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October 8, 2004

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BY FACSIMILE

The Honorable Dan Tangherlini
Director, Department of Transportation
Government of the District of Columbia
2000-14th Street, N.W. – 6th Floor
Washington, DC 20009

Dear Mr. Tangherlini:

This letter follows up on the September 30, 2004 hearing of the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, entitled "How Can We Maximize Private Sector Participation in Transportation? – Part II." As discussed during the hearing, please respond to the enclosed followup questions for the hearing record.

Please hand-deliver the agency's response to the Subcommittee majority staff in B-377 Rayburn House Office Building and the minority staff in B-350A Rayburn House Office Building not later than noon on October 29, 2004. If you have any questions about this request, please call Subcommittee Staff Director Barbara Kahlow on 226-3058. Thank you for your attention to this request.

Sincerely,



Doug Ose
Chairman

Subcommittee on Energy Policy, Natural
Resources and Regulatory Affairs

Enclosure

cc: The Honorable Tom Davis
The Honorable John Tierney

- Q1. Advantages to Private Sector Participation in Transit. In think tank expert Dr. Adrian Moore's written Statement for the Subcommittee's May 18, 2004 hearing, he explained, "we must take care to understand why private sector participation works. The key distinction isn't so much private vs. public, but competition vs. monopoly" (p. 6) and "In many cases government agencies compete with private service providers or have forced private providers out of the market in order to maximize revenue for government services" (p. 1).

What advantages and disadvantages has your experience revealed relating to private sector participation arrangements in mass transit? And, can you estimate dollars or time saved under these arrangements?

- Q2. Private Sector Participation. On July 23, 2004, you sent a letter to Martz Gold Line/Gray Line about the proposed Circulator in DC, stating, "The Circulator is an appropriate **public** transit service" and "After gaining cost and operating experience in Phase I, it is the partner group's **current intention** to invite competitive bidding on Phase II services from private contractors" (emphases added). In your written testimony for the Subcommittee's September 30th hearing, you indicated a change in approach for Phase I, saying, "Just last week, ... we agreed to explore how we might arrange for the operation of these buses to permit managed competition. Three options appear to be possible" (p. 4). One continued to be operation by the Washington Metropolitan Transit Agency (WMATA) only.

Will the federally-subsided WMATA, the public transit agency, be allowed to compete with private transit providers for delivery of the Phase II services, which would replace the current Tourmobile Services? If so, how will taxpayers be assured that WMATA does not submit a not fully allocated bid?

- Q3. Public Costs for Proposed Circular.
- a. The DC Downtown Business Improvement District (BID)'s website on its proposed Circulator system states that current estimates are \$11.9 million in capital costs and \$6 million annually in operating costs. Do these costs include: (a) any financial subsidy, and (b) full required buy-out costs for the franchisee Landmark Services Tourmobile, Inc. (including fair value possessory interest in government improvements, concessioner improvements, tourmobiles and supertrams, merchandise and supplies, and equipment)? If so, how much is estimated for the subsidy and how much for the buy-out? If not, what are your separate estimates for the subsidy and the buy-out?
 - b. What is the DC Department of Transportation's estimate for the difference in total **public** costs (Federal and local) between the current franchisee arrangement and the proposed Circulator system? Do you think this is a good deal for the American taxpayer?

- c. Lastly, the Subcommittee was told by the American Bus Association that the proposed Circular would “cost more and charge less.” Is this accurate?