

Ride On Short Range Transit Plan
Issue Paper: Future Service Scenarios and Marketing Plan
December 4, 2005

Overview of Issue Paper

James Transportation Group has been engaged by the San Luis Obispo Council of Governments (SLOCOG) to prepare a Short Range Transit Plan (SRTP) for Ride On Transportation. This SRTP is intended to guide the development of Ride On for the next 5 years. The approach being taken by the consulting team to the preparation of the Plan is to draft a series of issue papers on specific topics that build to the final Short Range Transit Plan. This paper is a key element of that series.

The previous issue paper addressed the role of Ride-On as a Consolidated Transportation Service Agency (CTSA) and examined many of the prior plans prepared by or for the organization. That paper focused on the goals of objectives established for Ride-On in those various planning efforts. The paper went on to emphasize that all goals, objectives, and ultimately implementation strategies must be evaluated against the framework set forth for CTSA's in the legislation that provided for their creation. That legislative intent is restated below to serve as that framework:

It is the intent of the Legislature, through the enactment of this part, to improve transportation service required by social service recipients by promoting the consolidation of social service transportation services so that the following benefits may accrue:

- (a) Combined purchasing of necessary equipment so that some cost savings through larger number of unit purchases can be realized.*
- (b) Adequate training of vehicle drivers to insure the safe operation of vehicles. Proper driver training should promote lower insurance costs and encourage use of the service.*
- (c) Centralized dispatching of vehicles so that efficient use of vehicles results.*
- (d) Centralized maintenance of vehicles so that adequate and routine vehicle maintenance scheduling is possible.*
- (e) Centralized administration of various social service transportation programs so that elimination of numerous duplicative and costly administrative organizations can occur. Centralized administration of social service transportation services can provide more efficient and cost effective transportation services permitting social service agencies to respond to specific social needs.*
- (f) Identification and consolidation of all existing sources of funding for social service transportation services can provide more effective and cost efficient use of scarce resource dollars.*

Consolidation of categorical program funds can foster eventual elimination of unnecessary and unwarranted program constraints.

Implementing the Social Services Transportation Action Plan

In the years since its designation as the CTSA for San Luis Obispo County, Ride-On has done a noteworthy job of pursuing and achieving the legislative goals established for these organizations. The mission of a CTSA as envisioned by the legislature is being realized in San Luis Obispo County through Ride-On. Among the legislative missions is the consolidation of administrative functions to achieve greater overall efficiency. Ride-On has brought together a number of the social service transportation functions in the County under central administration. These include its administration of Medi-Cal transportation, its operation of the Tri-Counties Regional Center program, support for centralized 5310 federal transportation applications, and other similar programs. The organization has also expanded its reach through the designation as the Transportation Management Association (TMA) for the County. This brings a collection of management programs under the umbrella of the organization thus contributing to the overall objective of consolidating administrative functions for transportation programs. Finally, Ride-On has successfully competed for transit and paratransit contract opportunities in the region in an effort to more widely distribute its administrative capabilities and to generate income to support its core CTSA programs. A total of 56 organizations in San Luis Obispo County now partner with Ride-On in its CTSA role. Of these, 47 organizations receive transportation from Ride-On. The remaining 9 organizations receive multiple services from Ride-On including maintenance, driver training, vehicle acquisition support, and assistance with CHP compliance.

There are several approaches to evaluating the performance of the programs and services that are provided by Ride-On. These include total passengers served, riders per hour, and cost per passenger. In response to earlier planning and audit projects, Ride-On has prepared its operating records by individual service program. This allows analysis of the effectiveness of each component of Ride-On service.

Attachment 1 to this issue paper presents the Riders, Service Hours, Riders per Hour, and Cost per Rider for each Ride-On service for July through September 2005. Ride-On is currently providing over 20,000 rides per month. The two largest components of this ridership are the Regional Center and the vanpool program. Together these make up over 18,000 of the total. The high volume of rides contributes to these being the most cost effective components of service at \$9.49 and \$2.47 respectively (September 2005 estimates).

A review of this data also indicates that services such as CIP, Private pay, and Senior transportation cost from \$39 to \$45 per trip to provide. These per trip costs are high for the service area. These high costs may be justified due to the unique nature of the clientele such as the disabled population served by the CIP service. And further, the vehicles used to transport these individuals are the same as are used for the Tri-Counties

Regional Center thus making better utilization of equipment. But these costs do suggest the value of examining alternative approaches to providing service. Some communities use programs such as taxi subsidy to supply ambulatory trips. In San Luis Obispo the taxi meter rate is \$3.00 per pickup and \$2.15 per mile. Recommendations contained later in this paper include improving Ride-On's analytical capability to evaluate and continuously improve such programs.

In 2004, Ride-On developed a Strategic Plan to guide its efforts for the succeeding 3-year period. That Plan clearly delineated the three functional divisions touched on above:

- Consolidated Transportation Services Agency (CTSA)
- Transportation Management Association (TMA)
- Operation of Public Contract Services

The various service scenarios and marketing plans presented in this paper are structured into these functional divisions. Thus they are consistent with Ride-On's management structure and build upon a clear framework for evaluation of growth opportunities.

This issue paper brings together various service scenarios with a marketing management perspective. These two crucial pieces of the planning process combine to lead to a number of recommendations for action by Ride-On. Some of the recommendations are meant to be for internal use and easily implemented. Others are for more sweeping longer-term actions that can move the organization ahead substantially in fulfilling its role as the County CTSA.

Service Scenarios

Background

The 1999 SRTP addressed the issue of alternative service scenarios from an institutional perspective. It discussed Ride-On's dependence upon the Tri-Counties Regional Center contract as a vulnerability that could jeopardize the entire operation if it ended. This is still true today. The TCRC contract makes up approximately 57% of total Ride-On revenue. The 1999 Plan went on to point out that Ride-On was receiving a significant amount of TDA funding with minimal oversight by SLOCOG. Since that Plan was prepared, the amount of TDA funding has increased substantially. In some ways the level of oversight has increased. Regular monthly reports are provided to SLOCOG. These contain summaries of ridership, income, expenditures, and other measures by service. Further, Ride-On maintains regular communication with SLOCOG to ensure its availability to scrutiny.

Yet the remainder of the 1999 Plan's service scenario discussion was on institutional alternatives. It rightly recognized the importance of the CTSA role and the need for Ride-On and SLOCOG to work together to refine the CTSA mission. The Plan offered little detail on future service delivery refinements or expansion opportunities consistent with the CTSA mandate. The new SRTP will offer several alternative service scenarios.

They are presented here in general form for discussion purposes. The final service plan will enhance these with input from the Ride-On management and Board of Directors, SLOCOG staff, and the SSTAC. Additional input will come from the survey efforts that will soon be undertaken to gather data supporting the final decision process.

Marketing Plan and Program

Background

The Short Range Transit Plan (SRTP) prepared in 1999 contained a marketing element. This Plan will build upon that work and bring the marketing efforts of Ride-On into the perspective of the future of the organization as a whole. To do so, it is important to begin with a firm conceptual basis for a marketing program. Marketing is a mix of elements that interrelate and create a framework for decision-making. It is an approach to management thinking that is useful in guiding new program development or refinement of existing services.

The classic marketing mix is made up of four elements: Product, Price, Promotion, and Place.¹ These 4 P's of the marketing mix are proposed for application to all current and future service refinements or additions by Ride-On.

- **Product:** This means that marketing is based upon offering products (or services) that are sought in the marketplace. They are created to serve an identified need. This goes far beyond the concept of creating a service and then “marketing” or “selling” it in hopes of someone deciding to use or purchase it. This is a cornerstone concept in the marketing mix.
- **Price:** Price is a key area of marketing strategy. Any product or service must be correctly priced in the marketplace in order to generate sales. Sometimes pricing decisions are based upon competitive services. Sometimes decisions are based upon strategies relative to competition. In Ride-On’s arena, pricing must take into account the availability and levels of various subsidies that combine with user fees to make up the actual price of a service.
- **Promotion:** Promotion is the element that most people think of when they mention “marketing.” This is the advertising or public information element of the mix. It is the sales element. Promotion is used to offer a product or service and to encourage people to use it or buy it. Typically after a service is designed for its appeal to a market segment, it is then packaged in a way to make it known and appealing to that market.
- **Place:** This element of the marketing mix is the classic positioning of a product or service. Should the product be sold at Macy’s or Target? This is the “Place”

¹ Philip Kotler is a leading authority on marketing management and has defined the marketing mix in a number of books including graduate texts on the subject.

decision. It has to do with the nature of the target market and how they are likely to view the service. In the Ride-On case, this might mean that a program like Safe Ride Home is targeted to college students rather than the general public because typical adults may not wish to ride on the bus with a group of college students. Attempting to attract large numbers of non-students may not be effective because the service is “placed or positioned” to reach the college market.

Using the elements of the marketing mix as a framework for developing a marketing management perspective will be helpful to Ride-On in structuring future service offerings and evaluating the effectiveness of existing programs. Ride-On management and SLOCOG can both use this perspective for planning or evaluating marketing strategies over the planning period.

Alternative Scenarios

Basic Service Level

The first option for the future of Ride-On is to maintain the present course with little variation or adjustment. This baseline alternative means that the organization would continue on its present course with its current mix of services. There are several issues implied in establishing this direction:

- Additional funding to support new service concepts may not be available during the planning horizon.
- The current service mix provides for financial stability for Ride-On with no significant adjustments.
- Nominal fee increases would maintain pace with inflation.
- No new business opportunities (e.g. additional transit contracts, etc.) are obtained for addition to the Ride-On portfolio even if they would be self-supporting.

The basic service level scenario could embody refinement to existing services and business endeavors. Service quality could be increased or service delivery methods could be refined. But the overall size and scope of the operation would remain roughly the same as it is today.

Recommendations

A number of actions are recommended for implementation by Ride-On for the basic service scenario. These apply as well to the more substantial service scenarios. They address existing issues identified in the research for this SRTP. They are separated into the 3 Ride-On Divisions in order to make their implementation a better fit with the existing organizational structure.

CTSA:

- **Cash Flow/Financial Security:** Increase emphasis on cost control within existing programs in an effort to accumulate cash reserves to improve financial security. More data will be available soon on which to evaluate this issue. The new South Bay service contract began on October 1. It replaced the Nipomo Transit contract that has been losing \$4,000 to nearly \$9,000 per month. Losses of this magnitude can have a very significant impact on cash flow.
- **SLOCOG Reporting:** Refine the reporting process to SLOCOG to improve accountability and document use of TDA and STA funds. This should include quarterly reports of financial performance and a brief update on CTSA activities. This should tie back to the true CTSA objective of coordinating or consolidating transportation services.

- **Customer Responsiveness:** Improve customer responsiveness by improving interaction with key client representatives creating true partnerships (Tri-Counties Regional Center is critical client). Use these opportunities to assess client satisfaction routinely.
- **Identify Dispatch Efficiencies:** Research indicates that some improvements could be made in the efficiency of the dispatch process. The staff in dispatch offers suggestions for consolidating records and bulletin boards that are used in the process. An organized “process improvement” project should be initiated to identify and implement improvements.
- **Maintenance Business:** Expand the CTSA role by offering specialized maintenance services to other social service agencies in the community while focusing on the financial performance of these services for Ride-On. The 2002 Social Services Inventory identified 246 vehicles used by other social service agencies to provide their services. Of these, 136 were vehicles other than automobiles or pickup trucks. These other vehicles are likely candidates for participation in a centralized maintenance program. Some work is underway in this area. A new customer is scheduled for service soon. However, in building this business, a full market analysis should be prepared including the costs associated with serving new customers and the resultant implications for pricing.
- **Staff Capability:** Improve the technical and analytical capability of the staff through more training. This should include more business management training for key staff members such that they can perform more of their own analysis of operations including financial performance.
- **Technical Capability:** Refine the organization’s technical capability in the use of such technologies as Mobile Data Terminals (MDT’s) that might be used to bring together other social service agencies in vehicle sharing, schedule coordination, and other efficiency actions. MDT’s are on-board computers that receive radio transmissions from dispatch and allow communication with drivers without voice communication. They improve the efficiency of dispatch and on-street operations by reducing voice communication with accompanying GPS systems to allow instant vehicle location by the dispatch office.
- **Equipment Replacement:** Continue to pursue a planned vehicle replacement schedule including the use of 5310 and other funds. The average age of the vehicles in the Ride-On fleet in 1999 was 3.5 years. That has increased to an average of 4.8 years today. Operating costs will inevitably grow as the fleet ages.

TMA:

- **Vanpool Driver Training:** Implement improved vanpool driver training in an effort to increase safety and passenger satisfaction.
- **Vanpool Financial Support:** Seek private vanpool financial support by direct contact with major employers and custom design of vanpool

services (marketing: product design discussed above). Custom features could include on-board amenities on the vans, different pricing mechanisms to allow for occasional use, bonuses for riders who recruit new members, or other creative concepts that could encourage usage.

Contract Services:

- **Cost Analysis:** Rigorous cost analysis should be undertaken. A formal internal process is necessary to evaluate financial performance monthly. Such a process will quickly determine whether existing or new contract operations are in fact producing net income.
- **Alternative Action Plans:** Develop backup plans for contract operations in the event that a joint venture partner such as Southland is no longer interested in or available for the venture.

Modest Expansion

Modest expansion of the Ride-On operation would involve more substantial growth of core programs and the possible introduction of new operations or services. Expansion should be approached from the perspective of marketing management. This means that it begins with the creation of products or services that serve a significant purpose in the marketplace and are consistent with the expectations of the CTSA. This can mean that they are self-sustaining but not necessarily so. If funding can be brought into the mix as an element of the pricing determination, then the actual user cost of new services can be held to reasonable levels.

Recommendations

CTSA:

- **TDA Article 4.5 Funds:** Obtain the additional TDA Article 4.5 funds bringing the total up to 5%. These funds should be used to build the professional capability of Ride-On to pursue additional funds from other sources (vanpools, new federal programs, private funding, etc.). Greater professional capability will allow the organization to be more innovative in achieving the objectives of the CTSA.
- **Senior Transportation:** Building on previous planning efforts and earlier Ride-On experience, work with community agencies to create new services for seniors. These should include group travel to such destinations as congregate meal sites and individual travel to such destinations as medical appointments.
- **Maintenance Services:** Combine maintenance operations with RTA or other agencies.

TMA:

- Additional Vanpools: Expand the vanpool program with additional vehicles. Introduce expanded employer subsidy program. Design vanpool product from a marketing perspective. Include features and operating design that appeals to riders and employers. A total of 4-8 new vanpools per year would be modest expansion. There are currently 22 vanpools in operation by Ride-On.

Contract Services

- Additional competitive proposals: Work with a joint venture partner to prepare additional competitive proposals in the San Luis Obispo region.

Substantial Expansion

Substantial expansion of the Ride-On program would require either significant new funding or substantial realignment of responsibilities or both. Current resources will not support substantial increases in existing or new services. However, additional funds through such sources as the New Freedom initiative or similar programs may offer expansion opportunities. Further, the achievement of true service integration such as combining Ride-On services with Runabout would require realignment. Efficiencies would likely result. But thorough operational, financial, and political analysis would be necessary. However, the following are recommendations should these factors materialize.

Recommendations:

CTSA:

- Facility: Participate in a joint maintenance and dispatching facility with RTA and possibly other agencies.
- Senior Programs: Expand upon the United We Ride protocol to create new senior transportation services in collaboration with other local social service agencies including the Area Agency on Aging. Seek New Freedom² or other funding for new service creation.
- Runabout: Combine service with Runabout to maximize paratransit efficiency.
- Other Services: Establish a formal internal planning/analysis process to identify and initiate new programs for other target markets (e.g. college students, downtown workers, visitors, etc.)

² New Federal transportation program for persons with disabilities going beyond the Americans with Disabilities Act mandate for services and capital facilities.

TMA:

- Additional Vanpools: Greatly expand the vanpool program with additional vehicles. A total of 9-15 new vanpools per year would be substantial expansion.

Contract Services:

- Compete Independently: Develop the capability to compete in the region for operating contracts without involvement in a joint venture. This would require developing more in-house expertise in transit operations, refining bidding procedures to be competitive without requiring other public subsidy, and managing operations to minimize risk to other Ride-On programs. Net income produced from contract operations should support the purpose and intent of the CTSA and also the 501(c)3 purpose of the organization. Ride-On is a federally designated nonprofit corporation. This designation carries with it a particular purpose which results in its exempt status. In the case of Ride-On, the purpose is transportation for the elderly and disabled.

Additional Marketing Recommendations:

The 1999 SRTP pointed out that the system identity for Ride-On and its public information were very fragmented and inconsistent. There was a misperception in the community that Ride-On served only the elderly and disabled. This was in part attributed to the relationship to United Cerebral Palsy as the parent organization. Some data is being collected as part of the current planning process that may offer additional insight on these perceptions. However, early indications are that the status of the organization's identity has changed little since the original plan. In light of this finding and the introduction of a broader marketing definition in this SRTP process, the following recommendations are offered for all three scenarios. These are basic concepts that apply to any scenario and can be implemented in the near term.

- New Product Concepts:
 - Maintenance Business: Consistent with CTSA expectations, develop centralized maintenance as a "product" of Ride-On with a range of benefits unique to the organization and available to new customers. These include specialized capability in van and cutaway maintenance, computerized record keeping, late hours, etc. Price this service competitively in the San Luis Obispo market. Promote this service through printed materials displaying the product and used in a direct contact process with prospective customers.

- Identity:
 - Develop a consistent identity for use throughout all Ride-On programs. This should include graphic and narrative (including verbal) presentation. All public information pieces should tie together and convey the appropriate message as to the ultimate provider of the service. The organization should consider the services of an outside marketing consultant to assist in this process.
 - Select a consistent color scheme for use on the fleet that draws attention to the service and supports the multi-faceted nature of Ride-On. This may require reconsidering the method used to display advertising on the vehicles (such as that of Cellular One at the present time).

- Community Presence/Awareness
 - Initiate a program whereby key community leaders are invited to visit Ride-On and become aware of its services. This could take the form of an annual luncheon or similar program to introduce the community to Ride-On. Board members should participate heavily in this effort.
 - Make periodic formal presentations to the SLOCOG Board to keep the CTSA concept fresh in the minds of key community leaders and decision makers affecting the organization's funding.

Summary – Next Steps

This issue paper has presented three scenarios or alternative service levels that might be pursued by Ride-On during the planning horizon. The paper is provided for discussion by the parties involved with the CTSA and Ride-On specifically. With input regarding the material contained in this paper, the final SRTP will be prepared. It will contain specific recommendations regarding service levels financial impacts, capital requirements, and projected revenues. The final SRTP will be available as a draft for review before being recommended for adoption by the SLOCOG Board.

Attachment 1: Cost per Rider Comparison³

Service	Jul-05				Aug-05				Sep-05			
	Riders	Hours	Riders/Hr	Cost/Rider	Riders	Hours	Riders/Hr	Cost/Rider	Riders	Hours	Riders/Hr	Cost/Rider
Tri-Counties Regional Center	9,879	1,627	6.07	\$11.52	11,204	1,264	8.86	\$9.53	10,486	1,183	8.86	\$9.49
Community Interaction Prog	234	134	1.75	\$40.05	231	120.5	1.92	\$44.04	192	97	1.98	\$42.49
Medi-Cal	289	99	2.92	\$23.96	332	133	2.50	\$33.83	276	95	2.91	\$28.95
Private	224	98	2.29	\$30.59	316	138	2.29	\$36.87	214	100	2.14	\$39.30
Senior	42	18	2.33	\$29.95	83	40	2.08	\$40.69	69	36	1.92	\$43.88
Nipomo Transit	824	186	4.43	\$15.79	864	239.25	3.61	\$23.38	695	215	3.23	\$26.02
TMA Services	1,532	183	8.37	\$8.35	989	122	8.11	\$10.42	1,520	137	11.09	\$7.58
Other Income												
Totals	13,024	2,345			14,019	2,057			13,452	1,863		
TMA Vanpool	7,026	932	7.54	\$2.63	7,688	986	7.80	\$2.41	7,476	960	7.79	\$2.47

³ Ride-On operational and financial data prepared by Ride-On staff.