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UNITED STATES GENERAL ACCOUNTING OFFICE
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STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
HOUSE OF REPRESENTATIVES

ON

[CONTROLLING SOARING

MASS TRANSIT OPERATING SUBSIDIES]

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY AT YOUR REQUEST TO DISCUSS MASS TRANSIT OPERATING SUBSIDIES. EARLIER THIS YEAR WE COMPLETED A REVIEW OF THE FEDERAL MASS TRANSIT SUBSIDY PROGRAM AND THE TRANSIT INDUSTRY'S COST AND REVENUE PROBLEMS. THE COMPTROLLER GENERAL'S RESULTING REPORT (CED-81-28) WAS RELEASED TO THE CONGRESS ON FEBRUARY 26, 1981. IT IS ENTITLED "SOARING TRANSIT SUBSIDIES MUST BE CONTROLLED." MY STATEMENT HERE TODAY WILL SUMMARIZE AND UPDATE THAT REPORT.

DEMAND FOR TRANSIT OPERATING SUBSIDIES IS APPROACHING CRISIS PROPORTIONS. IN 1979, TRANSIT SYSTEMS RECEIVED ABOUT \$3 BILLION IN FEDERAL, STATE AND LOCAL GOVERNMENT OPERATING SUBSIDIES, AND WE ESTIMATE GOVERNMENT OPERATING ASSISTANCE

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WAS WELL OVER \$3 BILLION IN 1980. BY 1985, AN URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA) STUDY HAS PROJECTED THAT THE DEMAND FOR SUBSIDIES COULD EXCEED \$6 BILLION A YEAR. THIS PROJECTION ASSUMED FEDERAL OPERATING ASSISTANCE WOULD CONTINUE.

THE CONGRESS FIRST AUTHORIZED USING FEDERAL FUNDS TO HELP PAY FOR MASS TRANSIT OPERATING EXPENSES IN 1974. SINCE THE FEDERAL SECTION 5 FORMULA GRANT PROGRAM WAS ENACTED, A TOTAL OF ABOUT \$4.6 BILLION HAS BEEN OBLIGATED THROUGH FISCAL YEAR 1980, MOST OF WHICH WAS USED FOR TRANSIT OPERATING EXPENSES. THE REAGAN ADMINISTRATION HAS PROPOSED A PHASE-OUT OF THIS PROGRAM BY 1985.

EVEN WITH PRESENT SUBSIDIES, TRANSIT SYSTEMS ARE EXPERIENCING SEVERE FINANCIAL PROBLEMS. LACK OF FUNDS FORCED THE BOSTON SYSTEM TO SHUT DOWN FOR A DAY IN DECEMBER 1980 BEFORE THE MASSACHUSETTS LEGISLATURE AUTHORIZED EMERGENCY FUNDING. THE TRANSIT SYSTEM IN BIRMINGHAM, ALABAMA, SHUT DOWN FOR LACK OF FUNDS ON FEBRUARY 28, 1981 AND DID NOT RESUME LIMITED SERVICE UNTIL JUNE 1, 1981. IN CHICAGO, SEVERE FUNDING PROBLEMS THREATEN TO SHUT DOWN TRANSIT SERVICE MOMENTARILY.

TRANSIT SYSTEMS ARE ALSO EXPERIENCING PROBLEMS IN ATTRACTING AND RETAINING COMMUTERS. ACCORDING TO BUREAU OF CENSUS SURVEYS, THE PERCENTAGE OF WORKERS USING TRANSIT TO COMMUTE TO WORK HAS BEEN DECLINING. FOR EXAMPLE, IN 1977 ABOUT 7 PERCENT OF THE WORKERS SURVEYED IN 20 METROPOLITAN AREAS USED PUBLIC TRANSIT, WHEREAS 10 PERCENT HAD USED PUBLIC TRANSIT IN 1970. THE QUESTION IS: HOW CAN TRANSIT SYSTEMS PROVIDE COMMUTERS SERVICE AND CONTROL THEIR GROWING SUBSIDY NEEDS?

WE IDENTIFIED TWO MAIN REASONS FOR GROWING SUBSIDY DEMANDS.
THESE ARE:

--RAPIDLY RISING TRANSIT OPERATING COSTS ARE NOT BEING
OFFSET BY PRODUCTIVITY IMPROVEMENTS.

--TRANSIT SYSTEMS HAVE ADOPTED AND MAINTAINED UNREALIS-
TICALLY LOW FARES EVEN THOUGH OPERATING COSTS ARE
INCREASING.

RAPIDLY RISING TRANSIT COSTS ARE NOT
BEING OFFSET BY PRODUCTIVITY IMPROVEMENTS

TRANSIT OPERATING COSTS, WHICH INCREASED FROM \$2.5 BILLION
IN 1973 TO 5.8 BILLION IN 1979 (22 PERCENT ANNUALLY), ARE NOT
BEING OFFSET BY PRODUCTIVITY IMPROVEMENTS.

MEASURING TRANSIT PRODUCTIVITY IS DIFFICULT, BUT EXISTING
DATA SUGGESTS THAT PRODUCTIVITY IN THE 1970s HAS BEEN DECLINING.
THE DIFFICULTIES IN MEASUREMENT ARISE BECAUSE OF UNRELIABLE AND
LIMITED DATA AND A LACK OF CONSENSUS ABOUT THE MOST APPROPRIATE
INDICATOR(S) OF PRODUCTIVITY.

TRANSIT SYSTEMS RECEIVING FEDERAL FUNDS WERE REQUIRED TO
UNIFORMLY REPORT MASS TRANSPORTATION FINANCIAL AND OPERATING
INFORMATION TO UMTA BY JULY 1978. THE FIRST PUBLICATION OF
THIS DATA IS SCHEDULED FOR JUNE 1981, BUT THE FEDERAL PROJECT
MANAGER FOR THE REPORTING SYSTEM TOLD US A MINIMUM OF 3 REPORT-
ING YEARS WILL BE REQUIRED BEFORE THE AGENCY CAN FEEL CONFIDENT
WITH THE QUALITY OF THE DATA. LIMITED TRANSIT DATA IS ALSO
COLLECTED BY THE AMERICAN PUBLIC TRANSIT ASSOCIATION.

TRANSPORTATION EXPERTS DISAGREE ON THE MOST APPROPRIATE
INDICATOR(S) OF TRANSIT PRODUCTIVITY. ONE REASON FOR THE
DISAGREEMENT IS THAT THE TRANSIT INDUSTRY'S OUTPUT CAN BE

THOUGHT OF AS EITHER A MEASURE OF SERVICE PROVIDED, SUCH AS VEHICLE MILES, OR A MEASURE OF SERVICE CONSUMED, SUCH AS NUMBER OF PASSENGERS. A SECOND REASON IS THAT SERVICE CAN BE PROVIDED AT DIFFERENT LEVELS OF QUALITY, SO THAT A COMPARISON OF VEHICLE MILES OVER TIME OR BETWEEN TRANSIT SYSTEMS MAY NOT BE STRICTLY ACCURATE.

ALTHOUGH MEASURING TRANSIT PRODUCTIVITY IS DIFFICULT, AGGREGATE MEASURES OF TRANSIT PRODUCTIVITY CAN BE DEVELOPED. TWO WIDELY USED INDICATORS OF TRANSIT PRODUCTIVITY ARE OPERATING COST PER VEHICLE MILE AND PER TRANSIT PASSENGER. EVEN AFTER THE EFFECTS OF INFLATION ARE ELIMINATED, THESE INDICATORS SHOW INCREASING COSTS FOR MILES OPERATED AND PASSENGERS CARRIED. (SEE APPENDIX I.)

FOR EXAMPLE, USING CONSTANT 1972 DOLLARS TO ELIMINATE THE EFFECTS OF INFLATION, FROM 1973 TO 1979 THE COST PER VEHICLE MILE GREW FROM \$1.31 TO \$1.74 (5.5 PERCENT ANNUALLY) AND THE COST PER PASSENGER INCREASED FROM 45 CENTS TO 55 CENTS (3.7 PERCENT ANNUALLY).

INDICATORS OF TRANSIT LABOR PRODUCTIVITY INCLUDE PASSENGER VEHICLE MILES PER EMPLOYEE AND PASSENGER TRIPS PER EMPLOYEE. BETWEEN 1973 AND 1979, PRODUCTIVITY DECLINED MEASURED AGAINST THESE INDICATORS. PASSENGER VEHICLE MILES PER EMPLOYEE DECLINED 14 PERCENT, FROM 13,042 TO 11,161, AND PASSENGER TRIPS PER EMPLOYEE DECLINED 7 PERCENT, FROM 37,626 TO 35,039. (SEE APPENDIX II.)

IT IS CLEAR THAT TRANSIT SYSTEMS FACE SERIOUS PROBLEMS IN OPERATING EFFICIENTLY AND EFFECTIVELY. TRANSIT SYSTEMS HAVE PROBLEMS:

- USING THEIR LABOR FORCE EFFICIENTLY,
- MAINTAINING THEIR BUS AND RAILCAR FLEETS; AND
- EXPANDING COST EFFECTIVE SERVICE INTO SURBURBAN AREAS,
WHICH ARE MORE COSTLY TO SERVE THAN DENSE URBAN AREAS.

TRANSIT LABOR PROBLEMS

LABOR FREQUENTLY ACCOUNTS FOR 70 TO 80 PERCENT OF TOTAL EXPENSES. TRANSIT HAS DIFFICULTY USING LABOR EFFICIENTLY BECAUSE: (1) TRANSIT SYSTEMS MUST HAVE ENOUGH VEHICLES AND PEOPLE TO HANDLE THE PEAK MORNING AND EVENING RUSH HOURS; HOWEVER, MUCH OF THE LABOR FORCE MAY NOT BE NEEDED DURING THE REST OF THE DAY, AND (2) MANY TRANSIT SYSTEMS ARE LIMITED BY LABOR AGREEMENTS FROM ADOPTING POSSIBLE SOLUTIONS TO THE PEAKING PROBLEM, SUCH AS HIRING PART-TIME LABOR.

THE COST OF PEAK PERIOD SERVICE CAN BE CONSIDERABLY HIGHER THAN FOR OFF-PEAK SERVICE. FOR EXAMPLE, AT THREE CALIFORNIA TRANSIT SYSTEMS THE AVERAGE PASSENGER COST FOR PEAK SERVICE WAS OVER 25 CENTS MORE THAN FOR MIDDAY SERVICE. (SEE APPENDIX III.)

THE HIRING OF PART-TIME EMPLOYEES IS A POSSIBLE SOLUTION TO THE PEAKING PROBLEM. IN ALL FIVE STATES WE VISITED DURING OUR REVIEW, TRANSIT SYSTEM OFFICIALS TOLD US THAT THEIR LABOR AGREEMENTS PREVENTED THEM FROM USING PART-TIME DRIVERS. FOR EXAMPLE, IN ALBANY, NEW YORK, TRANSIT DEMAND PEAKS FOR ABOUT 4 HOURS DURING THE MORNING AND EVENING RUSH HOURS. ALBANY TRANSIT OFFICIALS BELIEVED THEY COULD IMPROVE THEIR PRODUCTIVITY AND REDUCE COSTS IF THEY COULD GET THE UNION TO ACCEPT PART-TIME EMPLOYEES. BUT A LOCAL REPRESENTATIVE SAID THAT THE UNION OPPOSES PART-TIME LABOR BECAUSE IT TAKES JOBS AWAY FROM FULL-TIME EMPLOYEES.

CALIFORNIA ENACTED LEGISLATION MAKING TRANSIT SYSTEMS INELIGIBLE FOR STATE FUNDING AS LONG AS THEIR PRESENT OR FUTURE UNION CONTRACTS CONTAINED PROVISIONS THAT PREVENTED THEM FROM EMPLOYING PART-TIME DRIVERS. OF 18 CALIFORNIA TRANSIT SYSTEMS THAT PROVIDED US INFORMATION, 15 STATED THAT THEIR UNION AGREEMENTS DO NOT PREVENT THEM FROM USING PART-TIME EMPLOYEES. HOWEVER, CERTAIN RESTRICTIONS DID EXIST IN SOME AGREEMENTS. FOR EXAMPLE, SACRAMENTO OFFICIALS SAID THAT THEIR UNION AGREEMENT ALLOWS A MAXIMUM OF 10 PERCENT PART-TIME EMPLOYEES. SIMILARLY, IN LOS ANGELES, THE SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT'S UNION AGREEMENT LIMITS THE PERCENTAGE OF PART-TIME OPERATORS TO 10 PERCENT OF THE TOTAL NUMBER OF OPERATORS. ALSO, PART-TIME OPERATORS IN LOS ANGELES CANNOT WORK ASSIGNMENTS OF LESS THAN 2-1/2 HOURS DURATION.

DESPITE THESE RESTRICTIONS, THE SACRAMENTO AND LOS ANGELES SYSTEMS REPORTED SAVINGS IN ANNUAL WAGES AND BENEFITS FROM USING PART-TIME DRIVERS OF \$500,000 AND \$2,541,000, RESPECTIVELY.

MAINTENANCE PROBLEMS

TRANSIT SYSTEMS ARE EXPERIENCING SERIOUS PROBLEMS IN MAINTAINING THEIR BUS AND RAILCAR FLEETS. WE FOUND THE FOLLOWING MAINTENANCE PROBLEMS:

- 1. MECHANICS ARE NOT BEING PROPERLY RECRUITED, TRAINED, AND PROMOTED.
- 2. TRANSIT SYSTEMS DO NOT HAVE ADEQUATE PREVENTIVE MAINTENANCE PROGRAMS.
- 3. SPARE-PARTS INVENTORIES ARE NOT PROPERLY CONTROLLED AND MAINTAINED.

--4. RESTRICTIVE WORK RULES PREVENT USING MAINTENANCE PERSONNEL EFFICIENTLY.

UMTA ESTIMATES THAT 35 PERCENT OF ALL BUS REPAIRS ARE IMPROPERLY DONE AND ATTRIBUTES THIS HIGH RATE PARTLY TO RECRUITING, HIRING, AND TRAINING PROBLEMS. FOR EXAMPLE, AT ONE LARGE TRANSIT SYSTEM WE STUDIED VIRTUALLY NO ATTEMPT WAS MADE TO ASSURE THAT PERSONS HIRED POSSESSED THE NECESSARY APTITUDE TO BECOME MECHANICS. ADVANCEMENT FROM A BUS CLEANER TO A MECHANIC WAS BASED PRIMARILY ON SENIORITY, RATHER THAN ACQUIRED SKILL OR MECHANICAL APTITUDE. PROMOTIONS THROUGH THE THREE LEVELS OF MECHANIC WERE BASED ALMOST EXCLUSIVELY ON SENIORITY RATHER THAN MERIT.

SOME TRANSIT SYSTEMS ALSO LACK EFFECTIVE MAINTENANCE PROGRAMS, WHICH ARE ESSENTIAL TO MINIMIZE REPAIRS AND REDUCE VEHICLES OUT OF SERVICE. IN ONE LARGE TEXAS SYSTEM, FOR EXAMPLE, ABOUT 90 OUT OF 381 BUSES ON A TYPICAL WEEKDAY BROKE DOWN CAUSING SIGNIFICANT INTERRUPTION (MORE THAN 8 MINUTES) IN SERVICE. THIS SYSTEM HAD ESTABLISHED STANDARDS FOR A PREVENTIVE MAINTENANCE PROGRAM BUT DID NOT FOLLOW THEM. DAILY INSPECTIONS WERE NOT MADE; SO CALLED WEEKLY INSPECTIONS WERE BEING PERFORMED EVERY 1-1/2 TO 2 WEEKS; MAJOR INSPECTIONS, PLANNED FOR EVERY 6,000 MILES, WERE ACTUALLY CONDUCTED AT INTERVALS RANGING FROM 6,000 TO 28,000 MILES.

SERVICE EXPANSION PROBLEMS

TRANSIT SYSTEMS ARE EXPANDING INTO LOWER DENSITY SUBURBAN AREAS THAT ARE COSTLY TO SERVE. TO BE MOST EFFECTIVE, TRANSIT GENERALLY MUST OPERATE IN HIGH DENSITY AREAS. HOWEVER, IN RESPONSE TO THE POSTWAR MOVE TO THE SUBURBS AND THE DECLINE OF

THE CENTRAL CITY AS A PLACE OF WORK AND RESIDENCE, TRANSIT HAS EXPANDED INTO LESS DENSELY POPULATED SUBURBAN AREAS. MORE NON-REVENUE TIME MAY BE REQUIRED BECAUSE VEHICLES MUST START THEIR ROUTES FURTHER FROM THE CENTRAL GARAGE OR BUS STORAGE AREA.

FOR EXAMPLE, AT ONE TRANSIT SYSTEM, THE AVERAGE COST PER PASSENGER WAS 94 CENTS FOR LOCAL SERVICE AND \$3.29 FOR EXPRESS SERVICE TO OUTLYING AREAS. IN OTHER WORDS, IT COST OVER THREE TIMES AS MUCH TO PROVIDE A PASSENGER WITH EXPRESS SERVICE COMPARED WITH LOCAL SERVICE. THIS MARKED DIFFERENCE IN PASSENGER COST WAS ONLY PARTLY REFLECTED IN INCREASED REVENUE PER PASSENGER--REVENUE PER PASSENGER FOR LOCAL SERVICE WAS 21 CENTS COMPARED WITH 38 CENTS FOR EXPRESS SERVICE. THUS, THE SUBSIDY REQUIRED FOR A LOCAL RIDER WAS 73 CENTS COMPARED WITH \$2.91 FOR THE EXPRESS RIDER.

IN OUR NOVEMBER 1980 REPORT ON RIDESHARING (CED-81-13), WE NOTED THAT TRANSIT EXPANSION MAY BE LESS ENERGY-EFFICIENT THAN INCREASING RIDESHARING. WE CONCLUDED THAT TRANSIT EXPANSION CAN HAVE ADVERSE IMPACTS ON TRANSIT OPERATING COSTS, DEFICITS, AND SUBSIDIES.

IN PARTICULAR, WE MADE THE FOLLOWING POINTS:

--ANNUAL ENERGY SAVINGS FROM EVEN A 50-PERCENT INCREASE IN TRANSIT COMMUTING WOULD BE LESS THAN 1 PERCENT OF THE GASOLINE CONSUMED BY AUTOMOBILES IN THE UNITED STATES DURING 1978. DOUBLING RIDESHARING, HOWEVER, WOULD SAVE AT LEAST THREE TIMES AS MUCH ENERGY AS A 50-PERCENT INCREASE IN TRANSIT COMMUTING AND WOULD ACHIEVE A GREATER REDUCTION IN CONGESTION AND POLLUTION.

--INCREASED TRANSIT CAPACITY IS NEEDED PRIMARILY TO ACCOMMODATE COMMUTERS DURING SMALL PORTIONS OF MORNING AND EVENING COMMUTING PERIODS. DURING THESE PERIODS, TRANSIT RIDERSHIP OFTEN MEETS OR EXCEEDS THE SYSTEMS' CAPACITIES, WHEREAS OUTSIDE OF THESE TWO PEAK PERIODS, EXISTING TRANSIT CAPACITY CAN ACCOMMODATE LARGE INCREASES IN RIDERSHIP. THIS DIFFERENCE IN CAPACITY UTILIZATION BETWEEN THE TWO PEAK PERIODS AND THE REST OF THE DAY IS A MAJOR FACTOR IN TRANSIT OPERATING DEFICITS.

MORE REALISTIC, EFFICIENT, AND
EQUITABLE FARE POLICIES NEEDED

FEDERAL, STATE, AND LOCAL SUBSIDIES HAVE ENCOURAGED TRANSIT SYSTEMS TO DEEMPHASIZE FARES AS A SOURCE OF REVENUE. FOR EXAMPLE, THE FEDERAL PROGRAM ENCOURAGED LOW FARES THROUGH ONE OF THE 1974 LEGISLATIVE FINDINGS. THE CONGRESS FOUND IN 1974 THAT THE CONTINUED INCREASE IN FARES WAS UNDESIRABLE. BASED ON THIS CONGRESSIONAL FINDING AND OTHER CONSIDERATIONS, UMTA MADE MAINTAINING LOW FARES ONE OF THE FEDERAL OPERATING ASSISTANCE PROGRAM GOALS.

MANY TRANSIT SYSTEMS HAVE ADOPTED AND MAINTAINED UNREALISTICALLY LOW FARES EVEN THOUGH OPERATING COSTS HAVE BEEN INCREASING DRAMATICALLY. FARES ARE FREQUENTLY INEFFICIENT AND INEQUITABLE, PROVIDING MORE SUBSIDIES TO SOME RIDERS THAN OTHERS, AND FAILING TO PRODUCE AS MUCH REVENUE AS THEY COULD. THE RESULT HAS BEEN TO FURTHER WIDEN THE GAP BETWEEN FAREBOX REVENUES AND OPERATING COSTS AND TO INCREASE THE NEED FOR GOVERNMENT SUBSIDIES.

IN 1970, PASSENGER FARE REVENUES COVERED ABOUT 80 PERCENT OF TRANSIT OPERATING COSTS AND GOVERNMENT SUBSIDIES LESS THAN 12 PERCENT. BY 1979, FARES COVERED ONLY 42 PERCENT OF COSTS WHILE GOVERNMENT SUBSIDIES HAD INCREASED TO 52 PERCENT. THESE PERCENTAGES DO NOT ADD TO 100 PERCENT BECAUSE A PORTION OF OPERATING COSTS ARE FINANCED FROM NONFARE SOURCES SUCH AS ADVERTISING.

BETWEEN 1973 AND 1979, THE AVERAGE TRANSIT FARE INCREASED FROM 32 CENTS TO 39 CENTS. THIS RESULTED IN AN AVERAGE ANNUAL RATE OF INCREASE OF ONLY 3.6 PERCENT. FROM 1973 TO 1979 INFLATION, AS MEASURED BY THE GNP IMPLICIT PRICE DEFLATOR, WAS 65.5 PERCENT. ELIMINATING THE EFFECTS OF INFLATION, THERE WAS A 23.3 PERCENT DECREASE IN FARES FROM 1973 TO 1979.

TRANSIT SYSTEMS FREQUENTLY LACK FARE POLICIES SPECIFYING THE PERCENTAGE OF COSTS THAT SHOULD BE MET THROUGH FARE REVENUES. IN OUR REVIEW, ONLY 13 OF 26 TRANSIT AUTHORITIES IN SIX STATES HAD LOCAL FARE POLICIES THAT SPECIFIED THE PERCENTAGE OF EXPENSES THAT SHOULD BE MET THROUGH FARE REVENUE. OFFICIALS OF SEVERAL SYSTEMS STATED THAT THEIR POLICY IS TO MAINTAIN MINIMUM FARES OR THE LOWEST FARE POSSIBLE. THE MOST COMMONLY CITED REASON FOR THIS POLICY WAS TO INCREASE RIDERSHIP. OTHER REASONS WERE THAT TRANSIT IS A PUBLIC OR MUNICIPAL SERVICE AND MUST SERVE THOSE WHO DEPEND ON TRANSIT, SUCH AS THE POOR.

AT THE TIME OF OUR REVIEW, MANY TRANSIT SYSTEMS WE CONTACTED HAD NOT RAISED THEIR PASSENGER FARES FOR SEVERAL YEARS. FOR EXAMPLE, 5 OF 12 TEXAS TRANSIT SYSTEMS CONTACTED, OR 42 PERCENT, HAD NOT RAISED THEIR FARES WITHIN THE LAST 5 YEARS.

OF THE REMAINING 7 SYSTEMS, 3 HAD NOT HAD A FARE INCREASE WITHIN THE LAST 3 YEARS AND 1 DID NOT PROVIDE FARE INFORMATION.

TRYING TO KEEP FARE STRUCTURES AS SIMPLE AS POSSIBLE CAN BE INEFFICIENT AND INEQUITABLE. FOR INSTANCE, MANY SYSTEMS CHARGE FLAT FARES, WHERE THE FARE IS THE SAME REGARDLESS OF WHEN OR HOW FAR A PASSENGER TRAVELS. THE PROBLEM WITH THIS TYPE OF FARE IS THAT TRANSIT SYSTEMS DO NOT COLLECT SUFFICIENT REVENUES FROM PEAK-PERIOD COMMUTERS AND LONG-DISTANCE TRAVELERS, WHO IMPOSE THE GREATEST COSTS ON TRANSIT SYSTEMS. CONVERSELY, THEY MAY CHARGE A DISPROPORTIONATE AMOUNT OF COSTS TO SHORT DISTANCE, NON-PEAK COMMUTERS.

EVEN WHEN TRANSIT SYSTEMS CHARGE HIGHER FARES FOR MORE COSTLY SERVICES, SUCH AS EXPRESS SERVICE, THE HIGHER FARES MAY NOT COVER THE HIGHER COSTS. FOR EXAMPLE, THREE CALIFORNIA TRANSIT SYSTEMS HAD A BASE FARE FOR LOCAL SERVICE PLUS A SUPPLEMENTAL CHARGE FOR EXPRESS SERVICE. YET IN ALL THREE SYSTEMS, THE RIDERS WHO PAID THE LOWEST FARE PER MILE OF TRAVEL WERE GENERALLY THE ONES WHOSE TRIPS HAD THE HIGHEST UNIT COST; LONGER TRIPS INCURRED COSTS THAT EXCEEDED REVENUES, WHILE SHORTER TRIPS PRODUCED HIGHER REVENUES THAN COSTS.

WE ARE SUGGESTING THAT EARLIER GOALS TO KEEP TRANSIT FARES LOW IN ORDER TO ATTRACT RIDERS AND HELP ACHIEVE ENERGY CONSERVATION NEED REVIEW. ALSO, THE ORIGINAL INTENT THAT THE FEDERAL SUBSIDY PROGRAM WAS TO ENCOURAGE SYSTEMS TO KEEP FARES STABLE AND LOW REQUIRES REAPPRAISAL. IN VIEW OF RAPIDLY RISING OPERATING COSTS AND THE SCARCITY OF GOVERNMENT RESOURCES AT ALL LEVELS, WE BELIEVE THAT TRANSIT SYSTEMS MUST ADOPT MORE REALISTIC,

EFFICIENT, AND EQUITABLE FARE POLICIES IF THE GROWTH OF GOVERNMENT SUBSIDIES IS TO BE CONTROLLED.

SINCE WE COMPLETED OUR FIELD WORK, A NUMBER OF TRANSIT SYSTEMS HAVE RAISED THEIR FARES. THIS TREND IS REFLECTED BY THE AMERICAN PUBLIC TRANSIT ASSOCIATION'S INFORMATION ON ADULT CASH FARES FOR LOCAL BASE PERIOD SERVICE. THIS INFORMATION REPORTED BY 159 TRANSIT SYSTEMS FOR FEBRUARY 1, 1980 AND FEBRUARY 1, 1981 DISCLOSES

--THE AVERAGE FEBRUARY 1, 1980 FARE OF 38 CENTS INCREASED BY 16 PERCENT TO 44 CENTS ON FEBRUARY 1, 1981,

--78 OF THE 159 TRANSIT SYSTEMS (49 PERCENT) HAD A FARE INCREASE DURING THE YEAR, AND

--THE AVERAGE FARE INCREASE WAS 13 CENTS.

THESE FARE INCREASES, HOWEVER, STILL FALL FAR SHORT OF THE AMOUNTS WHICH WOULD BE NEEDED TO RAISE FARES IN REAL TERMS BACK TO THE LEVELS EXISTING IN 1973.

ADMINISTRATION OF THE FEDERAL PROGRAM NEEDS MAJOR IMPROVEMENTS

WE FOUND MAJOR DEFICIENCIES IN VIRTUALLY EVERY ASPECT OF UMTA'S PROGRAM ADMINISTRATION. FOR EXAMPLE:

--UMTA'S AUTOMATED MANAGEMENT AND FINANCIAL INFORMATION SYSTEMS WERE NOT MEETING THE NEEDS OF THE REGIONS AND HEADQUARTERS OFFICES THAT ADMINISTER AND CONTROL THE PROGRAM. THE SYSTEMS WERE UNRELIABLE AND COULD NOT BE USED TO PROPERLY ACCOUNT FOR RESOURCES, PROVIDE RELIABLE REPORTS TO THE CONGRESS, AND PROVIDE THE DATA NEEDED TO MANAGE THE PROGRAM.

--UMTA APPROVES OPERATING GRANTS BASED ON A GRANTEE'S ESTIMATED OPERATING COSTS AND DEFICITS. AT THE CLOSE OF A GRANTEE'S OPERATING YEAR AN AUDITED FINANCIAL STATEMENT IS SUBMITTED FOR UMTA REVIEW AND GRANT CLOSE OUT. UMTA WAS NOT CLOSING OUT GRANTS QUICKLY ENOUGH AND HAD NO PROCEDURES FOR REALLOCATING OR REAPPORTIONING UNUSED GRANT BALANCES. AS A RESULT, FEDERAL RESOURCES REMAINED IDLE, AREAS LOST PART OF THEIR APPORTIONMENTS UNNECESSARILY BECAUSE LEGISLATIVE TIME LIMITS ON THE USE OF FUNDS EXPIRED BEFORE UMTA DEOBLIGATED UNUSED GRANT FUNDS, AND THE RECOVERY OF OVERPAYMENTS WAS DELAYED.

STATUS OF GAO RECOMMENDATIONS

WE RECOMMENDED SEVERAL ACTIONS THAT THE SECRETARY OF TRANSPORTATION SHOULD TAKE TO (1) IMPROVE TRANSIT PRODUCTIVITY; (2) ENCOURAGE LOCAL AREAS TO PLACE MORE EMPHASIS ON PASSENGER FARES AS A SOURCE OF TRANSIT REVENUE; AND (3) IMPROVE ADMINISTRATION OF THE FEDERAL OPERATING ASSISTANCE PROGRAM. OUR RECOMMENDATIONS ARE SUMMARIZED IN APPENDIX IV.

THE DEPARTMENT OF TRANSPORTATION SAID THAT IT GENERALLY AGREED WITH OUR FINDINGS AND CONSIDERED THEM TIMELY AND USEFUL. HOWEVER, THE DEPARTMENT DISAGREED WITH SOME OF OUR RECOMMENDATIONS CONCERNING TRANSIT PRODUCTIVITY AND FARE ISSUES ON THE GROUNDS THAT THEY WOULD INCREASE RATHER THAN REDUCE FEDERAL INVOLVEMENT.

THIS CONCLUDES MY STATEMENT. WE WILL BE GLAD TO RESPOND TO YOUR QUESTIONS.

TRANSIT OPERATING COSTS
PER VEHICLE MILE AND PER PASSENGER
IN CURRENT AND CONSTANT 1972 DOLLARS
1973-1979

Year	<u>Operating costs</u> ^{a/}			
	<u>Per vehicle mile</u>		<u>Per linked transit passenger (note b)</u>	
	<u>Current \$</u>	<u>Constant 1972 \$</u>	<u>Current \$</u>	<u>Constant 1972 \$</u>
1973	1.38	1.31	0.48	0.45
1974	1.70	1.46	0.58	0.50
1975	1.89	1.48	0.66	0.52
1976	2.01	1.51	0.72	0.54
1977	2.16	1.52	0.76	0.54
1978	2.36	1.55	0.80	0.53
1979	2.88	1.74	0.92	0.55

Source: American Public Transit Association's "Transit Fact Book," 1978-79 edition and preliminary 1979-80 edition, and U.S. Department of Commerce's GNP Implicit Price Deflator.

^{a/}APTA's 1979-80 Transit Fact Book, scheduled for publication in 1981, adjusts previously reported operating costs for 1975 through 1978. This schedule reflects the APTA adjustments.

^{b/}Linked passenger trips reported by APTA for 1977 through 1979 represent transit trips taken by originating transit riders paying a full fare, a reduced fare, or no fare and excludes transfer and charter rides. However, APTA's passenger trip data reported before 1977 excludes free-fare passengers. Thus, productivity measures based on passenger trips would show an improvement in 1977 through 1979 because free-fare passengers were included.

PASSENGER VEHICLE MILES AND PASSENGER TRIPS (LINKED)^{a/}
 PER EMPLOYEE
 1973-1979

<u>Year</u>	<u>Passenger vehicle miles per employee</u>	<u>Passenger trips (linked) per employee</u>
1973	13,042	37,626
1974	12,456	36,617
1975	12,453	35,313
1976	12,433	34,814
1977	12,436	35,216
1978	12,261	36,052
1979	11,161	35,038

Source: APTA's "Transit Fact Book," 1978-79 edition, and preliminary 1979-80 edition.

^{a/}Linked passenger trips reported by APTA for 1977 through 1979 represent transit trips taken by originating transit riders paying a full fare, a reduced fare, or no fare and excludes transfer and charter rides. However, APTA's passenger trip data reported before 1977 excludes free-fare passengers. Thus, productivity measures based on passenger trips would show an improvement in 1977 through 1979 because free-fare passengers were included.

COMPARISON OF
PEAK VERSUS MIDDAY SERVICE COSTS
FOR THREE CALIFORNIA SYSTEMS

	Average cost per passenger		
	System 1	System 2	System 3
	(cents)		
Midday	79.7	76.2	80.8
Peak	109.3	102.8	110.1
Difference	29.6	26.6	29.3

Source: UMTA sponsored study, "Efficiency and Equity Implications of Alternative Transit Fare Policies," September 1980.

SUMMARY OF GAO RECOMMENDATIONS
TO THE SECRETARY OF TRANSPORTATION
CONTAINED IN
"SOARING TRANSIT SUBSIDIES MUST BE CONTROLLED"

TO HELP IMPROVE TRANSIT OPERATIONS, GAO RECOMMENDED THAT THE SECRETARY OF TRANSPORTATION DIRECT THE UMTA ADMINISTRATOR TO:

- DEVELOP AND ISSUE POLICY GUIDELINES DEFINING UMTA'S ROLE AND RESPONSIBILITIES IN ENCOURAGING TRANSIT PRODUCTIVITY.
- DEVELOP AND UNDERTAKE SPECIFIC ACTIONS TO IMPROVE TRANSIT PRODUCTIVITY. THESE ACTIONS COULD INCLUDE:
 - REQUIRING MANAGEMENT EVALUATIONS FOR ALL SYSTEMS OF A CERTAIN SIZE RECEIVING FEDERAL FUNDS.
 - REQUIRING UMTA REGIONAL OFFICES TO MONITOR TRANSIT SYSTEMS' RESPONSES TO RECOMMENDATIONS IN MANAGEMENT EVALUATIONS AND CONSIDER THE FINDINGS OF SUCH STUDIES WHEN EVALUATING REQUESTS FOR FEDERAL FUNDS.
 - REQUIRING, AS A PRECONDITION OF APPROVING AN APPLICATION FOR TRANSIT VEHICLES, THAT THE APPLICANT HAVE AN EFFECTIVE PREVENTIVE MAINTENANCE PROGRAM OR IMPLEMENT ONE BEFORE TRANSIT VEHICLES ARE DELIVERED.
 - ISSUING POLICY GUIDANCE TO HELP TRANSIT SYSTEMS ASSESS THE COST EFFECTIVENESS OF EXPANDING SERVICE IN SUBURBAN AREAS.
 - MORE THOROUGHLY STUDYING, EVALUATING, AND DEMONSTRATING THE RESULTS OF USING PART-TIME LABOR TO COPE WITH PEAKING PROBLEMS.

TO HELP ENCOURAGE TRANSIT SYSTEMS TO ADOPT MORE REALISTIC, EFFICIENT AND EQUITABLE FARE POLICIES, GAO RECOMMENDED THAT THE SECRETARY OF TRANSPORTATION TAKE CERTAIN STEPS TO HAVE LOCAL AREAS PLACE GREATER EMPHASIS ON THE ROLE OF PASSENGER FARES AS A SOURCE OF TRANSIT REVENUE. IN PARTICULAR, THE SECRETARY SHOULD REQUIRE THE APPROPRIATE ORGANIZATIONS IN THEIR TRANSPORTATION PLANS TO

- ESTABLISH LOCAL GOALS FOR THE PROPORTION OF SHORT- AND LONG-TERM COSTS THAT FARE REVENUE SHOULD COVER AND
- ASSESS THE EFFICIENCY AND EQUITY OF PRESENT FARES AND EXAMINE ALTERNATIVE FARE STRUCTURES THAT MIGHT BETTER REFLECT EQUITY AND COST.

GAO ALSO RECOMMENDED THAT THE SECRETARY OF TRANSPORTATION REQUIRE THE UMTA ADMINISTRATOR TO ISSUE A FARE-POLICY STATEMENT INDICATING THAT UMTA DESIRES LOCAL AREAS TO GIVE GREATER CONSIDERATION TO PASSENGER FARES AS A REVENUE SOURCE AND TO DEVELOPING EFFICIENT AND EQUITABLE FARE POLICIES.

TO IMPROVE ADMINISTRATION OF THE FEDERAL OPERATING ASSISTANCE PROGRAM, GAO RECOMMENDED THAT THE SECRETARY OF TRANSPORTATION DIRECT THE UMTA ADMINISTRATOR TO:

- IMPROVE HEADQUARTERS OVERSIGHT AND SUPERVISION OF REGIONAL OFFICE SECTION 5 ACTIVITIES BY
 - ASSURING THAT ADEQUATE PROGRAM GUIDANCE IS ISSUED TO UMTA REGIONS FOR ALL SECTION 5 AND RELATED RESPONSIBILITIES,
 - ESTABLISHING TIME STANDARDS FOR PROCESSING SECTION 5 OPERATING GRANT APPLICATIONS AND

OBTAINING THE DATA NEEDED TO MONITOR REGIONAL OFFICE ADHERENCE TO THESE STANDARDS, AND
--PROVIDING FORMAL TRAINING IN ADMINISTRATIVE PRECEDURES FOR REGIONAL STAFF RESPONSIBLE FOR SECTION 5 PROGRAM ACTIVITIES.

--ASSURE THAT SECTION 5 GRANTS ARE PROMPTLY CLOSED OUT AND THE REMAINING GRANT BALANCES DEOBLIGATED AND EITHER LAPSED OR REAPPORTIONED. (THE EXISTING BACKLOG OF PROJECTS ELIGIBLE FOR CLOSEOUT SHOULD BE PROCESSED AS QUICKLY AS POSSIBLE TO AVOID HAVING FUNDS REMAIN IDLE AND LAPSE UNNECESSARILY.)

--GIVE TOP PRIORITY TO DETERMINING THE AGENCY'S NEEDS FOR AUTOMATED INFORMATION SYSTEMS, INITIATING APPROPRIATE ACTION TO FULFILL THESE NEEDS, AND ASSURING THAT THE AGENCY EFFICIENTLY USES EXISTING AUTOMATED INFORMATION SYSTEMS.

--GIVE PRIORITY TO DETERMINING THE AMOUNT OF APPORTIONMENTS AVAILABLE TO URBANIZED AREAS AND STATE GOVERNORS AND ASSURING THAT THESE APPORTIONMENTS ARE PROPERLY ACCOUNTED FOR.