

**Lessons for Public Transit
from the Low Cost Airline Industry**

– Or –

What if Southwest Airlines Ran the Muni?

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What if Southwest Airlines Ran the Muni?

Presentation Outline

- 1. Introduction**
- 2. Similarities and Differences**
- 3. Does the transit industry need to change?**
- 4. Lessons from the Low Cost Airline Industry**
- 5. Conclusions & Questions**

1. Introduction



Introduction

The objective of this research project and presentation is to stimulate thinking ...

... about new ways to operate public transit.

2. Similarities and Differences

Similarities: Airlines and Public Transit

1. Both transport people.
2. Both have high labor costs.
3. Both offer a 'standardized' product.
4. Both operate in highly regulated environments.
5. Both are experiencing financial problems.

But ...

In the airline industry a new breed of innovative companies have started flying, these airlines:

- Are profitable
- Have high customer satisfaction
- Have high worker satisfaction

Could public transit agencies learn anything from the business practices of these innovative airlines?

Differences: Airlines and Public Transit

- Airlines are privately run businesses, transit is generally a government run service.
- Public transit is generally run by government because most of us consider it a social service.

And, therefore a caveat ...

Public transportation cannot simply operate like a successful low cost airline. Public transit serves many important social functions that will not be met by private companies operating in the marketplace.

However, we believe that there are strategies used by innovative airlines like Southwest and JetBlue, that can help improve public transit operations.

3. Does public transit need to change?

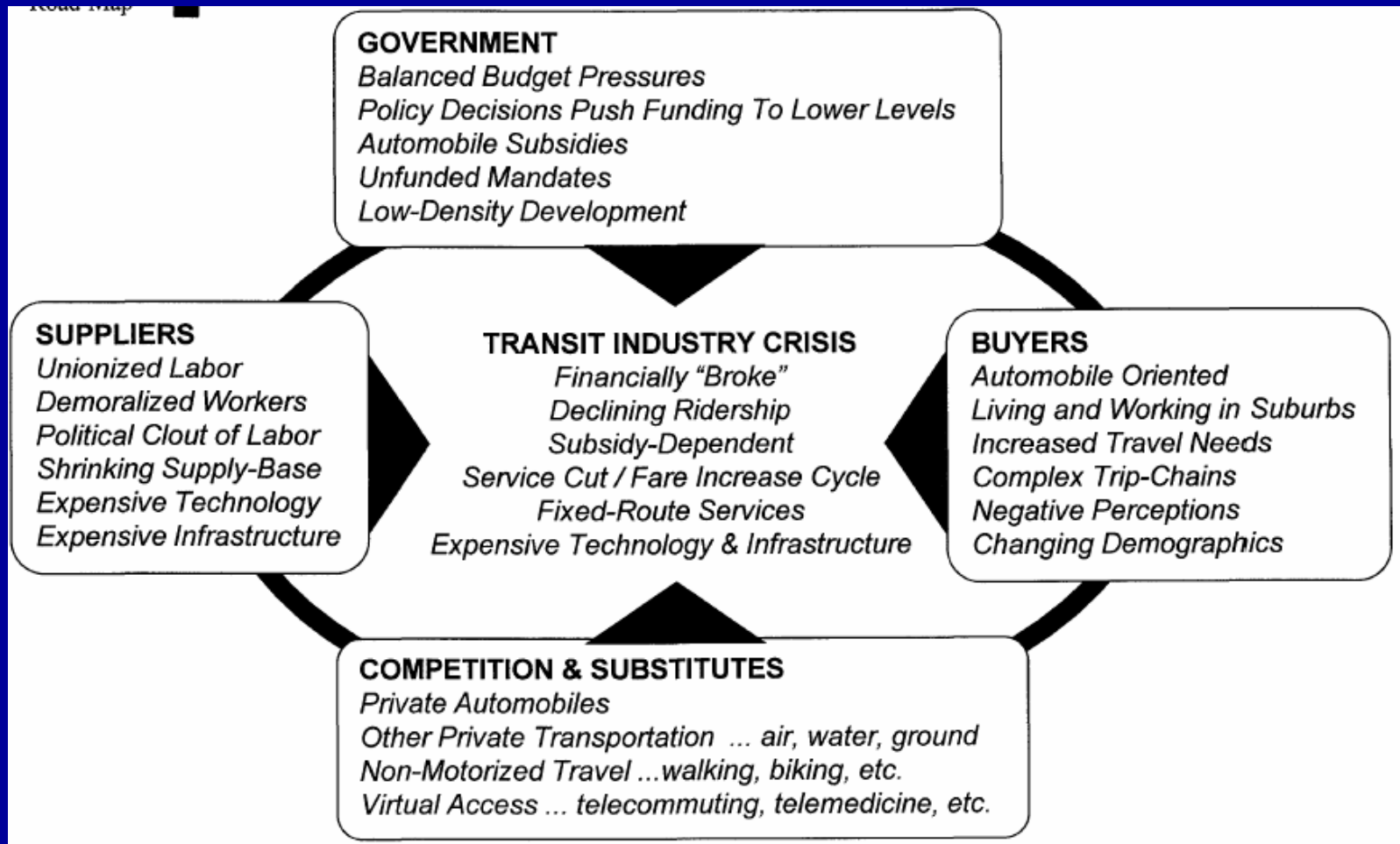
- **Public transit is losing market share.**
- **Most (all?) public transit agencies are in financial trouble.**
- **Are people moving to the suburbs to escape the trials of public transit?**

Admittedly generalizations and simplifications, but does anyone disagree that transit needs to change?

New Paradigms for Local Public Transit Organizations – TCRP Project J-8B:

- Describes why fundamental change is now needed in public transportation and how other businesses have responded to similar forces.
- Identifies six broad challenges that drive the need for fundamental change in public transportation:
 - The vitality of our urban areas;
 - Socio-economic trends;
 - The ‘enabling environment’ (characterized by fragmented responsibilities, regulatory constraints, and conflicting policies/goals);
 - Organizational dynamics and culture;
 - The focus on customer’s experience; and
 - The digital economy and information age.

TCRP Research Results Digest #24: New Paradigms Report:



4. Lessons from the Low Cost Airline Industry

The Southwest Model

The Southwest Model consists of implementing a set of mutually reinforcing actions in the following areas:

- A. Business Strategy;**
- B. Product Definition;**
- C. Operations; and,**
- D. Human Resources.**

Southwest's main business strategy is to **keep costs low**. Everything SWA does is oriented to this goal.

Specifically ...

- Southwest defines its product as getting people where they are going safely, quickly, reliably, & inexpensively.
- Southwest views its competition as driving and so focuses on keeping prices low.
- Southwest's operating strategy focuses on efficiency:
 - High rate of aircraft utilization – employee focus on turning airplanes quickly;
 - Point to point travel rather than hub-and-spoke; and,
 - Single type of aircraft reduces maintenance costs.

Specifically ...

- Southwest values its employees:
 - Lead with credibility and caring;
 - Invest in frontline management;
 - Hire and train for relational competence;
 - Create boundary spanners;
 - Measure performance broadly;
 - Keep jobs flexible at the boundary;
 - Make unions your partners (Southwest is unionized)

See especially: Gittell: *The Southwest Airlines Way, Using the power of relationships to Achieve High Performance* (2003).

And ...

JetBlue, run by Southwest alumni, has adopted additional progressive human resources policies including:

- **Focus on Values**: safety, caring, integrity, fun, and passion;
- **Non-Union Environment**;
- **Customized Employment Packages** – recognize that people have different needs and many will not stay in the same job for 30 years.
- **Selecting the Right People** – JetBlue (and Southwest) place a huge emphasis on selecting people who fit the company's core values.

Business Strategy

1) Keep costs low.

- This strategy permeates everything Southwest does, specific ideas are described below.

2) Choose markets carefully.

- Southwest carefully evaluates markets before introducing service. Transit does not generally have this luxury, but agencies could more carefully consider how major capital improvements (like rail lines) might change their cost structure and organizational efficiency.

Product Definition

1) *Fares.*

- Southwest uses its simple fare structure to attract passengers.
- Transit agencies could simplify their fare structures (especially multi-agency regions).
- Transit agencies could introduce fare programs to increase discretionary passengers (e.g. EcoPass in Denver, Santa Clara).

2) *Fare collection.*

- Low cost airlines have led the revolution in airline ticketing (e-tickets, internet sales).
- Transit agencies could improve fare collection (e.g. smart card systems); it's often too hard to pay fares.

Product Definition

3) *Frequency.*

- Southwest uses frequency to attract passengers seeking schedule flexibility – since they are competing with driving.
- Transit agencies could focus on providing frequent service in a corridor rather than on numerous lines.

4) *Punctuality.*

- Southwest uses a series of strategies to maintain punctuality including using un-congested airports and point-to-point travel.
- Transit agencies could focus their service on less congested streets, or use transit priority programs to de-congest them.
- Transit agencies could operate more direct express services.

Operations

1) *Vehicles.*

- Southwest uses only one type of aircraft to minimize maintenance and operating costs.
- Transit agencies could reduce the variety of vehicles they operate, and use common parts on different vehicles.
- Transit agencies could develop common specifications for vehicles.

2) *Street network.*

- See punctuality.

Human Resources

1) *Commitment to values.*

- Southwest and JetBlue have a strong commitment to values at all levels of the organization. Employees are rewarded and penalized – fired – based on this commitment.
- Transit agencies are severely limited in their ability to reward or discipline employees in subjects as squishy as values. We need to think about how we can address this problem.

2) *Leadership.*

- Southwest's management has a reputation for leadership with credibility and caring.
- Transit agencies are hampered by an inability to reward good employees and the often short tenure of managers.

Human Resources

3) *Frontline management.*

- Southwest has more supervisory staff than other airlines and assigns them specific responsibilities for turning aircraft.
- Many transit agencies are cutting supervisory staff and often they do not have enough authority.

4) *Job flexibility.*

- Southwest employees are trained and willing to pitch-in on work that is not their primary responsibility with the objective of getting planes turned around on time – thereby keeping costs low.
- Transit agencies need to find ways to increase flexibility.
- In Zurich proof-of-payment inspectors are trained to drive buses.

Human Resources

5) *Performance measurement.*

- Southwest and JetBlue use performance measures that focus on solving problems rather than assigning blame.
- The New Paradigms Project research (among others) has identified the need for improved performance measures in the transit industry.

6) *Make unions your partners.*

- Southwest embraces unions and seeks to make them partners in the airline's success.
- Transit agencies (and unions) must recognize the need to work together and develop pilot programs to build trust and cooperation. For example, unions could become more involved in the route planning process, who knows the streets and problems better than drivers?

5. Conclusions

- 1) **Objective: Stimulate thinking, there are no easy answers.**
- 2) **The transit industry needs to change.**
- 3) **Transit can learn from the low cost airline industry.**
- 4) **Further research and practical experimentation is needed.**
- 5) **This research has more questions than answers.**

Continued Research

- **We have proposed to develop a business strategy for implementing some of these ideas on the San Francisco Municipal Railway.**
- **Muni management supports the idea.**
- **We are looking for funding.**
- **Stay tuned!**

6. Selected References

The Southwest Airlines Way, Using the Power of Relationships to Achieve High Performance – Gittell, Jody Hoffer; McGraw Hill, New York; 2003. – A highly readable account of Southwest Airlines' business practices; especially in the area of human resources.

New Paradigms for Local Public Transit Organizations – Cambridge Systematics et. al.; Transit Cooperative Research Project; TCRP Report 58 (2000) and TCRP Report 53 (1999); see also the project website: www.newparadigms-transit.com/ and: <http://www4.trb.org/trb/crp.nsf/All+Projects/TCRP+J-08B>

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7. Questions

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