agency staff perform that function with the data submitted by the contractor? These are the type of details on which you must agree at the time of contract negotiation.

Like everything else suggested in the Manual, you may have to reconsider the ideal situation. The cost of certain activities by the contractor may be too great or the contractor may not be able to perform those activities.

Chapter Four.

Trade-offs to be Made in Contracting for Service

THE MESSAGE OF THIS CHAPTER

This Chapter will explain the major types of formal contracts into which your agency may enter in pursuit of the goals and objectives developed in previous Chapters. Each of the major types of contracts addresses some concerns and misses other concerns. Each of the types of contracts considered here has advantages and disadvantages.

Generally, the easier a contract is to understand and enforce, the less specific control your agency will have over the various service and administrative aspects which are of concern. Conversely, the more detailed and specific a contract is about the details of service provision, the more difficult it is to understand, to follow, and to enforce.

The trade-offs are generally fairly straightforward. The more detailed and exacting a performance you expect of the contractor, the better the service you will get but the harder it will be to see to it that the contractor conforms to the contract. The simpler the contract is, the lower the service you expect but it will be easier for the contractor to conform. You will generally realize some savings in personnel time and resources.

The direct financial question is harder to address. Complicated contracts, which are monitored and enforced, can cost you less than simple contracts which require no specific performance standards. But to the cost savings must be added the cost of the personnel time and resources consumed in monitoring the more elaborate contract.

The real point of this Chapter is that you should try to write the kind of contract, or make the kind of verbal agreement, that is best suited to both your clients' transportation needs and your agency staff resources and expertise. Unfortunately, there is no one optimal solution; your decision may imply a compromise or trade-off.

WHAT THIS CHAPTER WILL DO FOR YOU

This Chapter will discuss the five major types of contracts generally seen in the transportation field. The Chapter will describe the advantages and disadvantages of each type of contract and suggest under which situations one is to be preferred over another. The five major types of contracts are:

- assurance contracts
- cost plus fixed fee contracts
- fixed unit cost contracts
- performance contracts
- incentive contracts

These contracts are not necessarily mutually exclusive, they may be combined. Figure 3 summarizes the major advantages and disadvantages of each type of contract.

These contracts are not separate from the types of service and performance standards discussed in earlier Chapters of this Manual. They are the most common way to express the service and administrative requirements which you have already established for your agency. Choosing one of these types of contracts, or variations of them, is just the final step in determining and agreeing on the service factors which you expect of the contractor. In some sense, these contracts are just the simplest way of stating your mutual agreements about service and costs.

ASSURANCE CONTRACTS

Assurance contracts usually state that for a given amount of money, the contractor will provide all transportation services requested. Although the unit used to establish the price may vary, the most important definitive characteristic of a true assurance contract is that no levels of service are specified or guaranteed. Assurance contracts are often chosen by agencies which know nothing about their clients' needs and do not wish to have anything to do with transportation provision.

For example, a contract may state a flat rate of \$400 per month; it will not state how many clients are to be carried. Some assurance contracts are "disguised" as unit contracts and the flat rate is expressed, for example, as vehicle hours of service. However, any contract that does not really state what levels of service are required for the monthly charge or only states minimum or maximum levels is an assurance contract.

The most common variant of the assurance contract is to specify minimums and maximums. Minimum levels of vehicle hours satisfy the agency contracting for

Figure 3
The Advantages and Disadvantages
Basic Types of Contracts

<u>Type of Contract</u>	<u>Advantages</u>	<u>Disadvantages</u>
<p><u>Assurance Contract</u></p> <ul style="list-style-type: none"> • Fixed price for any amount of service regardless of cost <p>variants: specify minimum and maximum service levels</p>	<ul style="list-style-type: none"> • no need to monitor cost components • no need for extensive record-keeping and invoicing systems • can provide a guaranteed service • easy contract for inexperienced agency to administer 	<ul style="list-style-type: none"> • very high risks for both contractors and agencies • no incentives to lower costs or serve more clients • hard to enforce service standards • profits diminished by higher service levels not creating disincentives to better service
<p><u>Cost Plus Fixed Fee</u></p> <ul style="list-style-type: none"> • agency pays all costs direct service plus a pre-arranged fee <p>variants: specify constraint on total contract amount</p>	<ul style="list-style-type: none"> • offers opportunity to trade off costs for service standards • agency pays less because operator bears no risks • useful in risky situations where contractors are otherwise unwilling to offer service 	<ul style="list-style-type: none"> • agency bears all the risk • requires considerable monitoring of books to verify costs • little incentive for operator efficiency • no incentives to increase quality of service
<p><u>Fixed Unit Cost</u></p> <ul style="list-style-type: none"> • fixed price per unit of service. eg. one-way trip, vehicle-mile, vehicle-hour 	<ul style="list-style-type: none"> • experienced operators will be able to estimate costs fairly accurately if ridership data is available • use of traditional transportation units • easy for agencies to understand and monitor 	<ul style="list-style-type: none"> • provides a little incentive to increase quality of service • increases in productivity can accrue to operator not agency • problems if clients are very different or trip characteristics vary significantly

Type of Contract	Advantages	Disadvantages
<p><u>Performance Contract</u></p> <ul style="list-style-type: none"> • usually combined with more basic contract; operator must provide a given level of productivity for a given unit price. e.g. a set number of passengers per vehicle mile <p><u>Incentive Contracts</u></p> <ul style="list-style-type: none"> • usually combined with basic contracts: <ul style="list-style-type: none"> • tips added by agency to basic unit fare • all client fares collected go to operator • premium paid for above-minimum levels of service • cost plus variable fee; fee depends on productivity 	<ul style="list-style-type: none"> • provide incentives to increase efficiency and productivity <ul style="list-style-type: none"> • ensures driver response & assistance • provides incentive to increase productivity 	<ul style="list-style-type: none"> • must be extensively monitored • ridership and client characteristics must be appropriate • imposes risks on contractor which will probably be reflected in the price • may be difficult to monitor quality of service delivered <ul style="list-style-type: none"> • clients may also tip without knowing about agency action • incentives exist to overcharge clients • requires extensive monitoring & record-keeping

service; maximum levels of service protect the contractor from being overrun with demands.

There are many, many problems with assurance contracts. Still it is amazing how many agencies establish such contracts. Sometimes the agency does not realize that it isn't getting unlimited transportation services; this is a common problem with small, unsophisticated agencies. Often the agency has many primary-service related responsibilities and just does not want to be bothered with monitoring any aspect of transportation service.

Sometimes an agency is under a policy directive or a court order to ensure that a transportation "system" exists. An assurance contract is the easy way to do so. Assurance contracts are often disguised and stated in unit cost terms; sometimes the contracting agency is fooled and sometimes only its sponsoring agency is fooled.

Assurance contracts do not guarantee that your clients will get transportation when they need it or in the manner in which you would like it to be provided or at the levels you would expect. This is not necessarily because the service contractor is a bad provider. If you do not care enough about your clients to establish service and reporting standards, and to assign staff to monitor compliance with those standards, why should the contractor be expected to do so?

Contractors are totally or partially in the transportation business. You are in the "business" of meeting your clients' needs. If at all possible, you should figure out what those needs are and the best way to serve them and then ask the contractor to do his or her job.

An assurance contract might be a useful way to start a demonstration of a new system. If your agency carefully monitors service response during the demonstration period, you may be able to determine the exact levels of service which your clients require.

Most authorities do not favor assurance contracts because of their many cost and service disadvantages. If the contractor is constantly late in picking up your clients, or even occasionally forgets to pick them up at all, you have no recourse. If the vehicles are dirty or the drivers rude, you have no options.

Assurance contracts are probably the major exception to the rule that the more specific your service standards, the higher the contract price. In general, assurance contracts cost more per passenger serviced (when that measurement can be calculated) than other types of contracts in most situations. On the other hand, to be fair, the time and resources of the sponsoring agency devoted to transportation services are probably less than with any other type of contract.

COST PLUS FIXED FEE

This type of contract generally states that your agency will pay all the specific costs of the direct provision of transportation to your clients, and in addition a fee which generally represents a profit or an administrative surcharge. There is nothing inherently wrong with such an arrangement; private providers who cite other types of cost figures are simply blending their profits into the unit costs cited. Note that it is possible to have a cost-plus-fixed-fee contract with a non-provider as well as a profit-making one.

This type of contract has several benefits although most are to the contractor. Because this contract removes the risk to the contractor that you have or will guess incorrectly about your clients' trip needs, many contractors will be willing to charge you less than under other contract arrangements. Since the contractor will be paid for all services provided, he cannot lose.

If you establish such a contract you will have to 1) agree during contract negotiations what costs are to be paid for by your agency and which are to be absorbed into the fee; and 2) how your agency will be able to monitor those expenditures. For example, the fee is often called a "management fee". In that case, you should establish if the salaries of any of the contractor's staff will be covered by this fee or if they will all appear in your cost column. Moreover, you and the contractor should agree on what kind of cost records will be kept, how often they will be submitted to you, and how you will verify the charges made.

In a straightforward cost-plus-fixed-fee contract you have little control over how efficient the contractor is, how good the service delivered is, or whether the contractor is controlling productivity at all. Unless there is a maximum amount specified in the contract, the contract provider has no incentive to try to be more efficient or to reduce "your" costs. Even if a maximum level is specified, all the contractor must do is stay just below that level or only institute efficiencies when there is a danger of exceeding the contract total.

Cost-plus-fixed-fee contracts can have both performance standards and incentive clauses built into them. These will be discussed below.

FIXED UNIT COSTS

Fixed unit cost contracts are those that specify one flat rate for either one-way passenger trips, or vehicle miles, or vehicle hours, or some combination of the last two measures. It appears that the overwhelming percentage of social service agency contracts with transportation providers are variants of this type of contract. Most of Chapter Two and Three has tacitly assumed that you would be interested in such a contract.

The advantages, and thus the attraction, of such contracts are many. They are easy to understand and easy to monitor. Total expenditures can be limited

or easily predicted in advance if an agency has ridership data. These measures are the traditional way transportation providers have established costs, and they seem to be the kind of units which both agencies and transportation providers mutually understand.

Fixed-unit-cost contracts, however, do not provide any incentives for the provider to increase productivity or efficiency. Or if they do provide incentives (as with per passenger figures), the cost savings will not be realized by the contracting agency.

Agencies can specify qualitative aspects of service provision under a fixed-unit-cost contract, and can impose financial penalties for failure to meet those service standards. An agency can specify that all vehicles will be clean or that all riders will be picked up within 30 minutes of being called. If such standards are specified when the fixed-unit-cost contract is negotiated, penalties can be established. However, the agency will have to specify how it will determine whether those standards are being met. Any such standards will generally increase the unit cost charge to the contracting agency.

Again, incentives and performance standards can be built into the contract process for fixed-unit-cost contracts as with cost-plus-fixed-fee contracts.

PERFORMANCE CONTRACTS

No one contract can be characterized as a performance contract. A performance contract is any contract that makes payment contingent on the performance of certain activities at certain levels or that makes such payment in relationship to certain quantitative measures. For example, a contract may be based on a fixed unit cost of \$8.00 per passenger trip. The contract may also state that no charge will be allowed for any passenger trip where the passenger is picked up more than 40 minutes late.

The performance contract may involve a sliding scale. Perhaps the contract will specify that there will be a fixed unit charge of \$18.00 per hour if four or more passengers are carried per hour, but only \$14.00 per hour if two or more are carried. This kind of standard reduces the contractor's receipts or profits if s/he cannot meet the productivity level specified.

There are, however, several significant problems with such requirements. First, while it is easy to state any number of ideal performance standards, if you specify too many you may lose a number of potential contractors. Any remaining contractors, knowing that it will not always be possible to meet the high levels which you have established, will simply increase their unit charge to reflect the probabilities of failing to perform satisfactorily. Any college statistics student will tell you how the contractors will do that!

If the contractor's charge to you does reflect some contingencies for failure, he may or may not be inspired to try to meet your performance levels.

After all, he has already allowed for missing those standards at least some of the time. In such a case you cannot tell what factor will be more important -- the contractor's desire to increase profits or his now reduced fear of losing money if he does not perform.

Another serious problem with performance contracts is that they often require a great deal of sophistication on the part of the contracting agency in both setting performance levels and in monitoring them. It may be easy to say that you would like your clients to ride in clean vehicles with trained drivers; it is another matter to specify that the contractor should and could serve 4.4 passengers per vehicle hour if s/he operated efficiently.

Even if your agency staff knew enough about transportation provision to specify detailed performance standards, you would still have to specify the kind of records that the operators would have to keep in order to allow you to gauge whether that goal was being met. And you would have to make sure that the records were accurate. Many agencies would have to hire a consultant to set up such standards and to monitor them!

There is always the problem of setting the penalty for non-compliance. The example above suggested that many contractors will increase their price to you if they believe that you will really enforce penalties. You can never be sure if the penalty is seen as a cost of doing business (reflected in the price charged to you just as interest rates would be) or whether the avoidance of the penalty acts as an incentive to perform satisfactorily.

This discussion does not imply that you should not consider performance contracts. Rather it suggests that it is important to specify the elements of service which are most important to you and to work with the provider to achieve those standards. For many social service agencies the most important standards are those that involve qualitative aspects of service; driver concern and attention; client treatment; etc.

It is one thing to understand performance and productivity measures and to work to increase them for your own system. It is another thing to attempt to impose such standards on contract providers. The last Manual in this series, How to Make Your Transportation System More Efficient and Effective, addresses these issues. In many cases it would be better for an agency to work with the provider, in a cooperative manner, using that Manual or other relevant guidance. It may not be effective to impose such requirements as contractual standards.

It is pointless to write many service standards and performance guidelines into a contract if you do not intend to monitor contractor adherence to those standards. Performance criteria added to any of the basic contracts should be added with agency intention to monitor compliance and agency willingness to exact the stated penalties. If you conform to this requirement you will probably reduce the number of service elements which you can consider for a performance contract.

There is a very real place for performance standards in a contract. But you cannot expect penalties and sanctions to do what basic trust on your part and essential cooperation on the part of the contractor will not do. And you cannot expect that a written document, without attention and resources on your part, will somehow magically enforce those standards that do exist.

INCENTIVE CONTRACTS

Incentive contracts are just another facet of performance contracts. Instead of the "stick", incentive contracts offer a "carrot". Again, there is no one incentive contract; an incentive contract is any contract which provides additional money for performance over and above a given level.

Some clever incentive contracts address two different problems at once. For example, a previous section suggested that it created problems to collect the client's share of any fare. A very clever incentive used by a few agencies is to allow the contractor or the drivers to keep the 25¢ or 50¢ fare to be paid by the client. This removes the need to issue tickets, keep statements, etc., for amounts which are not great enough to justify large bookkeeping efforts, yet which are large enough to induce drivers to increase productivity by getting more riders.

A large contract provider in one city gives his drivers points for conforming to acceptable behavior; so many points for being neat, so many points for being on time, etc. These points add up to cash bonuses. Although there is some recordkeeping involved in setting up such a system, the positive results suggest that incentives may be a better way to achieve satisfactory performance than sanctions (which probably require just as much recordkeeping).

Several California agencies contract with taxi operators, paying part of the meter fare; the client pays all the amount above that. If the taxi driver groups three or more passengers, he is allowed to keep the additional fares. This creates enough incentive to slightly lower the agency's total costs while still allowing the driver to make more money.

There are not really many examples of incentive based contracts. In part, this is because agencies have assumed an adversary role toward their contractors; they worry only about preventing the contractor from "cheating" them and not about increasing performance. Other agencies simply do not have the resources to pay more for improvements in service. Sometimes agencies simply haven't thought about what would provide a useful incentive. You might discuss with potential contractors how to build in incentives that would lead to appreciable cost savings or service improvements.

SUMMARY

This entire Manual has made two key points. The first point is that both you and the contractor must agree on what services are to be delivered and what

those services will cost. If you really have reached a mutually satisfactory and well-understood agreement, your contract will go smoothly. Written sanctions and penalties will not make a contractor provide satisfactory performance if he did not intend to do so when he entered contract negotiation. There is simply no substitute for clear communication and mutual respect.

The second point made by all the discussions in this Manual is that every facet of service, every level of performance which you require will probably cost you something extra. You must recognize that fact and make all your mutual arrangements accordingly. All the service, performance, and administrative levels which you require should be in conformance with your agency goals and objectives.

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AVAILABILITY

Documents with an NTIS number are available to the public from the National Technical Information Service, 5825 Port Royal Road, Springfield, Virginia 22161. Those without numbers can be obtained if you will write to NTIS and be sure to include the full title and the author(s) name(s). Generally, both paper and microfiche copies are available; costs vary with the length of the document.

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