



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20540

B-220151

January 2, 1986

The Honorable Newt Gingrich
Ranking Minority Member
Subcommittee on Investigations
and Oversight
Committee on Public Works
and Transportation
House of Representatives

Dear Mr. Gingrich:

By letter dated August 13, 1985, you and James Oberstar, Chairman of the Subcommittee, expressed concern that the Illinois Central-Gulf Railroad, a commuter train system in the Chicago area whose operations are funded in part by the federal government, had issued free passes to employees of its parent company, I.C. Industries, a Chicago-based conglomerate. Based on subsequent discussions with your staff, we agreed to address the legality under federal law or regulation of the issuance of the passes. (The practice was apparently halted early in 1985.)

Our preliminary review disclosed no such violations. We also asked the Urban Mass Transportation Administration (UMTA) whether the Urban Mass Transportation Act, any regulation, rule, or directive issued thereunder, or any other federal law, rule, or regulation, prohibits or regulates the issuance of free passes by a local transportation system which is the recipient of grants administered by UMTA and, if so, whether any violation of such a law, rule, or regulation had taken place in this instance. Mr. Ralph Stanley, Administrator of UMTA, has now informed us that the Illinois Central-Gulf Railroad had violated no federal laws or regulations by issuing free passes. Letter dated November 14, 1985.

Mr. Stanley informed us that section 12(d) of the Urban Mass Transportation Act, as amended, 49 U.S.C. App. § 1601 et seq. (Act), specifically prohibits UMTA from regulating the fares charged by recipients of UMTA funds. Section 12(d) states in pertinent part that

"None of the provisions of this Act
shall be construed to authorize the

Secretary * * * to regulate the rates, fares, tolls, rentals, or other charges fixed or prescribed for [a mass transportation] system by any local public or private transit agency." 49 U.S.C. App. § 1608(d).

Mr. Stanley concluded that, as a result of section 12(d), UMTA has never prohibited a recipient of UMTA funds from providing free passes to its employees or anyone else. Mr. Stanley also wrote that UMTA "was not aware of any other federal laws or regulations that prohibited or currently prohibit a recipient of federal transportation assistance from providing free passes to employees."

After examining the relevant federal law, we agree with UMTA's analysis. Clearly, section 12(d), which was part of the original Act, passed in 1964, prevents UMTA from prohibiting a recipient of federal funds from providing free passes to its employees. Furthermore, our review of federal legislation and regulations revealed no prohibition now or in the past against a recipient of federal transportation assistance providing free passes to its employees.

We hope this information is of help to you. The same information is being sent to Mr. Oberstar.

Sincerely yours,

Newton J. Dorlan
for Comptroller General
of the United States