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THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
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Mr. Chairman, and distinguished members of the Subcommittee, I am pleased to have this opportunity to appear before you to discuss UMTA's plans for our next reauthorization measure. I recently testified before you about our fiscal year 1986 budget proposal. The bill that would implement that proposal has recently been forwarded to the Congress. As you know, the Senate has passed a compromise budget proposal that could have major implications for the transit program. In this context I think it is premature for us to present specific out-year legislative proposals. I would like, however, to outline for you some of the major issues that we at UMTA are concerned about and that we expect to address in our multi-year legislative proposal.

Before doing that, Mr. Chairman, I want to say that I read with interest APTA's testimony presented to this Committee on May 16. I do not think it serves any useful purpose for us to argue about the points that they raise, particularly those having to do with the management of the UMTA program. Rather, I think it is time for interest groups and UMTA to focus on what can be done to improve mass transportation both from the perspective of the taxpayer and from that of the day-to-day transit rider. Given the deficit and the mood in the country I think it is clear we no longer can assume, as many did in the past, that more Federal funding for transit is the answer. It is time for innovation and ideas and more support at the State and local level. That is what our proposal will address.

In reviewing the Federal transit program, I believe it is important to consider it in the context of all Federal domestic programs and the overriding need to bring the national deficit under control. Since 1964, the Federal Government has spent \$43 billion on transit. During these years 56,574 buses have been purchased, enough to renew the entire national bus fleet and increase it slightly. Over 6,300 rail cars and 127 diesel locomotives have been purchased, approximately one-half of the national fleet. Federal transit funds have assisted in the construction of 290 miles of new rail systems and 77 miles of extensions of existing systems. In addition, Federal assistance has helped modernize our transit infrastructure with, among other things, new track, signals, stations, garages, communications systems, training programs and much more. We believe the Federal Government has laid a solid foundation for mass transit and has been a reliable partner over the past 20 years. State and local governments are now in a position to assume a greater share of the management of these substantially improved systems.

Operating Assistance

As you are aware, one of our major concerns is the provision dealing with Federal operating assistance. What began as an interim measure has become, ten years and \$9.3 billion later, an assumed Federal responsibility. Federal operating subsidies have distorted service decisions and substituted for increases in local fares, allowing real user costs to decline, while State and local taxpayer contributions almost tripled--in part to match Federal dollars. We continue to believe that the responsibility for paying operating costs should remain primarily at the local level where those costs are incurred.

We recognize, however, that there is concern particularly among the smaller areas about the impact of large reductions or the termination of Federal operating assistance, and we will explore ways to try to address this concern as we develop our proposal.

Labor Provisions

There are certain actions that we can take at the Federal level to try to minimize operating costs. We all recognize that one of the major elements of transit operating costs is labor. Section 13(c) of the UMT Act was meant to ensure that the collective bargaining rights and privileges of private transit employees were protected in the transition period from private to public ownership, a period which ended quite some time ago. However, section 13(c) has produced many other effects which are costly and counterproductive to the efficient delivery of transit service, including foreclosing the provision of mass transit service by private operators. In New York City, for example, an areawide paratransit service planned by the city for contract to private providers was thwarted because of the 13(c) recess. Norfolk, Virginia sought to reduce its peak demand through increased use of car and van pools but was restricted in doing so by a 13(c) complaint. Both Nashville, Tennessee and Seattle, Washington were forced to accept interest arbitration -- normally an issue negotiated as part of the collective-bargaining process -- under a 13(c) agreement. Foreclosing private operation of transit service, stifling innovation and efficiency, intruding in the local collective bargaining process, all obviously exceed the original intent of the statute.

Past administrative efforts to mitigate these effects have been unsuccessful. We expect to propose, as we did in our one-year bill, the elimination of the section 13(c) requirement for grants funded by the new authorization.

Over Capitalization and Levels of Funding

Although we have not arrived at any particular funding decisions, we believe that the Committee should be aware of several developments regarding evidence of over capitalization, and the existence of high carryover balances and large unliquidated cash balances that fly in the face of claims made by the industry that any budget reductions eventually translate into service shutdowns. With generous Federal capital assistance, many properties have reduced their emphasis on maintenance and instead have increased the size of their bus fleets. A recent survey of 12 cities conducted by Peat, Marwick, Mitchell found an "extraordinarily high" average 36 percent spare vehicle ratio. The accepted industry average spare ratio before Federal capital assistance was available was 15 percent.

Equally disturbing are current requests for bus replacement funds for buses with less than ten years service. In some transit agencies which continue to stress maintenance practices, it is not unusual to find buses still in service after 20 years. Shorter bus life and excess spare buses reflect an abundance of capital and poor stewardship of public funds.

For the Federal Mass Transit Program in total, over \$1 billion in formula funds remained unobligated at the end of FY 1984, of which 40 percent is available for operating assistance. The fact is that many areas receive more formula funds than they can use. We also believe that these funds clearly provide a cushion to local communities to adjust to any changes in the Federal program. For example, at the end of FY 1984:

- Providence, Rhode Island had \$9.6 million in unobligated formula funds available for operating assistance or 145 percent of the FY 1985 cap on operating assistance.
- Youngstown, Ohio has \$4.9 million in unused operating funds or 222 percent of the 1985 operating assistance cap.

Similarly we are also looking at the \$8.3 billion in unliquidated balances. This represents large amounts of money that has been previously obligated by UMTA, but is still waiting to be spent.

We are currently undertaking an extensive analysis of this balance and have found \$838 million worth of projects that were inactive with no cash disbursements in FY 1984. Certainly in many cases there are legitimate explanations but there are some examples that we have found that are hard to explain, such as:

- In Philadelphia, \$2.4 million was obligated for a modernization project in FY 1979 and through FY 1984 only 2 percent had been drawn down.
- Southeastern Michigan Transit Authority (SEMTA) was awarded \$5 million in September 1980 for a rail modernization project. Today they have not drawn down on this award and, therefore, UMTA has canceled this project and is de-obligating the funds.

We will be looking at this issue not only in the context of phasing down the levels of funding but also in terms of increasing the flexibility of the States and localities to transfer transit funds to the areas that actually need them.

Urban Mobility

As UMTA Administrator, I spend a fair amount of time visiting urban centers and conferring with State and local officials about their mobility plans and programs and the manner in which local decisions are made.

What I have found, in many cases, is that the local decisionmaking process conforms more to the flow of Federal funds under the various programs than to rational, integrated planning, and priority-setting. Responsibility for funding rail projects is separate from the responsibility for funding highway projects in the same corridor. Often both projects serve the same need.

In the final analysis, State and local transportation officials must set priorities for urban transportation projects that are designed around each area's unique requirements. However, they should be permitted maximum flexibility to spend available Federal funds for local needs in a way that projects do not compete with each other.

We need to consider ways for highway and transit decisions to be made jointly and in a comprehensive manner. We need to seriously review the degree to which the existing flow of funds interferes with such decisions and look to alternatives which would both protect the integrity of highway and transit projects and provide for needed rational decisionmaking.

Private Enterprise

Ever-rising operating costs combined with declining market share characterizes much of the traditional transit service in the United States today mainly due to closed-market, monopolistic systems. It need not be so. Opening traditional transit service to competition from the private sector offers several important advantages. A recent University of California study found cost savings ranging from 20 to 60 percent when transit services are contracted with private providers. In addition to cost-effectiveness, increased competition within the transit industry would give communities greater flexibility in seeking the most appropriate service for their mobility needs. Competition in the form of service contracting would also permit local transit boards to focus better on their community's transit policies by freeing them from the day-to-day concerns of operations.

To help flesh out our private sector proposals, we currently have under way several studies to assess the capacity of private operators to provide service, their interest in doing so, and the potential savings likely. Our preliminary findings indicate that there is both a willingness, capability and the available capacity for the private sector to participate in providing more cost-effective public transportation.

We believe that it is simply not realistic to expect the responsibility for planning, coordinating, funding, and operating transit service to remain exclusively on the shoulders of the public sector. We must look to the private sector to help fill the gap between available transit service and local travel demand. To avoid misunderstanding, we are not talking about abandoning publicly operated transit systems. Good, safe, effective public transit should remain a prime responsibility of publicly-elected officials. What we are seeking is a greater shared responsibility and cooperation in the form of a dynamic partnership in all phases of local public transportation management, with all of the resources of a community brought to bear in meeting that community's mobility needs. The most effective approach to improve transit must start with close cooperation between the public and private sectors at all levels of the process from planning, to funding, to operations. We believe that competition and private sector cooperation with public transportation will be part of the future of mass transportation.

CONCLUSION:

These are some of the major issues we will be addressing in our legislative proposal. There are a number of other matters as well that we will be looking at, and I hope that we will have an opportunity to work with you when we have developed specific proposals so that these can be reviewed in detail.

Mr. Chairman, that completes my summary of the major issues related to UMTA's proposed reauthorization legislation. I would be pleased to answer any questions that you might have.