

ABSTRACT OF THE THESIS

**Privatization and Public Accountability:
The Comparison between Public and Private Bus Operations**

By Changhwan Mo

Thesis Director: Professor Marc Holzer

This study asks: Is privatization a serious threat to public accountability? Accordingly, this study empirically tests a theoretical hypothesis: Privatization decreases the level of public accountability.

This study applies both qualitative and quantitative methods to test the hypothesis. For the qualitative study, we have analyzed five international cases of bus operations: a franchise system of Seoul, Korea, a pure public system of the New York City Transit Authority (NYCTA), a franchise system of the New York City Department of Transportation (NYCDOT), a competitive tendering system in London, and a pure privatization case of “Outside London” in the U.K. This study compares present situations of the NYCTA and the NYCDOT through interviews and literature reviews, while it also compares before and after privatization for the U.K. cases. For the quantitative analysis, this study has collected data on U.S. bus systems through an extensive survey and it has utilized the National Transit Database (NTD) of the Federal Transit Administration (FTA). We analyzed the data by applying a Two Sample T-Test, a Wilcoxon Rank Sum Test, and a Multiple Regression.

According to the results of our quantitative and qualitative analysis, there are significant differences between private and public bus operations in relation to legal and political accountability relationships. This means that, first, private organizations are less willing to open records of bus operations to the public than public organizations; second, private operations have less interest in citizen participation than do public operations. This study has also found that privatization decreases the level of social equity. If a public agency implements contracting out or franchises, it needs significant resources to effectively monitor performance of private companies and enforce public accountability measures. The market system does not automatically satisfy the goal of public accountability. Subsequent to privatization, the public agency is usually asked to reduce employees and budgets. This typically results in a deficiency of resources necessary to monitor the performance of the contracted or franchised organizations. Due to the sharp decrease of administrative capabilities, the public agency cannot meet the expectations of citizens.

Therefore, we argue that if we consider public accountability and democratic control rather than efficiency, privatization should be reconsidered. Accordingly, we argue that the efficiency argument of privatization will not sustain its logical foundation when we argue about public accountability and democratic control.