

# Transportation Service Collaboration in the Face of Consolidation

**D**iscussions and legislation regarding the consolidation or cooperative provision of support services across local district boundaries have intensified nationwide. Maine, Michigan, New Jersey, Ohio, and Pennsylvania have all had serious discussions about consolidating districts and services. This trend will likely increase in scope and intensity in those and additional states, particularly in the event of a notable implementation.

The services targeted and the approaches considered are many and varied, but a consistent theme is to capture economies of scale in providing noncore services in environments where small districts cannot provide such services efficiently or effectively.

Transportation services in particular are receiving a disproportionate share of attention. Costs have been increasing rapidly, and consideration of alternative service provision models has more relevance today than ever before. The elimination or consolidation of transportation manage-

ment positions and the aging workforce are reducing operational expertise, while the advent of technology and pressures on transportation budgets are leading to new ways to leverage limited available resources. This confluence of circumstances demands that the business official consider ways of staying in front of these emerging trends.

## **Collaborative Transportation Defined**

Collaborative transportation refers to the sharing of services across district boundaries in search of cost savings and service quality improvements. It can be undertaken on a small or large scale, with many options in between, and can include

- limited sharing in areas such as fleet maintenance or driver training,
- outsourcing of selected services to a third party, or
- complete consolidation of two or more transportation departments.



By Tom Platt and Tim Ammon

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The ability to develop a transportation strategy that considers the larger area as a unified whole invariably reveals routing efficiencies that were unavailable to the districts individually. Many other worthwhile opportunities stop short of this ultimate expression of consolidation, however. They fall into four broad categories:

**Shared service delivery.** This category refers to the actual sharing of buses and drivers among the participating school districts. Under this approach, possible options include combining operations in their entirety or taking advantage of more limited sharing in targeted areas, such as athletic and field trips and center-based special-needs transportation.

**Shared management services.** In this example, buses and drivers may serve only a single district, but management of the operation is shared through a common director and/or other management support positions, such as operations supervisors or route development specialists.

**Shared support services.** Fleet maintenance and management, procurement of buses, field trip billing, and payroll processing are all examples of sharing transportation support services across districts.

**Shared infrastructure.** This final category includes sharing the transportation services infrastructure, such as operations and maintenance facilities, radio communications systems, or routing software.

Given mounting budgetary pressures and the increasing demands for consolidating services across small districts, the business manager should consider all possibilities for sharing transportation services. Sharing services does not need to result in the loss of a district's transportation identity, and the right approach for any one group of districts should be based on the circumstances unique to that area.

The overriding concern should be the efficient use of public funds, particularly in noncore areas like transportation. The challenge is to remain in front of the emerging wave such that the local business officials accomplish the consolidation objectives on their own terms, in the most appropriate manner for their local conditions and service requirements.

### Making Consolidation Work

Regardless of the approach, making consolidation work on any scale requires the leaders of the participating districts to display several characteristics. Of utmost importance is to first understand, and then have a willingness to accept, the invariable trade-off between the operational risks associated with consolidation and the anticipated rewards. Risk results from the difficult process of managing change and altering long-established business practices. Change is difficult under any circumstances, and actual realization of the expected improvements requires careful management and attention to myriad details.

Also critical are an understanding of and a willingness to accept another invariable trade-off—that between control of one's own operation and the efficiencies available through consolidation. While there is a virtual continuum of potential collaboration opportunities in transportation, the closer they get to complete consolidation of services the more control each local district must be prepared to cede to the combined transportation entity. As risk increases and direct control over operations decreases, the potential increases for higher gains in efficiency increases.

These factors demand a highly cooperative approach among the participants in any consolidation effort. Each must realize that they are in it together, yet there must also be a strong foundation of documentation and organization for the implementation and subsequent operations to run smoothly.

This foundation begins with clear, concise documentation. This is a critical element regardless of the scale or scope of the consolidation being contemplated. The foundation document must clearly and concisely address the specific services to be consolidated, the standards under which those services will be provided to each district, how the costs of those services will be determined, and how those costs will be allocated equitably among the participating districts. In addition, this foundation document must address both the governance and the actual management of the consolidated service. Every successful consolidation treats these two elements the same way. Governance of service delivery—those subjects related to the services being provided and how standards of service will be established and maintained—must be jointly provided by each participating district.

In contrast, there must be a single authority for managing service delivery under the standards established by the governing authority. For example, in a simple case of consolidation of fleet maintenance services across two districts with the services to be provided by one of the two, the district providing the service must have sole management control over how the service will be provided. However, each of the two districts must jointly establish, perhaps through a committee of business officials from each, the standards of service that must be achieved. The fleet maintenance department would be responsible to this governing authority for meeting those standards.

## Models for Collaboration

With the foundational elements above in mind, school business officials may consider several viable models for organizing a service consolidation effort.

**Service consortium.** In this model, participating districts create a separate, stand-alone entity to provide transportation services to the participants. This approach has the benefit of removing any management control bias since no one district is responsible for providing services. It is also potentially the most complex to establish and administer, since the consortium itself must be a separate legal entity, with all the associated implications for liability, funding, and reporting.

**Third-party contract for service delivery.** An alternative to the consortium approach is a service delivery contract between the participating districts and a third-party provider. This provider may be a private-sector company or another government entity, such as a municipality (e.g., for the provision of fleet maintenance services), or a regional educational agency. This approach provides many of the same benefits as the consortium but minimizes the complexities associated with establishing the consortium as a separate entity. The primary constraint is the availability, suitability, or willingness of third-party entities to participate.

**Third-party management contract.** A simplified version of the third-party contract approach is to limit the scope of the agreement to management only. In this model, the conflicts associated with one participant's retaining management control are mitigated by outsourcing only the management function to a third party, while the operational assets (buses, drivers, facilities, etc.) continue to be provided by the individual participants with an appropriate sharing of costs.

The advantage of this approach is that it eliminates the management bias concern with a minimal effect on each district's operations. The primary drawback is the complexity introduced in the management of multiple districts' assets and in creating an appropriate input-output model for the equitable sharing of contributions and costs.

**Interagency service agreements.** This model works best for small-scale collaborative opportunities, primarily when one district is in a position to provide a particular category of service to another. Examples include fleet maintenance, annual route development, or provision of field trip or some other form of specialized transportation. The structure of the foundation document can serve as a service agreement between the entities.

The advantages of this approach are related to simplicity and ease of administration, which can work well in strong collaborative environments. The primary disadvantage is that the approach does not work well when consolidating major categories of service, and it does not address the concerns of management bias on the part of the district providing the service.

## How to Get Started

Taking charge of your destiny in an obviously high-potential area such as transportation allows you to address the consolidation trend on your own terms, considering your own unique operating conditions, in a way that can be truly advantageous. Consolidation does not necessarily mean losing control or giving up your locally provided transportation services. A wide range of possible approaches may work well for you and can yield significant gains in efficiency.

The process should begin with an analysis of your transportation department and those of your peers in the region. Ask yourself,

- How efficient and effective are my transportation services today? How about those of my peers?
- Are there aspects of my service that are particularly strong or weak relative to my peers?
- Do I or my peers have strong transportation management teams or infrastructure that would be effective across districts?
- Is my service large enough to capture the economies of scale prevalent in student transportation operations?

These and similar questions, fairly posed and honestly answered, will help define where and how to best address the prospect of transportation consolidation and whether your district can stay in front of the consolidation wave. ■

Tom Platt is president of Management Partnership Services, Inc., Rockville, Maryland.

Tim Ammon is vice president of Management Partnership Services, Inc., Rockville, Maryland.



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