



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

JAN 12 1972

CIVIL DIVISION

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Dear Mr. Villarreal:

We have reviewed the [Urban Mass Transportation Administration's (UMTA) Service Development Program]. This program is made up of a series of Federal grants to finance projects for developing new bus service between low-income areas and potential employment locations which were considered inaccessible or inconvenient by public transportation. The grants were made under section 6(a) of the Urban Mass Transportation Act of 1964, as amended, which authorizes urban mass transportation research, development and demonstration projects. Through June 30, 1971, 22 program grants totaling about \$14.7 million were made, usually to provide 90 percent of estimated project costs.

The first service development project was funded in Los Angeles, California in May 1966. The primary purpose of the project was to test whether improved public transportation would significantly increase job opportunities for the disadvantaged inner-city poor. Ten new bus routes were initiated at various times during the term of the project which ended in July 1971. Most of the new routes operated on regular schedules over fixed routings to serve the general public living both in and out of low-income areas. The routes provided transportation to employment, shopping, medical and recreational centers. The other routes operated flexibly within the low-income areas on schedules designed to meet different work shift needs of employees. This service was available only to residents of the low-income areas. Four of the regularly-scheduled routes developed sufficient patronage to be continued after the development period. The remaining routes were discontinued because of lack of patronage.

Most other projects approved between 1966 and 1971 were similar in nature to the Los Angeles project and were directed primarily toward increasing employment opportunities for the inner-city poor. Usually, the service was provided by local transit operators using normal bus operation, equipment, and personnel. For example, a project was funded in St. Louis, Missouri for regularly-scheduled bus service between the city's low income area and an outlying industrial complex. The service was provided by the local bus company using regular transit equipment and included 15 weekday trips from the city to the industrial area and 13 return trips. Weekend service was substantially less. We

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noted that projects in Boston, Gary and Minneapolis-St. Paul were initiated locally, without Federal assistance. Later, grant funds were used as a substitute for local funds and for expanding or extending the service over that provided by the locally-funded projects.

Analyses of the program's accomplishments raise doubts that the type of transportation supported by the grants could be initiated on a large scale without Federal support. We requested certain cost and operating data from sponsors of 17 projects which were to establish 83 bus routes at an estimated cost of \$11.4 million including \$10.2 million as the Federal share. Two sponsors did not respond. Data from the remaining 15 sponsors showed that, of 72 bus routes initiated

- 30 routes had been terminated
- 9 routes were continued without additional Federal assistance
- 20 routes were continued after reducing service and/or increasing fares
- 13 routes were still being operated with grant funds.

Financial data furnished by 12 of the 15 sponsors showed that the net loss per passenger carried on each one-way trip during the development period ranged from 39 cents to \$7.40; exclusive of the project sponsors' administrative, promotional and other costs not directly related to actual bus operations. A schedule summarizing the information provided by the 15 project sponsors is enclosed.

Comments of several sponsors generally indicated that the projects did little to increase employment among low-income persons. The sponsor of the Boston project stated that:

"Despite the glowing verbalizations hailing the start of the Employment Express experiment, actual practice showed glaring discrepancies in the ability or, perhaps, even the willingness of employers to recruit, to alter fixed shift times, to admit that their interest was not in low-skilled employees."

"Then, too, it was discovered that the very community groups who fought fiercely to have bus service from their neighborhoods to job opportunities distant from the core city had exaggerated the community's drive for such employment, had grossly inflated the number of eager job seekers, and, once the service began, had shunted their enthusiasm to other community problems."

"The buses were there. The *** [transit company] did all it could operationally--schedule changes, route changes, press releases--to alter the dismal continuum of dollar loss. It is apparent that nothing worked."

The sponsor of the St. Louis project stated that:

"Reducing Unemployment in the Origin Zone or Low-Income Area. Generally, this project had a minimal effect on reducing unemployment in the origin zone over the life span of this project. This is the view of all of the participants in the TEMPO Program. However, it should be noted that there are many variables that could affect the employment picture which we could not accurately obtain data on. These would be, for example, the spill over effects of a person who rides the bus, obtains a job, leaves the bus, purchases an automobile and perhaps assists others in obtaining employment or maintaining employment at the destination zone. The multiplier effect of one person who receives employment at the destination zone, I am sure, could be astronomical. However, based upon the data that we do have, the overall effect in reducing unemployment in our low-income area is minimal."

"Providing Better Jobs for the Underemployed. The majority of the jobs provided through the Demonstration Program were entry level positions. As a result, it is doubtful whether this project had any impact on the underemployed people in the area. As a matter of fact, our data would support the contrary.***"

An UMTA consultant who reviewed the program stated that the single most important finding was that the "service does not appear to be a potential profit center of any significant proportions for the mass transit industry." The consultant stated that the social benefits generated by the bus service could justify its high development cost in low-income areas even if the service never became profitable. It was the consultant's view that UMTA had done all that was reasonable using conventional transit approaches and that continuing the program along the lines of the past would suggest the program was a thinly disguised subsidy program. In this connection we note that you advised the Transportation Subcommittee of the House Committee on Appropriations on April 16, 1970, that a criterion for selecting a demonstration was "The extent to which the project is truly new or innovative, not merely an operating subsidy."

The Service Development Program has been operating for a long period of time over wide sections of the country. It would appear that sufficient data on the projects funded is available to demonstrate whether improved public transportation can significantly increase job opportunities for the disadvantaged inner-city poor. At December 31, 1971, UMTA had 53 applications pending for grants to institute projects under the Service Development Program. In our opinion, before expanding the program, UMTA should evaluate the program to date and determine whether further demonstrations would have any substantial effect on identifying and resolving the transportation-job opportunity problems of the inner-city poor.

We wish to acknowledge the courtesy and cooperation given to our representatives during the review. We would appreciate your advice as to any action you may take on the matters discussed in this letter.

Sincerely yours,

Richard W. Kelley
Richard W. Kelley
Assistant Director

Enclosure

The Honorable Carlos C. Villarreal
Administrator, Urban Mass Transportation
Administration

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DATA FURNISHED BY 15 SPONSORS
OF PROJECTS UNDER THE SERVICE
DEVELOPMENT PROGRAM
AS OF JUNE 30, 1971

Project	Cost	Number of bus routes initiated	Terminated	Continued	Continued with reduced service and/or increased fares	Still operating under grant	Excess of Project cost over revenue	Met loss a passenger trip
Los Angeles, Calif.	\$ 3,200,000	10	6	1	3	-	Data Not Furnished	
Nashville, Tenn.	723,000	1	1	-	-	-	\$652,980	\$1.85
St. Louis, Missouri	1,275,000	2	1	-	1	-	372,162	7.40
Buffalo, N.Y.	547,074	1	1	-	-	-	74,125	2.58
Washington, D.C.	745,338	13	3	2	8	-	408,178	.88
Boston, Mass.	50,615	2	-	2	-	-	42,457	3.72
Cleveland, Ohio	455,000	4	3	1	-	-	64,610	.95
Gary, Indiana	86,734	2	2	-	-	-	72,601	1.56
Long Island, N.Y.	2,222,222	22	11	2	7	2	797,187	1.03
Hartford, Conn.	122,453	1	-	-	-	1	Data Not Furnished	
Kansas City, Missouri	494,359	6	2	-	-	6	137,795	.69
Chicago, Illinois	147,000	1	-	-	-	1	217,627	.39
Detroit, Michigan	350,000	2	-	1	-	1	20,864	.86
Minneapolis-St. Paul, Minn.	248,544	1	-	-	1	-	214,204	1.08
Atlanta, Georgia	317,001	2	-	-	-	2	Data Not Furnished	
Total	\$10,984,340	72	30	9	20	13		