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Mass Transit Management:

Case Studies of the Metropolitan Atlanta Rapid Transit Authority

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Mass Transit Management: Case Studies of the Metropolitan Atlanta Rapid Transit Authority

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PREFACE

This is one of a series of reports distributed by the U. S. Department of Transportation's Technology Sharing Program on the topic of transit management. As a general rule, reports published in this series emphasize principles which are applicable to several properties, and try to be "technically neutral" setting out the advantages and disadvantages of alternative decisions and leaving the decisions to the users.

This document provides a unique chance to look inside the decision-making process of a major transit property. The stories are told, in many cases, by people who were actually involved as consultants to those who eventually had to make choices in the evolving MARTA system.

In the narratives, the researchers frequently describe themselves on a "third person" basis--"Golombiewski," "Trattner," etc. Recognizing that this can give an extraordinary insight into the dynamics of system management, readers should also be aware that no such account can be totally objective, but can only strive for what the broadcast media call "fairness." Hopefully, this report does achieve such a balance between personal insight and dispassionate observation.

We would be interested in any comments you have on the report itself, or on future subjects to cover. Feel free to send any reactions to the following address:

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INTRODUCTION

MASS TRANSIT MANAGEMENT:
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Background of this Study

Atlanta, Georgia is typical of many of the nation's cities. It has faced the public transportation problems of reduced transit ridership, aged equipment, reduced service, increasing costs, lack of public support, and need for sources of finance, to name some. It is atypical in the sense that it is one of a very limited number of cities that is constructing a new rail rapid transit system.

The city now has a relatively new transit authority which has experienced a variety of gestation and early existence problems. Their solutions seemed to be worth sharing with existing and embryonic urban public transportation agencies, as well as other individuals interested generally in public agency management problems. This document is an attempt to document Atlanta's experience for these other groups.

With funding provided by an Urban Mass Transportation Administration University Research and Training grant, a team of faculty and graduate students at the University of Georgia, with support of the Metropolitan Atlanta Rapid Transit Authority (MARTA) General Manager, sought to develop a series of case studies on the various key management-oriented events and developments at MARTA. This document contains the six Case Studies considered to be of the most general interest, either in their original form or with minor editing. Eleven additional Case Studies, along with these six, have been placed individually in the National Technical Information Service (NTIS) located in Springfield, Virginia. Each of the Case Studies is separately available for purchase from NTIS, and a list is included at the end of this document.

MARTA - An Overview

MARTA was created in 1965 as a transit authority to expand and upgrade urban public transportation in Atlanta. MARTA basically provides two forms of transit--surface bus and rail rapid transit.

In 1972, MARTA bought out the existing transit operator, Atlanta Transit System, Inc., and proceeded to upgrade the bus service and add new routes and services. In February 1975, ground was broken for the start of construction of a rail rapid transit system designed to ultimately total 50 miles of dual track. Service on the first segment of the completed system began in June 1979.

Shortly after accepting the position of General Manager of MARTA, Alan Kiepper sought to set forth his overriding goal for MARTA. Basically, what he wanted was for MARTA to strictly avoid becoming "just another public agency" in the unfavorable sense. Also, he wanted it to become a model employer and a management innovator. This led to the experimentation with innovative approaches described here. MARTA now has new buses on the streets of Atlanta, as well as other new services, and three segments of the rapid rail system are in operation.

The Case Studies

The following paragraphs provide a brief introduction to, and set the stage for, each of the six Case Studies that follow.

1. A crucial point in MARTA's evolution was the referendum of 1968, which had been intended to approve a bond issue that would provide money needed for advanced engineering, land acquisition, and construction of the first phase of rail rapid transit in Atlanta. That referendum was defeated.

The case study, "Assessing Electoral Defeat: New Directions and Values for MARTA," describes the re-examination MARTA conducted of itself and the changes which occurred, the campaign for public support of MARTA, and its final success in the 1971 referendum.

2. The next case reflects on the innovativeness of MARTA's basic charter in a narrow but significant particular. "MARTA and the 15¢ Fare" details the history and the consequences of the decision to build support for the MARTA system by an agreement to keep the fares at a low level after MARTA took over the local bus property. Keeping the promise was not easy, and attempts to do so often resulted in media challenges.

3. A third case study--"Low Fare: An Economic Analysis of a Political Decision" provides an alternative perspective on the fare issue and how MARTA was chartered. The 15¢ fare had multiple motivations. The fare decision made manifest sense to daily bus-riders such as Atlanta's low-income residents, including black riders who later contributed to the success of the referendum to authorize the system. However, the low-fare decision also apparently made sense to the more affluent residents, as a factor in gaining authorization of MARTA and its rapid-rail component. The case study implies that political sense, in this case, also had a strong economic justification.

4. "Reorganizing the General Manager's Office" illustrates how MARTA sought to adapt its structure to its changing task, and to major shifts in political demands placed on the system. Of special relevance there is the broadly participative nature of the reorganization of the General Manager's office.

Basically, MARTA sought to involve a broad cross-section of people in the organization in the process of change. MARTA management recognized that their organization would in fairly rapid succession move from one basic preoccupation to another--from a small planning agency, to a bus operator, and then to a design- and then construction-focused organization before rapid rail became operational. MARTA had to make these several transitions with a minimum of waste motion and conflict, while balancing older preoccupations with new demands that had to be responded to sensitively and often with some speed. People had to be reoriented in these transitions, people with different loyalties, ambitions, and aspirations. The socio-emotional preparation that can cushion the inevitable shocks in the transitioning between the several states of the "same" organization required in MARTA-like projects is discussed in the study.

5. The next case illustrates MARTA efforts to be mangerially innovative in doing its work, as well as in choosing what work needs to be done. "Developing an Arbitration Process for Resolving Contract Disputes" discusses why and how MARTA sought to innovate procedures associated with a ticklish issue that often consumes large chunks of management time and energies in transit properties.

6. Finally, MARTA also gave attention to functions--or related sets of activities--that are not heavily emphasized in some public urban transportation operations. "Marketing in MARTA" focuses on why and how MARTA sought to bring the Authority's several "products" to the attention of several specific publics. The marketing function has received some recent attention from public-sector agencies. The case describes some major individual and organizational issues that tend to be triggered by efforts to find a comfortable place for such a public-sector function.

CASE STUDY I -

ASSESSING ELECTORAL DEFEAT:

NEW DIRECTIONS AND VALUES FOR MARTA

Timothy A. Almy

William Bartley Hildreth

Robert T. Golembiewski

Assessing Electoral Defeat:

New Directions and Values for MARTA

The morning of November 6, 1968 saw the Metropolitan Atlanta Rapid Transit Authority facing a deadly-serious question: Could the Authority survive? Voters on the previous day resoundingly defeated a referendum important to MARTA. At issue was a bond proposal which would have provided the money needed for advanced engineering, land acquisition, and construction of the first phase of rapid rail in Atlanta. The defeat ended MARTA's immediate hopes of transitioning from a planning and coordinating agency to an operating rapid-transit system.

MARTA being unsure of its own survival was no new thing, however, since from its creation there were no assurances that rapid rail would ever become a reality in Atlanta. Although the Georgia State Legislature passed the MARTA Act in March 1965, the establishment of the Authority was contingent upon voter approval in the metro-Atlanta area. In November 1965, local referenda ratifying participation in the Authority succeeded in four of five metro counties. This approval provided local governments with the constitutional authority to contribute city or county revenues to MARTA for rapid transit planning. Even so, local participation in the funding of detailed engineering and construction programs would require additional referenda in each participating jurisdiction. So the 1968 referendum defeat did not change MARTA's basic condition but simply increased the uncertainty of its survival.

This case focuses on MARTA during the transition period, 1968-1971, which culminated in a successful referendum in November 1971 and propelled the embryonic Authority into complex engineering and construction projects. So this case provides perspective on how MARTA turned the 1968 defeat into success three years later. Three major sections introduce major features of this critical turnaround. First, the case briefly reviews the 1968 Referendum. Second, attention gets directed at MARTA's examination and assessment of the reasons for its failure. Third, the new emphases and directions chosen by MARTA for its 1971 referendum plan will be highlighted.

The Referendum of 1968

The plan presented to the Atlanta voters in November 1968 was complex. A four-corridor, fixed rail, rapid transit system of slightly over forty miles in length was at stake. The estimated cost of the project was calculated to be $993 million, including interest payments. The project would service Atlanta and two counties, Fulton and DeKalb. Long-range plans, however, anticipated service to three other metro counties -- Gwinnett, Clayton, and Cobb. The MARTA proposal called for rapid transit to some thirty stations; and park-and-ride stations would be built in outlying areas, while feeder buses would complement the fixed-rail system. The MARTA plan remained, nonetheless, essentially a rapid-rail proposal. Initiation of service was predicted for December 1978.

Did the public support these transit plans? A 1965 referendum revealed public commitment to rapid transit, to be sure, but that commitment was largely conceptual and symbolic. Public support for the generalized concept of rapid transit was easy for the Authority to gain. The referendum in 1968 challenged this generalized support to put up the cash for specific fixed-rail routes with an enormous price tag. Atlanta-area voters proved unready to reinforce their symbolic support of rapid transit with the required material commitment.

The defeat in November 1968 deal MARTA its first significant failure. But that failure became an opportunity for the Authority to contemplate its mistakes of the past and to consider alternatives for the future.

Dismayed at Losing and Used to Winning

The election loss was an especial blow to the efforts of the "downtown establishment" that had strongly supported the referendum in the belief that a rapid rail system in downtown Atlanta would be good for the city. The rail system, they thought, would enhance the viability of the downtown areas which in most other major cities were decaying. A modern mass transit system would provide an impetus to development and assure the continuance of the central city's retail and commercial dominance. It was imperative to the merchants and retailers that the rapid transit plan get electoral support.

The 1968 defeat was dismaying, and threatened the reputation of "progressive" Atlanta, whose business and commercial interests had grown accustomed to successs in convicing Atlantans of the need for change and progress. That confidence convinced local civic leaders that rapid transit would be as successful as other "progressive" proposals backed by the downtowners. In the area of civil rights, as an illustration, the local Chamber of Commerce referred to Atlanta as "The City Too Busy To Hate" -- racial tensions and violence were counter-productive to good business. Normally conservative Southern business interests thus supported social and political policies progressive for the day and locus. A buoyancy also characterized Atlanta's life more generally. In 1964, for example, Mayor Ivan Allen announced that local interests "were going to build a stadium on land we don't own with money we don't have for a team we don't have." Soon, three major league professional teams were playing in that stadium.

"Progressive Atlanta" rested on a coalition of conservative whites and liberal blacks that had become the dominant political force in local politics. Since each group had become accustomed to the other's support, the business community had expected the black leadership to support rapid transit.

The voters' rejection of the 1968 referendum was shattering to the civic leaders who had labored for the passage of the bond issue. Particularly painful was the overwhelming rejection of MARTA by the black voters. For example, this frustration was evident in a post-election letter from Alexander Smith, a member of the Board of Directors of the Chamber of Commerce, to Chairman of the MARTA Board Richard Rich, an important business leader in Atlanta. Smith reviewed the referendum failure and seemed to speak for the Atlanta power structure. Smith outlined several changes needed the next-time-around -- expanding the MARTA Board, hiring a new public relations firm, changing the MARTA system to fit social realities, rethinking the finance plans, and so on. Smith concluded that "none of us should be ashamed of losing . . . our only problem is <u>we are simply used to winning</u>."

The official MARTA response to the election loss indicated disappointment, but not surprise. MARTA's press release of November 6 said "the people have spoken and they have made it very clear that many of them are not sympathetic to the plan that MARTA has put together, and that this Board thinks would be the key to the solution of Atlanta's traffic problems." The news release went on to warn the citizenry that "when the traffic doubles in Atlanta . . . we will no longer have a viable city. . . ." MARTA promised to explore alternatives for the future of rapid transit in Atlanta. Limited by time and money, however, the Authority had no alternative plans ready at the time.

The defeat was clear-cut and indicated serious problems ahead. Less than forty-five per cent of the voters supported the plan for financing the system. Some analysts noted after the election that the level of opposition was not nearly as important as the significant apathy that Atlanta voters displayed about the transit issue. This apathy was reflected in the fact that less than fifty per cent of those Atlantans voting in 1968 for President of the U.S. completed their ballots and voted on the last measure on the ballot, the rapid transit referendum. The post-election efforts of MARTA and its supporters, therefore, had to focus on remedying apathy as much as opposition to MARTA.

Clearly the "downtowners" had failed to sell 1968 transit plans to area voters, but the individuals who had been the major backers of the rapid transit concept reacted to the defeat with a commitment to continue. Their efforts in the several months after the elections were centered on re-grouping and analyzing "what went wrong" in the campaign. MARTA Board Chairman Rich reflected the common attitude in reflecting on the loss in a letter to former Governor Carl Sanders, an advocate of the referendum. Rich mused that "in politics neither defeat nor victory is permanent . . . /and/ MARTA /will/ continue to work for a solution to the transportation problem in Atlanta."

<u>The Post-Mortem: Inquiring into the Loss</u>

The electoral post-mortem sought to be as open and critical as possible. The MARTA Board of Directors sought explanations for the defeat from close supporters as well as from opponents. These evaluations isolated the following contributing factors:

- o technical disagreements over a fixed-rail versus a balanced bus/rail system, in part resulting from the fact that a major transit study for Atlanta was not completed before election time, as anticipated;
- o incomplete public education program on the advantages of rapid transit for Atlanta;
- o little visible political support from local elected officials, and opposition from Governor Lester Maddox;

- confusion about alternative rapid transit systems available to Atlanta;
- opposition by leaders of the black community;
- an unacceptable financial plan, relying solely on the property tax to repay bonded indebtedness;
- uncertainty of federal funds to supplement local money;
- the placement of the MARTA bond question last on a ballot already containing over one hundred other referendum questions;
- MARTA's image as being technically-oriented and not concerned with social concerns, especially relating to blacks; and
- the proposed fixed rail system did not allow flexible service to suburban and poor areas of the region.

These were comprehensively devastating conclusions. Some critics suggested that MARTA's election failure was largely self-inflicted, that MARTA was not a socially and politically responsive public agency, that it had presented a confused plan to area voters.

MARTA staff and Board were aware that future success at the polls would depend, in large part, on the quality of their assessment of the referendum failure. This reassessment would necessarily take several months. Before the initiation of this lengthy process, however, the Board responded to immediate pressures and identified several opportunities for early change.

The Pressures for Change

The MARTA Board quickly responded to two major sources of pressure to alter its approach to planning, financing, and campaigning -- courting the black community and local elected officials, who had been obviously and perhaps deliberately neglected or at least taken for granted prior to the 1968 election. Rectifying those oversights occupied a number of executive meetings of the Board of Directors held in the two months immediately following the election. After soliciting input from leaders of the Atlanta black community and from elected officials, the MARTA Board tentatively settled upon objectives for the near-future. These objectives would involve both political and technical changes for MARTA, and sought a new "political respectability" by learning from the mistakes of 1968. The Board looked to the detailed reassessment period to give substance to these new objectives, which were summarized in a 1969 in-house memorandum having five major emphases:

1. Legislative: The MARTA Board must be made more representative of the community, moving away from the image of a downtown interest to a city-wide and representative body.
2. Citizens Advisory Committee: MARTA should establish an advisory committee of prominent citizens of both races to foster the acceptance of a transit system. The advisory committee would help the Authority to redesign the system, and could enlist the support of community groups to sell the system to the voters.
3. Financial: MARTA must seek alternatives to the property tax to finance the system. Detailed cost estimates of the system must be prepared, and contracts with participating local governments should specify the amount and method of financing the cost-shares of specific local governments.
4. Revised System of Rapid Transit: MARTA should adopt a system that is compatible with the needs of the area, with emphasis on bus service having special relevance for the poor and blacks as well as a rapid-rail component linking suburbs and central city.
5. A vigorous, well-organized campaign must be conducted by supporters of rapid transit that would not repeat the mistakes of last year.

These recommendations for MARTA's agenda were accepted by the Board with little hesitation. An observer recalls that the major concern of the MARTA staff was the poor image of the Authority in the community -- an image of being remote, technical, and unresponsive. Another participant raised a different but related issue. One prominent Board member commented that the success of MARTA was now very much dependent upon the support of the black community -- "a community unfortunately ignored in the last referendum, and a population without any representatives in MARTA."

MARTA Reexamines Itself

These and other concerns absorbed MARTA's energies during a year-long reappraisal that would significantly change the Authority. Following its failure at the polls, the Authority determined to change in directions that would insure success at the next referendum. Particular attention was devoted to planning processes, financing, and campaign strategy. Each emphasis will be reviewed in the next three major sections.

Transportation Planning Assessed

MARTA was criticized by supporters and opponents alike for not providing mechanisms for the involvement of important groups in their planning. Three groups in Atlanta were especially critical to the success of the MARTA referendum: area transportation planners, local elected officials, and non-political community leadership, especially blacks. At the time of the 1968 election, no unified agreement existed among metro-transportation planners that the MARTA plan was technically appropriate. Additionally, there were charges by opponents that MARTA had acted like a "super-government" and ignored the wishes of elected officials, who claimed that they had been left out of the planning process. Finally, the vote indicated that the resistance by black community leaders to the referendum -- which was influenced by a perceived exclusion from the planning process -- had been instrumental in causing MARTA's defeat.

In sum, the transportation planning process stereophonically failed in one of its purposes: to develop the broad base of support necessary for success at the polls.

A brief history of transit planning in Atlanta provides detailed perspective on MARTA's failure to develop adequate support from regional transportation planners, and also illustrates broader failure to provide mechanisms for involving important groups in MARTA planning.

The 1968 plan was the product of a long relationship between the Atlanta Regional Metropolitan Planning Commission (ARMPC) and Atlanta's business leadership. In 1960, Ivan Allen, President of the Atlanta Chamber of Commerce, established contact with ARMPC soon after its establishment to form an alliance between government and business to plan a comprehensive rapid transit plan for the region. The Chamber earlier had established a group called the Rapid Transit Steering Committee, of which Richard Rich -- later Chairman of MARTA -- was the chairman. ARMPC and the Steering Committee worked to develop a comprehensive plan, which eventually was endorsed by the Chamber of Commerce in August 1961.

The 1961 plan did not stimulate construction of rapid transit, but it did encourage the establishment of the Intergovernmental Rapid Transit Steering Committee, composed of elected officials from throughout the metro area. It seemed to many that the Chamber and ARMPC had successfully transferred their interests in rapid transit to a larger group of governmental leaders, a critical element in successful planning.

Not all area officials supported these regional planning efforts. William Hartsfield, the mayor of Atlanta, opposed the comprehensive transit plan endorsed by the Chamber and drafted by ARMPC. Some commentators noted that Mayor Hartsfield was highly suspicious of governmental organizations which might dilute the power of the central city. Whatever the case, Hartsfield did not accept the thesis that regional planning and effort were essential for a successful transit plan. Hartsfield's influence was short-lived because he could not succeed himself in office. His successor was Ivan Allen, the stimulant behind the joint Chamber-ARMPC planning effort.

The next few years witnessed a series of planning efforts aimed at reassessing the earlier Chamber-ARMPC plans, but major barriers to linking planning and construction still existed. Most of these new planning efforts were organized and managed by ARMPC, acting in behalf of the local governments in the area. These governments were forbidden by state law to expend any local money directly on transportation. ARMPC was a general planning agency which could spend money for planning in all areas, including transit, but it could not spend money on construction. In transportation, the Atlanta Area Transportation Study (AATS) performed that function. But ARMPC, AATS, and later MARTA often had different interests, on which greater detail will be provided later.

Eliminating this legal prohibition against local governments' spending money on transportation became the focal point of Chamber of Commerce activity in 1964. A new Chamber-inspired group, "A Rapid Transit Committee of 100," was formed to channel private money into a lobbying campaign to change the Georgia Constitution to accomplish this result. In November 1964, voters in the Atlanta area approved a constitutional amendment which allowed such local expenditures; and the State Legislature in 1965 approved the creation of MARTA, which would be financed by local government contributions and could get into construction.

The new Authority suffered because of its small size and inexperience. Since its staff was too small to carry out regional transportation planning, MARTA turned over this responsibility to the most likely group, ARMPC. This was reasonable. The planners in ARMPC and its Executive Director, Glenn Bennett, had been instrumental in getting the MARTA Act passed through the state legislature. In addition, ARMPC was the region's duly-constituted planning agency. MARTA was not.

MARTA's next concerns essentially involved design and engineering. ARMPC and MARTA hired a consortium of engineering consultants -- Parsons-Brinckerhoff, Tudor, Bechtel, or PBTB -- who would prepare preliminary engineering designs for the system. This technical study was to last for at least one year and -- significant in later criticisms -- PBTB was not required by either ARMPC or MARTA to consult elected officials on the plans they were developing. Instead, PBTB was to prepare the technical report, while ARMPC and MARTA would later solicit reactions from local governmental officials and civic leaders.

During the first year of planning, neither MARTA nor ARMPC saw the need for local involvement in planning. Some critics of the 1968 MARTA referendum felt that this behavior indicated secrecy and avoidance. MARTA and ARMPC believed, however, that engineers and planners were able to go about their business without much political interference and that planning was more efficiently managed.

The lack of civic and governmental involvement probably encouraged opposition to the technical report when it was finished, but it is only certain that the report had rough-going. PBTB presented its designs to ARMPC in August 1967. In September, ARMPC passed the designs to the MARTA Board which soon tentatively accepted the PBTB plan. Even before the MARTA Board approved the PBTB-ARMPC plan, however, critics pointed out possible flaws. One vocal critic was the president of the Atlanta Transit System, Robert Sommerville. Sommerville criticized the total reliance upon fixed rail, and argued instead for an integrated system capitalizing upon the flexibility provided by buses. The Chamber of Commerce's Transit Committee agreed that the Sommerville plan had attractive features, and the Chamber began a study of its feasibility. However, MARTA remained unconvinced. It rejected Sommerville's recommendations and, indirectly, the Chamber's. Nonetheless, MARTA requested Chamber endorsement of the MARTA fixed-rail plan. The Chamber questioned the complete reliance upon fixed rail, and did not endorse the MARTA plan.

This lack of support by the important and influential Chamber of Commerce led the Authority to seek outside confirmation of its plan. The firm of Alan M. Voorhees was hired to conduct a study of the rail system and to make a policy recommendation to the Board. Voorhees' services were paid, in part, out of a federal grant to MARTA. Additional funds were provided by the State Highway Department. The study was to be coordinated by the Atlanta Area Transportation Study (AATS).

The Voorhees report was expected in October 1968, one month before the proposed referendum. MARTA officials hoped that the report would support the PBTB plan. In turn, a favorable report might reduce uncertainty about the technical features of the proposal; and it also might convince the Chamber of Commerce to actively support the 1968 referendum.

MARTA knew, however, that it had to gain the support of other planning agencies before it could approach the referendum with confidence. The Atlanta Area Transportation Study (AATS) was one of these groups. AATS was largely a paper organization founded by the State Highway Department to create long-range traffic projections for metro-Atlanta. MARTA had worked infrequently with AATS in 1966 and 1967, as in using its traffic projections in developing the PBTB plan. But AATS had not been a party to the development of the PBTB plan.

The role of AATS in MARTA activities was to change drastically in 1968. New federal guidelines mandated that federal construction funds would not be available until the Atlanta area had adopted a "comprehensive transportation policy." AATS was a state-designated transportation policy group, and any "comprehensive" plan needed its involvement and support. Although the agency charged with that responsibility, AATS simply did not provide that intergovernmental planning.

No super agency coordinated the efforts of the several transit-related agencies operating in Atlanta, then, and MARTA recognized the seriousness of this condition. Alan Voorhees was asked by MARTA to include in the AATS study an evaluation of the region's comprehensive planning abilities in his report. That additional request -- unknown at the time to MARTA -- would significantly delay the final report. MARTA went into the election not knowing the results of either the technical study, or Voorhees' recommendations about comprehensive transit planning.

What is the bottom-line concerning this planning process? MARTA had accepted a rapid rail plan from ARMPC, which had contracted for the plan with PBTB. During the preparation of the transit prospectus, neither PBTB nor ARMPC had regularly involved local governmental officials, the Chamber of Commerce, or AATS in their deliberations. After the plan was completed, federal directives appeared that required "comprehensive, regional planning," which ARMPC, obviously, had not carried out. Therefore, the MARTA referendum proposal suffered from a major liability when it came to getting a funding commitment from the federal government. MARTA had not been able to comply with the federal requirement prior to the 1968 election, because of AATS's inability to serve adequately as a comprehensive planning agency. Indeed, MARTA was still awaiting the Voorhees report which, in fact, was not completed until April 1969. More importantly, MARTA had not received the unqualified support of other relevant transit-planning agencies.

If MARTA's failure to comprehensively plan was major, its failure to gain the support of the political leaders of the City of Atlanta, Fulton and DeKalb counties was fatal. By the time of the 1968 election, few political leaders in the metro-area were willing to "jump on the MARTA bandwagon."

This lack of support has several explanations, the most powerful of which inhere in the basic philosophy of the MARTA Board, and the attendant values reflected in the planning process. Specifically, the MARTA Board was meant to be non-political, and determinedly acted that way. Revealingly, no member of the Board could be an officeholder. This was an effort to keep the Authority "above" as well as "out of politics."

Moreover, MARTA's civic-business support also was shaken. The MARTA Board was composed of males -- predominantly white, upper-middle class -- who were to act in the best interests of the whole community. Close working relationships between the Board and the civic-business community would inevitably develop because of their similar values and outlooks, it was believed. MARTA's mode of planning hindered that, or at least cramped the fullest development of that commonality. As the planning process evolved in 1967 and early 1968, the civic-business leadership in Atlanta and DeKalb County gradually became alienated from MARTA. The planning process was essentially technical; and the MARTA Board prided itself on its ability to keep political considerations out of transit deliberations. As the PBTB engineers were preparing their plans for routes, stations and mode of transport, consequently, the Board did not seek out local officials. This behavior, rightly or wrongly, was interpreted by many civic and elected officials as "high-handedness and isolation." With few exceptions, local officials did not feel any sense of "ownership and involvement" in the plan. Although local officials had many opportunities to request the Board to provide information, consequently, they often chose not to do so. Local officials had many reservations about the public's willingness to support a system with such a big price tag, so they chose not to get involved. Disregarding the interpretations of motives, all sides agreed after the 1968 election that MARTA erred in a big way in not pushing involvement in the planning process.

The erosion of support damaged MARTA's campaign effort. MARTA had not gained political support before the election that might have been influential in the campaign process. Its remaining prominent supporters were members of an increasingly-reluctant Chamber and civic-business community, who found themselves conducting a political campaign without the support of the political leadership in Atlanta. The lack of political support also exposed MARTA to charges that rapid transit mainly served the interests of the business community, the only visible advocates of the referendum.

In addition to the transit planning groups and the political community, the third influential party in the defeat of the referendum was the weak support of the community leadership in Atlanta. The result seemed to have a clear cause: very little neighborhood and community involvement in the development of the rapid rail design.

This generalization holds especially in the case of MARTA's failure to gain the support of the black leadership for the referendum. Black leaders had made many efforts to have an impact on the design of the rail system, but they encountered the same obstacles facing political leaders. In the year before the referendum, the Atlanta Summit Leadership Conference (ASLC) had continually warned the MARTA Board and General Manager that the black community would not support a system that failed to adequately serve poorer neighborhoods. In fact, several weeks before the election, the ASLC issued a press release urging all Atlanta blacks to vote against the bond issue. In response, MARTA's Public Information Office organized two meetings in predominantly-black neighborhoods to listen to the concerns of residents. Critics claimed that these forums were tokens, empty symbols of concern intended to camouflage the reality that engineering and financial plans were set. In any case, Atlanta blacks overwhelmingly rejected the referendum.

These details of MARTA's post-election assessment revealed several important shortcomings in its transit planning. Certainly, the impression existed among MARTA's relevant publics that the Authority had operated secretly and avoided public input. The mandate received by PBTB from both MARTA and ARMPC contributed to that image. The "no-involvement" philosophy precluded public and elected officials and civic leaders from actively participating in the design of the system. The final system also neglected significant realities of the politics of Atlanta in 1968, primary among them being the rapid dissolution of the old white leadership and the emergence of a new black leadership with burgeoning authority and influence. In addition, the evaluation highlighted the lack of intergovernmental coordination in the preparation of the rapid rail design. This failure was critical in the inability of MARTA to secure federal commitments for engineering and construction, even if the 1968 referendum had passed. The other important learning from the assessment of the electoral failure related to the image of the Board. The Board's carefully-developed image -- detached, aloof and non-political -- did not generate positive responses from ordinary citizens. An awareness was evident in the post-election evaluations that the composition of the Board should begin to reflect the political and social realities of the region. Finally, the post-mortem indicated that a viable, credible public advisory system was essential. Each of these concerns would compel MARTA to make some significant changes in its decision-making style.

Financial Reappraisal: Who Pays and How?

The failure to capture the unqualified support of elected officials, transit experts, and black leaders no doubt influenced voters, but opponents of the referendum focused on the financial aspects of the 1968 plan. Three points stood out. First, the reliance on the property tax to pay the local governments' debt obligations was critical. Second, the failure of MARTA to have a definite financial commitment from the federal government for its share of the project attracted much adverse publicity. Third, the financial plan of the system was very complex and not easily understood by the electorate. The opponents did not focus upon those complex issues, dwelling instead on the more emotional issue of heavy property taxes.

A clearer understanding of these campaign charges can be provided by brief discussion of the MARTA system. Several financial issues were identified: federal commitment; state involvement; apportioning of local government debt; bond type; source of local government revenue for debt retirement; and total system cost. Each aspect was evaluated by MARTA to determine if the 1968 arrangements would need to be changed to insure future success at the polls.

In mid-1968 MARTA transit planners did not have any definite commitment from the U.S. Department of Transportation for federal funds. Although the Urban Mass Transportation Act of 1964 authorized the DOT to pay up to 66 per cent of the cost of <u>new</u> mass transit facilities, the Atlanta area was not guaranteed any specific amount of federal dollars. Moreover, the failure by ARMPC and MARTA to provide evidence that their transit plan met the criteria of "comprehensive, regional planning" did not place them in a favorable position. The inability in the campaign to show specific dollar contributions from the federal government worked against MARTA, according to post-election analyses. MARTA resorted to a conservative guess that the federal share of the project would approximate 40 per cent.

The state's contribution, however, was well established. The state had passed a constitutional amendment in 1965 allowing the legislature to pay up to 10 per cent of new mass transit projects. MARTA expected the full amount from the state.

The financial prospectus thus provided that local governments would pay approximately one-half the total costs. The original transit plan called for a system to be built in Atlanta and five metro counties. In June 1965, a referendum to participate in MARTA passed in four of these five counties. Two of the four counties, Clayton and Gwinnett, were subsequently dropped out of the plan. Atlanta and the counties of Fulton and DeKalb were the remaining three jurisdictions voting in the 1968 referendum. The local government share of the system's cost -- $377 million -- would be apportioned between the City and the two counties.

How were the costs to be allocated? MARTA planners proposed to the local governments that the costs be related to benefits. Factors proposed to the participants included: intensity of system use; capacity to pay; economic benefit; and amount of system located in each jurisdiction. Each local jurisdiction would contract separately with MARTA for a definite sum of money that would be paid to the

Authority, following a detailed schedule of payments over the several decades of indebtedness. Most local leaders felt that this openness of the MARTA plan was a positive feature. Local governments would determine the manner in which they would pay their indebtedness.

MARTA also had to decide about the type of bond to be issued. Two alternatives were available. The participating local governments, by law, could issue general obligation bonds in their own names to meet MARTA obligations. Another alternative would be that local jurisdictions would contract to pay the principal, interest and charges on bonds that MARTA would issue. Each of the two proposals had advantages and drawbacks, which need not be detailed here. The agreement reached by the Authority with the local governments provided that MARTA issue bonds on the strength of the local government's contracts to pay a certain sum of money each year.

These funding arrangements hung by a very delicate thread, for Georgia law was very restrictive as to revenue sources available to cities and counties. Proposals for local-option sales taxes had been defeated in the 1968 legislature, for example. Many elected officials were concerned, therefore, that the only monies to meet bond obligations would come from ad-valorem or property taxes. The reliance upon the property tax was a major campaign issue, and important in the defeat of the 1968 referendum. MARTA officials concluded that alternative sources of local government taxes would have to be made available.

Although the total system cost was included on the 1968 ballot, the referendum was not a bond referendum in the strict sense. Instead, the passage of the referendum would constitute an approval of the contractual arrangements between the local governments and MARTA. The ballot showed the total price of the bond issue: principal, interest, and charges. Although the principal amounted to $377,600,000, the total contractual obligation was $933 million. MARTA officials applauded this openness because it indicated the true obligation of the participating governments. Critics of the referendum pointed to this high cost, and post-election commentaries seemed to indicate that the high price-tag influenced voters.

MARTA's financial critique surfaced several major concerns, but two were especially central. The reliance upon the property tax was viewed by most supporters as the major weakness of the financial plan, followed closely by the unknown federal dollar-commitment. Other issues were of lesser importance. Local governmental officials expressed some discontent with the apportioning of costs; and some difficulties developed in negotiating the four components of the formula. These disagreements delayed the signing of contracts until October 5, the last date for MARTA to get its referendum on the ballot.

The lessons were well-learned in the 1968 electoral loss. MARTA sought to secure legislation in the Georgia General Assembly which would provide funding alternatives for Atlanta and the participating counties, given widespread concern about reliance on the property tax. In addition, a definite federal promise for funding of the new system was seen as necessary for a successful future referendum.

Campaign Strategy in Review

In addition to concerns about the transit planning process and the financial plan, the shortness of the 1968 campaign period was criticized. The failure of the referendum surely indicated that the political campaign had not educated voters, with MARTA's own public information program being especially culpable. That is, no wonder that a three-week campaign failed to accomplish what MARTA had not been able to do in two years.

A review of MARTA's public information efforts provides useful perspective on the 1968 election. MARTA in-house discussions in late 1968 centered upon five campaign components: MARTA's public information (PI) program; the political campaign; the length of the campaign; group opposition; and leadership support. MARTA had acknowledged the importance of public information as an educational tool in 1966 when it established an office of Public Information, whose activities centered around publishing a newsletter, "Rapid Transit Progress." The newsletter was originally mailed to local chambers of commerce, businessmen, local clubs, corporations and elected officials. At the height of its mailing -- the week prior to the referendum -- the circulation was 15,000 copies. The lack of mass-mailing hindered educational efforts. Post-referendum discussions also pointed out the biases in the mailing lists. Almost no leaders in the black community received the publication.

PI also provided a speaker's bureau for organizations who wanted to learn more about MARTA and rapid transit in Atlanta, but that effort limped in a crucial particular. According to MARTA figures, over

1,000 speeches were delivered to groups in the two-year period preceding the election. A review of the groups requesting the speakers showed that MARTA had not provided much breadth to its speakers' program. Most of the speeches were to civic clubs in the region's white communities, and only at the very end of the political campaign did PI conduct public forums in the black communities of Atlanta.

Other MARTA PI efforts also had awkward features even as they succeeded. The Authority provided an exhibit at the Southeastern Fair in Atlanta in 1968. A rapid transit car was on display, and MARTA estimated that over a half-million people walked through it. Unfortunately, the car was not the type that MARTA proposed using in its own system. The point was brought out several times in the campaign. Similarly, MARTA sponsored a trip by interested civic leaders to Toronto and Montreal to view rapid transit systems. Each participant paid his own way, and about ninety businessmen took advantage of the opportunity. Very few black leaders were included on this trip, however, a point raised by the black leadership during the campaign.

Timing also limited the impact of other PI efforts. As part of MARTA's legal responsibility under the charter, public hearings had to be conducted by the PI Office before the referendum. Fourteen hearings were conducted in the three jurisdictions, with a total attendance of 325. Two were held in the black communities, and provided the opportunity for black residents to voice criticisms about the MARTA planning process, which they claimed excluded their inputs. In principle, these forums were to have been held to solicit public inputs into the transit plan. The lateness of the hearings precluded this, and MARTA was criticized for not taking citizen inputs seriously.

In general, MARTA before the election felt that its public information program was successful. Many brochures had been distributed and speeches delivered outlining "what MARTA intended to do" in the region. MARTA officials had not grasped the fact that local civic and political leaders expected a different approach, one that emphasized involvement.

MARTA's educational efforts should be distinguished from the actual political campaign itself. MARTA was forbidden by state law to spend any money on the campaign, so the supporters of the referendum organized a "Committee for Rapid Transit Now." This Committee solicited $100,000 from downtown retailers and merchants for public relations and media advertising, but its efforts were hampered by the shortness of the campaign period -- three weeks.

The short campaign period was due to two factors. First, Richard Rich, the Board Chairman, delayed officially requesting ballot space until the Board had recomputed the entire system cost to include an estimated higher inflation rate. The Board raised the estimated inflation rate -- from 3 to 7 per cent -- so as to provide voters with the best-available information. This caution was prompted by BART's experience in San Francisco, which grossly underestimated total system cost.

Second, major delay resulted from the consequent need to renegotiate the contracts with each participating local government. The recomputation for increased inflation raised the costs of the system by almost $125 million. The cooperating local governments had to approve the new payment schedules before the MARTA Board could authorize the election. These negotiations took longer than expected.

The decision to go ahead with the election, given the short campaign period, was debated by the Board. Several Board members wanted to wait until after the November general elections, and have a special election. The special election, it was thought, would focus public attention on rapid transit, and would allow a longer educational period. Other Board members disagreed. They felt that a longer campaign period and a special election would only give MARTA opponents more time to organize. Advocates of placing the issue on the November 1968 ballot also argued that the increased turnout due to the presidential election would be in MARTA's favor. MARTA was unaware at that time that their issue would be placed <u>last</u> on the ballot containing 118 other measures. That placement resulted because the official filing of the referendum was not received by the Georgia Secretary of State until the last filing day.

The abbreviated campaign was managed by two firms -- Helen Bullard and Associates, and Gerald Rafshoon and Associates. Bullard and Associates were hired by "Rapid Transit Now" to manage the overall campaign, while Rafshoon developed the media advertising segment of the campaign. Bullard's major activities involved opening a campaign headquarters in downtown Atlanta and distributing rapid transit literature, including the intendedly-wide distribution of a public educational brochure answering many questions about MARTA. An estimated 200,000 copies were prepared, but because of the shortened campaign these materials were not distributed in any systematic fashion. Critics alleged that most of the brochures were left on street corners in Atlanta and Decatur.

Rafshoon was to conduct the media campaign. Rafshoon's concept -- which "Rapid Transit Now" approved -- sought to avoid any discussion of "technical issues," such as routes, cost, technology. His perspective was that "rapid transit was packageable, like most products." The media campaign emphasized the attractive and convenient nature of the rapid rail cars.

Overall, the campaign may be best characterized as having a take-it-or-leave-it theme. For example, both Bullard and Rafshoon argued against the Board detailing routes and station locations. The Board also was discouraged from considering some re-routing to black areas after criticism of the project by black leaders. The MARTA staff and Board generally agreed with the campaign experts, resisting any public efforts to modify the system. This resistance probably enhanced the image of the MARTA Board as being unresponsive to local community concerns.

Although restricted from engaging in the campaign, as such, MARTA was involved. MARTA's PI office was searching for appropriate ways "to sell the package." MARTA was urged by Bullard and Rafshoon to take all available opportunities for free media exposure, which would not violate state law. Particularly important to Rafshoon was getting MARTA on local television. Free air time was offered to MARTA by local radio-TV stations, and it was accepted. Opponents then demanded equal and free time under FCC regulations, and they received immense publicity at no cost. The post-election concluded that MARTA's acceptance of free time was a serious mistake.

Observers of the campaign defeat did not uniformly conclude that its brevity contributed to the loss. Some observers felt that the short campaign really benefited MARTA, and that a longer campaign would only have resulted in a more severe defeat. In any case, little organized opposition to the MARTA referendum developed. Much of the opposition emanated from one man -- Atlanta Alderman Everett Millican -- and one group -- the Metropolitan Atlanta Summit Leadership Conference, a black organization. Millican spent less than $9,000 in newspaper advertisements arguing against the MARTA plan. His opposition emphasized: the failure to incorporate bus lines into the design; the lack of federal commitment; and the lack of systematic planning, especially the tardy Voorhees Report. Unfortunately for MARTA, its campaign did not answer these challenges.

Another source of opposition was The Metropolitan Atlanta Summit Leadership Congress, an offshoot of an important black organization -- the Atlanta Summit Leadership Conference, or ASLC. The black leadership in Atlanta -- and especially Jesse Hill, Jr. -- had been opposed to MARTA since late summer. Hill and others claimed that the planning process did not incorporate any black concerns, and that the system was designed for the benefit of the downtown merchants, as well as affluent suburbanites. The neglect of a major bus component in MARTA's plans was seen as deliberate neglect of blacks, who would be more dependent on buses even as whites might profit more from the rail component. Hill also pointed out to MARTA staff after the campaign that it was only in the last week prior to the election that a forum was even held in a black community.

Other issues were also important to the black community -- paramountly, black employment in MARTA, and black representation on the MARTA Board. The lack of both got much attention. Only one Board member was black. And only in the two-week period prior to the election did MARTA hire a black secretary and community relations representative. After the defeat, both of these staff members were dismissed by the Board because of a shortage of funds.

MARTA During the Transition: 1969-1971

In the interval between the 1968 and 1971 referenda, MARTA struggled to demonstrably reject the earlier assumption that rapid transit would automatically gain voter approval because of its intrinsic value. Three changes reflect major shifts in MARTA emphases and directions. First, the Authority sought to formally and informally involve citizens and political leaders in the transit planning process. Second, an attractive short-range transportation improvement program evolved. Third, MARTA developed a new approach to financing the debt oblications of participating local governments.

Public Involvement in MARTA Planning

MARTA activities in the two post-election years focused on improving relationships with citizen organizations and public officials, and especially by formalizing public involvement. During the 1967-1968 planning period citizen input was informal and disparate. Prior to a second campaign effort, citizen input was to occur in two ways: through the creation of a formal body, Citizens Transportation Advisory Committee (CTAC); and the use of meetings or hearings by MARTA Community Relations staff with neighborhood groups.

MARTA's intentions were motivated by the 1968 defeat as well as by federal guidelines which required comprehensive planning with substantial public input into transit plans, but events in 1969 and 1970 were not favorable to major progress. In early January 1969, for example, Richard Rich recommended to AATS that it establish a citizens advisory body that would assist in area-wide planning. This recommendation was not quickly acted upon. The establishment of CTAC was not to occur until the end of the next year, 1970. Moreover, little formal or informal citizen involvement, public information or community relations activities got launched during 1969. Why? The MARTA operating budget had been slashed after the 1968 defeat to slightly over $125,000, and community involvement in planning was difficult for a small staff of five to achieve. Much of the year was devoted to evaluating technical studies, such as the Voorhees Report. Many of these evaluations were funded by UMTA grants to MARTA and ARMPC. The major activity in planning was reassessing and doing engineering designs on new routes, and PBTB operated on its own in this regard.

While ineffective in finding a vehicle for citizen involvement, the Authority's attention did turn to another important arena: the area's public officials. The Authority attempted to repair its political credibility with elected officials. Political fence-mending became of prime importance to MARTA after its defeat. Soon after the election, representatives of local governments met with MARTA officials in a series of meetings, whose general tenor was reported by an observer to be "strained," with MARTA seeking the support of "disgruntled and alienated" local government officials while being limited in following-through. Some present at the sessions remarked that many of the elected officials criticized MARTA's "too little, too late" approach to involving local governments in 1968 planning decisions. In response, MARTA Board members assured these officials that some regularized pattern of involvement would be established in the future, somehow. Consider that one major focus of discussion between transit staff and local government leaders was the absence of coordination of MARTA's plans and projects with city and county plans. This coordination theme was to be repeated for the next eight or nine years, and is the subject of another case in this series, MARTA and the City of Atlanta: The Structuring of Intergovernmental Coordination. The response by the General Manager was that coordination, "while desirable, was difficult to achieve" with such a small permanent staff. Originally, the proposed budget for the year after the referendum was just over $1 million. The Board reduced that to $268,950 after the defeat. Even this amount was criticized by Atlanta Alderman Milton Farris, who claimed that this expenditure was wasted until the results of the Voorhees Report would be known. Facing other local government resistance, the Board further reduced the requested amount to $135,475. Several Board members from Fulton County thought that MARTA "ought to go into hibernation," after which "bears come out a lot stronger than before."

This lively debate between the MARTA Board and local government representatives did surface some festering issues. Roy Blount, Vice-Chairman of the Board, said that the Authority has had to "beg for everything that it has ever gotten from the local governments . . . local governments have taken no responsibility for MARTA since we were created." Another Board member, John Wilson, commented that "we /MARTA/ ought to toss this hot potato /transportation/ back to those who have to face the responsibility /the local governments./" The local governments had some concerns of their own. Fulton County Commissioner Mitchell and Atlanta Alderman Farris both argued against any use of the property tax to finance MARTA. Indeed, the property tax caused the 1968 defeat, they added. Moreover, each of the delegations also expressed disapproval of the ambiguity of the contracts underlying the last referendum. Delegates demanded that MARTA provide specific details about total financial obligations. Alderman Farris also criticized MARTA for not heeding the advice of elected officials that the 1968 campaign was too rushed to allow local officials time to study the design of the system. MARTA attendees remarked that the next referendum would be fully coordinated with area officials.

In general, the early meetings with local officials established certain expectations for future relationships. MARTA was expected to be more open and solicitous of local government concerns, to provide better coordination of transit plans with city and county plans. Local government officials -- who appointed the members of the Board of Directors -- were expected to provide support to the programs eventually worked out by MARTA. Perhaps the character of the relationship was best summed up by Roy Blount:

> . . . I can't see spending a great deal more time in our transit authority meetings, however well intended, unless we can get the backing of the elected officials who have appointed us to the job.
>
> The backing ought to be in the form of a commitment that they recognize that the MARTA Board has been established by them, and that they have every right and responsibility to tell us what is expected of us, so that when we produce they will understand that it is of their making as well as our own.

Political situations also developed during the fall of 1969 that stimulated an increased concern for better liaison between the Authority and the black community. Atlanta held municipal elections and a new coalition of voters elected Sam Massell as successor to Ivan Allen. Massell campaigned to attract black and white working-class voters. His anti-downtown campaign theme heralded an end to the white conservative/black liberal coalition that had held power in Atlanta for a considerable time. The portents did not escape local observers. Thus MARTA's former public relations firm made two specific recommendations to the Board: develop a concerted public information program aimed at the black community; and show some commitment to hiring black staff as well as to getting blacks on the Board.

The MARTA Board took several important actions following the city election and the subsequent resignation of Richard Rich from the Board. His replacement was Jesse Hill, Jr., a black insurance company president, who had been executive director of ASLC, and a major critic of the MARTA planning process in 1968. Hill's appointment was made by Atlanta's outgoing mayor, Ivan Allen, who had said after the 1968 referendum that he would appoint a black, if given the opportunity.

Moreover, new Board Chairman Rawson Haverty urged his colleagues to request increased budgetary support from local governments for the community relations and public information programs that had been cut-back in late 1968. Relatedly, the Board of Directors passed a resolution asking AATS to speed up the creation of a citizens' advisory board. This pressure was due, in part, to the fact that MARTA did not qualify for maximum federal grants for capital programs because of Atlanta's failure to establish formal citizen advisory committees and to have a regional transit plan.

MARTA also augmented its staff resources in significant ways. One issue focused on the desirability of using internal resources for public information and relations, or contracting with an outside firm to do the Authority's image-building. For several meetings, the Board debated the pros and cons of this issue, and decided to hire a Director of Public Information. The new Director would be a member of the MARTA staff, answerable to the General Manager. Under the leadership of Jesse Hill and anticipating further delays by AATS in constituting an advisory committee, the Board also examined the usefulness of hiring a fulltime Community Relations Director. This position would complement the office of Public Information, but would not get involved in writing press releases, reports, and the like. Hill conceived the role of Community Relations Director as one of establishing working relationships with the Atlanta black community. In November 1970, Morris Dillard, a black, was hired as Director of Community Relations.

The efforts of MARTA to push AATS to appoint an advisory committee were finally successful in early June 1970. The Citizens Transportation Advisory Committee (CTAC) was created, with 60 members appointed by jurisdictions cooperating in the MARTA planning effort. The MARTA Board applauded this move and promised full support for the Committee. The Authority was anxious to begin working with the group to fulfill its federal requirements for citizen input, but Mayor Massell was reluctant to fill the 23 positions allocated to the City.

Massell's resistance raised potential problems for MARTA's schedule. Board Chairman Haverty spoke to Mayor Massell several times in late 1970 to push the appointment process along. Haverty was motivated by the Board's concern that the referendum was less than one year away, and the plan was already in advanced stages. Citizen input was critical at the earliest moment to give MARTA a comfortable lead on the desired three-month campaign. Massell resisted these pressures. His main argument: he wanted to select individuals who would not act as rubber stamps for all MARTA actions. Additionally, Massell was reported to have had some reservations about MARTA's commitment to citizen participation. Nonetheless, by the end of November the Mayor made his appointments.

CTAC quickly encountered several organizational problems which diluted its effectiveness. The advisory committee held its first organizational meeting on December 5, 1970, but it was not able to elect officers until the end of January 1971 because a quorum of appointees did not attend the first meeting. Even on the date in January when officers were elected, only 21 of 60 members were present but the rules had been waived.

MARTA's schedule for transit planning also hindered the effectiveness of CTAC, and provided no real opportunity for its input into the financial plan. MARTA and local government representatives had been negotiating for months over alternatives to the property tax. Finally, agreement was reached. MARTA resolved the critical issue of local governmental financing in a meeting with area elected officials on January 7, 1971. This was a bare two weeks before CTAC would elect officers. MARTA sought the commitment of local leaders to insure the introduction and passage of needed legislation in the session beginning that week. That schedule, however, all-but-precluded CTAC review.

The design process agreed to by MARTA and PBTB also inadvertently diminished CTAC's involvement. MARTA had arranged with ARMPC and PBTB that the final plan for the system would be voted upon by the Board at its August 1971 meeting. That meant the preliminary design had to be presented to the Board at its June meeting to allow modifications in the design. Unfortunately for CTAC, MARTA staff were not able to brief the committee until the end of April on any of the major characteristics of the PBTB proposal.

Members of CTAC were angered by what appeared to them to be duplicity on the part of the Authority. One member commented to the press that MARTA was no more interested in citizen opinions now than it was in 1968. MARTA answered this charge, and shifted the blame by suggesting the CTAC would have had much longer to review designs if Mayor Massell had appointed the committee at the earliest opportunity. Massell did not respond to this MARTA indictment.

Other efforts by the Authority, however, did successfully involve community groups in the planning process. The Authority's office of Community Relations held a series of 13 public forums in May 1971. This provided an opportunity for citizens to offer suggestions for changes in preliminary designs, and the sessions were attended by an average of 45 to 50 residents. MARTA's concern for black input was evident in that 4 of the 13 forums were held in black neighborhoods.

However well-intentioned, these public forums suffered from the same handicap as CTAC. Advanced engineering designs had to be provided to the Board by the first of June. Significant changes suggested by citizens could not be incorporated into the PBTB plans in such a short time. Critics of MARTA wondered why the public review stage was so short, and why the planning process could not have allowed for more give-and-take between citizens and planners. Again, the Authority showed the record of its interest in citizen input stretching back to Rich's recommendation in January 1969. According to MARTA spokesmen, it was the failure of other responsible agencies to establish citizen advisory committees quickly that was at fault.

The Short-Term Improvements Program

A major flaw in MARTA's 1968 position was the massive fact that its program, even if approved, would take many years to implement. The Authority's plan did call for a rapid rail system with feeder buses, but no proposals were offered which improved rapid transit in the immediate future. Voters may have been reluctant to pay increased property taxes to support a system that would not become operational for seven years, at best. MARTA's second plan sought to blunt these concerns with a short-term program that would show early results.

Consistent with the need for quick improvements in public transit, MARTA planned to acquire the Atlanta Transit System (ATS). For a complete discussion of this acquisition process, read another case in this series, MARTA Acquires the Atlanta Transit System: Who Assimilated Whom, and to What Degree? MARTA then applied to UMTA for $30 million to finance a $45 million short-term improvement program utilizing ATS as the base. MARTA's short-range improvements would approximately double the capacity of the bus system. Table 1 highlights the main areas of improvement.

The proposed improvements were many, each attempting to create new ridership for the bus system. A list of service changes documents the extensiveness of short-term improvements:

1. Eight new cross-town routes designed to provide direct and faster service between major points in the metro area;

2. Eight new radial routes and seven radial route extensions designed to provide bus service to communities not served by ATS;

3. Changes and revisions to 22 existing bus routes aimed at improving travel times;

4. Six new rush-hour express services designed to provide fast transit for downtown commuters;

5. Upgrading service on 33 existing routes increasing service frequency;

6. Four hundred ninety new air conditioned buses which will increase the fleet to 866;

7. One hundred and four passenger shelters at 80 major boarding areas;

8. Improvement of transit information services in the form of improved telephone information service, a redesigned schedule format, system maps and bus stop signs;

9. A park-and-ride program directed toward accommodating rapid transit riders;

10. Enhanced mobility in the /black/ neighborhood areas of Model Cities, Northwest Perry and Dixie Hill.

The decision concerning a finance scheme was invariable related to the short-run improvements program recommended by the Authority. For example, several Atlanta

TABLE 1

SHORT RANGE IMPROVEMENT PROGRAM

Purchase of ATS	$12,958,100
Purchase 490 Buses	22,820,000
Other New Equipment	1,415,000
104 Bus Stop Shelters	260,000
Maintenance-Service Facilities	4,250,000
Park and Ride Lots	2,500,000
Professionalize Services	1,063,000
TOTAL	$45,266,100

Several of these proposals were aimed directly at convincing black residents that the MARTA system was not downtown-oriented. These recommendations for service to the black neighborhoods resulted from a study performed for MARTA by Economic Opportunity Atlanta (EOA), and included extensive interviews with potential transit-users.

Generally, these proposals for short-range improvements were designed to draw voter attention away from the long-range, fixed-rail system. The new philosophy at MARTA proposed that the transit plan had to be politically acceptable. This acceptability, in sum, provided immediate benefits to the community in exchange for its support at the polls and cash registers.

Financing the 1971 Referendum Plan

Commencing in early 1969, numerous meetings were held by MARTA staff and Board members with local elected officials in the metro region. These formal and informal sessions eventually included 95 per cent of all the elected officials in the metro-governmental jurisdictions that would vote again on another MARTA referendum in 1971, with especial attention going to the financing of the rapid transit system. The Authority concluded from the comments of officials that there was a difference of opinion between central city and suburban representatives. Atlanta Mayor Sam Massell urged upon the group the adoption of an income tax. Spokesmen for the outlying communities believed that a sales tax increase would be acceptable. Another alternative envisioned the establishment of a rapid transit district which would tax only those areas receiving direct benefits from the system.

leaders were willing to support the ½% sales tax proposed by suburban influentials if, after a successful election, the Authority would provide free bus transportation. Mayor Sam Massell of Atlanta introduced that idea at the eleventh hour. That idea sparked considerable debate among and between the local representatives and MARTA officials, but was soon scotched when MARTA General Counsel Stell Huie noted that the Authority was authorized to carry passengers for fares, not for free. (For more background on the fare issue, see another case in this series, What's Fair About Low Fare?) Eventually, a compromise was reached, and local officials supported a 3/4% sales tax along with a 15¢ bus fare. The length of commitment to the low fare was unsettled at that time, but eventually it became seven years.

The legal issue of getting authorization for a sales tax increase was thorny. State law was very restrictive in allowing local governments discretion in revenue choices, and research concluded that enabling legislation was required. Approval was obtained from all the local governments that they would support the proposed legislation when the bills were introduced in the General Assembly.

The introduction of the needed enabling state legislation was delayed until the 1971 session of the Georgia legislature, for an obvious reason. Governor Lester Maddox was an opponent of MARTA, and had successfully vetoed much MARTA-related legislation in 1968 and 1969. He was also a vocal opponent of the 1971 referendum and urged its defeat. Fortunately for the Authority, Maddox could not succeed himself as Governor after 1970, although he did successfully run for the office of Lieutenant Governor. And Maddox's successor -- Jimmy Carter -- had committed to support MARTA.

Even with Carter's support, the legislative dynamics which eventually yielded a sales tax were both complex and chancy. Three major pieces of legislation were introduced, in fact. Stripped of details, the final legislative package had two significant new features. First, although the state had agreed in the original MARTA Act to pay 10 per cent of the total cost of the system, Governor Carter -- behind-the-scenes and successfully -- argued for a fundamental change in that particular. Carter believed that a sales tax collected in the MARTA region constituted a tax with a state-wide basis, i.e., the sales taxes would come from purchases there by Georgians from across the state, for whom Atlanta was a commercial and entertainment magnet. MARTA was eager for the support of Carter and accepted the loss of the state commitment. The final financial plan did not include any direct state contributions to the Authority, therefore, but Carter did suggest that the tax be increased to 1% to compensate for the loss of the state contribution. HB 220, as amended, reflected Carter's views.

Second, ex-Governor Lester Maddox -- serving as the newly-elected Lieutenant Governor and thus, _ex officio_, as President of the Georgia Senate -- again impacted on MARTA. Maddox held the entire MARTA legislative package as a hostage in committee, until HB 220 was amended in two significant ways. Thus the 1% sales tax was limited to 10 years, after which time it would be reduced to ½%; and the amendment also required that after 10 years fare-box receipts would support one-half of the operating costs of the system, with the obvious goal of using much of the sales tax for capital investments in the system.

Even though changed in these two fundamental ways, the MARTA legislation had benefitted from the unified support of local officials, which augured well for the referendum. But Spring 1971 had yet to see any public commitment by the federal government to finance the new MARTA plan. Opponents in 1968 pointed, with success, to the Authority's lack of federal support for capital programs. However, as part of its short-term improvements program MARTA applied for an emergency grant from UMTA, in the amount of $30 million. This would finance two-thirds of the short-range improvements program planned by the Authority. The financial plan offered to the voters assumed this level of federal support. In fact, the federal commitment was announced just four days before the referendum in November 1971.

The Campaign: Some General Perspectives

It was obvious to those charged with conducting the campaign in 1971 that substantial changes in philosophy were needed. Two changes were paramount: a committee managing the campaign not identified with the "downtown power structure" needed to be established, and an educational campaign acquainting area voters with the pros and cons of rapid transit would be vital.

Committee for Sensible Rapid Transit

The lessons of 1968 were well-learned by MARTA. The political campaign of 1971 was conducted by the Committee for _Sensible Rapid Transit_. This was a politically active group of ten volunteers organized "away from MARTA," but in fact selected by the MARTA Board. Representation from both races was evident: two co-chairmen were selected, one black and one white. The group was conceived as a working group, rather than the group of prominent names associated with 1968's Rapid Transit _Now_. Each of the eight other members of the Committee were chosen because of their political credibility in the various communities of Atlanta.

An aggressive political campaign also required a full-time director. An experienced, campaign executive was loaned from General Electric and served throughout the campaign period with two paid secretaries. The salaries of these three full-time people were paid out of general campaign funds collected by a blue-ribbon task force of community leaders.

The major concerns of the 1971 Committee initially focused on fund-raising -- a problem that was less a matter of total amount than of sub-fund availability for specific purposes. Solicitations were of two types, that is. The first was for use by MARTA in its public educational program. The second was for the Committee to use for political campaign purposes. The contributions to MARTA were tax deductible, but they could be used only for educational purposes, not political ones. Consequently, a good deal of printed matter, billboard and bus advertising, bumper stickers and lapel buttons were designed to be of strictly educational nature, in the sense that the words "Vote For" were not included in the messages. The far-smaller cache contributed to the Committee was spent to pay for radio and TV ads, for renting the main campaign office, and for the salaries of the permanent staff.

In addition, the Committee developed a large Speaker's Bureau. A Director was appointed, again loaned by an Atlanta area firm, whose major responsibility involved training numerous volunteers. Over 100 volunteers were drawn from a variety of metro clubs and organizations. The speaking engagements were carefully monitored by the Director, and the material was packaged to represent the official position of both MARTA and the Committee. The post-referendum review of the 1971 campaign indicated that the Speaker's Bureau was very effective in dispelling the image that the Authority was out of touch with civic and community organizations, or that the rapid transit plan was essentially the product of downtown interests.

The Committee staff also monitored referendum public relations. An orderly, controlled flow of information to the media and the public was essential to the campaign. Three rules were adopted by the Committee that reflected its concern with its image. First, the Committee appointed a full-time press secretary who was the only person authorized to issue press releases. This curtailed the practice of off-the-cuff statements to the media that could have damaged the campaign. Second, the Committee appointed a firm -- Wright, Jackson, Williams, Brown, and Stephens -- to serve as public relations advisors in the black communities. They worked with Rafshoon and Associates as consultants. Third, the Committee limited the number of people authorized to make public appearances on its behalf. The Executive Director and the Co-chairmen were the three individuals chosen. MARTA's legal counsel, Stell Huie, was chosen to answer questions on a day-to-day basis for MARTA, especially questions that came from the press. These rules adopted by the Committee tightened the flow of reliable, accurate information to the media. These arrangements reduced the number of contradictory press releases and public statements, and sought to insure that the educational phase of the campaign had a consistent and coherent impact on the voter.

In general, then, the Committee for <u>Sensible</u> Rapid Transit provided the referendum campaign with a group of politically-conscious volunteers. It provided a necessary on-going link between MARTA and the campaign consultants. The presence of the Committee indicated to Atlantans that rapid transit was a bi-partisan, bi-racial, progressive change that needed voter support.

Educating and Motivating Voters

The role of the Committee in educating and motivating provides useful perspective on its operations. The duration of the political campaign was three months, August to November, and its opening educational period lasted approximately two months. Its primary thrust was to create an understanding on the electorate's part of the need for rapid transit. Subsequently, the campaign's advertising segment would motivate the voters to support the referendum. This second segment would comprise the six weeks immediately prior to the election.

The educational portion commenced with a June 30 airing on all Atlanta TV stations of a thirty-minute show entitled "Rapid Transit: Who Needs It?" The film was produced to highlight MARTA's transit <u>system</u> -- its use of buses <u>and</u> trains. An explanation of the financial plan was also included. This thirty-minute production was divided in five portions:

- o Rapid Transit: Who Needs It?
- o Rapid Transit: How Does It Work?
- o Rapid Transit: Who Does It Serve?
- o Rapid Transit: Who Pays For It?
- o Rapid Transit: Who Rides It?

One short film was shown seven times each week at 11 PM throughout the five-week period. Initial responses to the film were satisfying to the Authority and to the Committee.

A Speaker's Bureau also carried the "Message of MARTA" to the public. The Speaker's Bureau enlisted the support of 100 individuals who underwent training for 10 days on all aspects of rapid transit in Atlanta. Recruits were carefully drawn from community organizations in both the black and white community. Hundreds of speeches were made by these volunteers to groups much wider in variety than those addressed during the 1968 campaign.

Integrated with the educational program was an advertising campaign -- using radio, television, newspapers, bus cards, billboards, and direct mailings. The advertising phase adhered to the established strategy that presented rapid transit in a straight-forward, truthful and factual manner. Most of the commercials were developed from footage drawn from the film "Rapid Transit: Who Needs It?"

Coupled with the showing of the films, a survey of 700 potential voters was conducted to test the usefulness of the films in encouraging voters to support the referendum. The survey turned up some results disturbing to the Authority. Again, apathy and disinterest were identified as major elements to be attacked in the campaign. But this would be left to the advertising, mass media element in the campaign.

The September survey of probable voters highlighted that the likely supporters of the referendum would be upper- and middle-class whites and blacks, and also that MARTA's supporters would have low turn-out rates. The media programs focused upon the advantages of the rapid transit system for the black community, getting to jobs and to the downtown. The upper- and middle-class white approach drew attention to the economic benefits derived from the system. The thrust of advertising sought to motivate both groups to vote in November.

A glimpse at the campaign budget for this referendum implies the importance of educational and motivational programs. Rafshoon and Associates projected a budget of $288,500 for the three-month campaign. The media costs of the educational phase were nearly $18,000; the media costs of the advertising phase were $170,000. Production of all these media efforts required $70,000. The remainder of the money was spent on a survey ($22,000), and agency compensation ($10,000). No estimates are available for volunteer efforts, but a major portion of the educational phase was implemented by the Speaker's Bureau.

The educational and advertising phases of the campaign were also directed at off-setting possible opposition to the plan. The 1968 campaign was noteworthy in that MARTA and its campaign group, Rapid Transit Now, did not attempt to challenge the minimum opposition that developed. The campaign of 1971 was meant to be aggressively responsive to whatever arguments might evolve.

The 1971 opposition never did present a feasible alternative to the MARTA plan, and their most effective arguments were racial and economic in nature. At base, the opposition argued that rapid transit would only distribute lower-income blacks throughout the metro area. Oppositely, black opponents claimed that the system was a "white man's subway." Some observers felt after the election that these two conflicting viewpoints tended to offset each other in the black and white communities. Polls also showed that the opposition may have peaked too soon. The campaign strategy allowed sufficient time for the Committee to respond to most of the attacks with its speakers and mass media.

Referendum Results: Truth in Balloting

The vote on the rapid transit special election was held on November 9, 1971, and success for MARTA required that at least Fulton (Atlanta) and DeKalb counties had to approve. Success it was, but just barely, as the referendum results show:

	For	Against	Per Cent
Clayton County	3,300	11,117	23.1
Gwinnett County	2,500	9,506	20.8
DeKalb County	39,565	36,207	52.5
Fulton County	53,793	53,322	50.2

All counties that rejected the plan were eliminated from the project, but they retained representation on the MARTA Board.

Post-referendum analyses turned to an appraisal of the victory. Several factors were thought to be important in the close success. Perhaps the best review was provided to the MARTA Board in a study by an executive close to the campaign. The report is quoted below.

1. Traffic - The fact of Atlanta's mind-boggling daily traffic crush cannot be disputed. Every freeway, perimeter highway and major artery suffers from serious traffic congestion for periods of from three to seven hours each working day. The prospect of some relief in traffic congestion, the thought that "there must be a better way," had much to do with the election outcome.

2. Pollution - People today are concerned about the environment. Their concern is reflected in their close scrutiny of projects (such as I-485) which ignore the environment in their implementation. Because transit offered a way to relieve concentrations of auto-originated pollutants in the downtown area and a way to move the rapidly increasing numbers of rush-hour commuters without doubling the size of the freeway network, people supported transit.

3. Black Community - Blacks were practically ignored as a political force in 1968. They responded by voting as a block against rapid transit. They were included in planning, educational and advertising efforts in 1971. They responded by voting like any other average voter group -- healthy percentages were for and against the issue.

4. Community Self-Image - Atlantans surprised themselves by voting against rapid transit in 1968. In a city known for its pro-

gressive, forward and upward direction, people did not like the image of the two-time loser. This self-image may have been a positive factor in the referendum outcome.

5. The Winning Image - Although the opposition was quite vocal in the month before the campaign, transit proponents succeeded in achieving a "winning-image" for their candidate. This was achieved by obtaining the outright endorsement of most of the influential political, civic, fraternal, and religious leaders and organizations in the metro area (not including Clayton and Gwinnett Counties) and by emphasizing transit's positive effects on the city.

6. The Bus Improvement Plan - Transit campaign officials realized the difficulty of voting for something nine years away. They therefore decided to push the immediacy of the bus improvement program as part of the overall program. They did so with such success that later polls showed a need to de-emphasize the bus aspects of the campaign. The availability of frequent bus service with new equipment at low fares was a particularly important factor in securing the votes of the present-day bus rider.

7. The Low Fare - In the more affluent areas of the community the low fare was looked upon as a giveaway to the black community and a hindrance to successful financial operation of the system. It probably cost MARTA many votes in those areas. But the low fare was a big factor in securing the vote in the less affluent, bus-riding areas of the community. The two effects thus tended to offset each other.

In general, the favorable results of the 1971 referendum showed that the lessons learned from the 1968 defeat could be put to good use. To repeat the quotation from Richard Rich, "in politics neither defeat nor victory is permanent."

CASE STUDY II -

MARTA AND THE 15¢ FARE

Carl W. Proehl, Jr.

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Following the defeat of a November 1968 Referendum, the Metropolitan Atlanta Rapid Transit Authority (MARTA) successfully implemented a strategy aimed at capturing the support of two key constituencies in a 1971 Referendum. The two constituencies can be differentiated too sharply to fit reality. But for approximate purposes, most observers see an inner-city constituency, largely black and with strong ties to the national Democratic Party. Observers also distinguish a suburban constituency, which was substantially white, and with strong but variable ties to the national Republican Party. For details on the passage of the 1971 Referendum, consult another case study in this series -- "Assessing Electoral Defeat: New Directions and Values for MARTA."

MARTA's two key constituencies held widely-different views of how to distribute the costs and benefits of the mass transit program. The leadership of the inner-city constituency focused on greater black participation in MARTA decision-making, as well as on greater employment opportunities for blacks. In response to those concerns, MARTA officials began more minority hiring, promised the routing of a proposed rail system to black neighborhoods, and also provided a very low-cost bus ride -- the 15¢ fare. which was to remain in effect until March 1, 1979, when a 5¢ increase would occur. Given an often-substantial sympathy for inner-city concerns, the suburban constituency emphasized the need for more bus service and a rapid rail system to outlying areas, even if this meant higher fares and curtailment of services in Atlanta. MARTA promised to provide numerous service improvements to its constituency outside Atlanta.

What motivated the formation of these two coalitions, which proved very stable? Race and economics both played parts, although most observers tend to explain the coalitions in terms of one factor or the other. As for the racial motivations, one Atlanta legislator tells of a conversation he had with a suburban county official, who in 1971 expressed fears that MARTA would "dump job-seeking blacks into my county when we don't have enough work for our own folks." Others emphasize economic issues: the 15¢ fare provided help to lower socio-economic groups in Atlanta while suburban citizens wanted more transit services and were willing to pay for them. "The problems between the two groups would have occurred regardless of their color," states one white Atlanta citizen who finds it cheaper to take the MARTA bus. "I fought for the 1971 referendum because I needed an inexpensive bus ride, too!"

Both constituencies were adamant in their resolve to hold MARTA to promises of low and more transit services: MARTA had to "keep the faith" and attempt to please two very different sets of demands. Black Atlanta leaders, confident of their decisive role in the passage of the 1971 referendum, embraced the 15¢ fare as one symbol of their victory, and suburban Atlanta leaders sought to insure that MARTA would improve service for their constituents.

The battle lines remained pretty much the same for the seven years covered by this case study. Given major ebbs and flows, the 15¢ fare was continually threatened by forces, both external and internal to MARTA.

Birth of the 15¢ Fare: From Failure to Success

The 1968 referendum was doomed among blacks long before the balloting, despite a heavy MARTA campaign which emphasized the convenience and low cost of mass transit. All major Atlanta black organizations -- including NAACP, CORE, and the Southern Christian Leadership Conference -- came out against the referendum. Typically, one black group announced:

> We find that the rapid transit system as it is now planned is unacceptable to the Negro community unless changes are made in the proposed routes and services along with a clear understanding regarding employment and staff recruitment. Therefore, we cannot recommend MARTA to the Negro community.

In addition, according to some black leaders, Atlantans would be burdened with paying for a transit system "for the rest of their lives" through a property tax which penalized small property owners while serving the interests of business and industry. Black voters took the advice of their leadership and helped to defeat the referendum, resoundingly.

The MARTA Board concluded that the primary problem in gaining the black vote in any subsequent referendum was finding an acceptable means for financing the rapid transit system, which included a way of financing bonds as well as assurance that both federal and state funding would be available to the new transit system.

Three sources of revenue alternative to the property tax seemed available: an income tax, a payroll tax, and a sales tax. While any of the alternatives could meet the costs of building the rapid transit system, political realities dominated. Although inner-city blacks favored an income tax increment devoted to MARTA, both MARTA officials and Atlanta's white elected leaders believed that would be unpopular among MARTA's suburban constituency. Further, Atlanta voters had previously rejected a payroll tax, and there was no reason to believe that MARTA could get them to change their minds.

The best alternative appeared to be a proposal for increasing the sales tax, a proposal favored by MARTA's suburban constituency although the black leadership appeared wary of the regressive nature of the tax. How then to sell the sales tax? The first MARTA proposal called for a one-half per cent sales tax and a 40¢ fare. Black leaders saw no benefit, however, in trading the old transit system for a new system which charged the same fare and tacked-on an increased sales tax. In response to the concerns of black leaders, Sam Massell, the Mayor of Atlanta who had previously favored an additional income tax, added a new wrinkle to the MARTA proposal: increase the local sales tax percentage and provide free transportation to the citizens of metro Atlanta. Mayor Massell argued that any increase in the sales tax would most greatly impact low-income citizens of Atlanta. But free fares would in effect off-set the impact of the sales tax on the poor, since they were the largest users of public transportation. MARTA attorney Stell Huie dampened Massell's proposal by pointing out that the Authority was empowered only to provide "public transportation of passengers for hire," but Huie also pointed out that no fare was specified. Hence the compromise -- a 15¢ fare and an appropriate sales tax to finance the system. MARTA Board member Mitchell Bishop determined that an appropriate sales tax to go with the 15¢ fare would be three-quarters of one per cent. These sales tax revenues, along with a state contribution to MARTA -- ten per cent of the cost of the system -- and federal funds, would fund the system.

The state contribution to MARTA presented a political problem, because MARTA officials realized that such an annual appropriation might not be renewed by future legislatures. Huie remembers how that grim possibility was finessed:

> Mitchell Bishop, former MARTA general manager Hank Stuart, and I were quail-hunting in South Georgia when I received a call from Governor-elect Jimmy Carter who talked about the problem of a continuing commitment of state funds that Georgia could not afford. Carter promised us passage of a 1 per cent sales tax instead of 3/4 per cent tax if we would give up state funding for MARTA.
>
> We didn't really lose anything since the state funds would be an uncertainty from year to year, while the 1 per cent sales tax would be assured to the system. And just as Carter had promised, the 1 per cent sales tax passed the Georgia Assembly along with a rider stating that there would be no state contribution to MARTA.

Both Massell and Huie are "proud" of the compromise: Massell calls it "a stroke of genius" to which the black community could agree. The low fare and an additional MARTA policy promising to retain the 15¢ fare until 1979 helped gain black support for the 1971 referendum. Black support, as it turned out, proved essential to the referendum's passage. Shortly after the election, Vice Mayor Maynard Jackson told a City Hall news conference that "the black community is responsible for the MARTA victory." An analysis of the referendum vote proved that he was right, though the margin of victory in Fulton County -- 471 votes -- was disappointing to some black leaders who had fought vigorously for referendum passage.

That the fare and its duration were not specified in Georgia statutes proved to be bane as well as boon, however. The enacting MARTA legislation left the MARTA Board members -- originally, four from Atlanta, two from Fulton County, two from DeKalb, and one each from Clayton and Gwinnett County which had rejected the 1971 referendum, but still retained Board membership due to voter ratification of the MARTA Act of 1965 -- with the responsibility of setting the fare. One MARTA staffer states: "We simply did not contemplate the problems ahead in regard to the 15¢ fare. If the Board had established a policy to increase the fare when appropriate, then people might not have expected the low fare from MARTA for seven years. If we had only known. . . ." Another staffer finds that the problems encountered over the years following the referendum were brought on by MARTA itself. States he:

> Atlanta blacks didn't really consider the economic side of the

issue until MARTA dreamed up the 15¢ fare as a PR gimmick. In an effort to get that darned referendum passed, everybody was promised everything and after it was passed, everybody started demanding everything.

The Fare's First Battle: MARTA and the Camp Law Suit

The first threat to the new transit system and the 15¢ fare came quickly on the heels of the 1971 referendum. Several law suits were brought against the Authority -- and they all attacked the constitutionality of the MARTA enabling legislation, the one per cent sales tax, and the 15¢ fare. The chief opposition came from Atlanta attorney Ben Camp, who filed suit in Fulton County Superior Court charging that the one per cent sales tax was unconstitutional because it was to be levied on a local rather than on a statewide basis. Camp's suit also attacked the legislation on the grounds that the bill's title did not contain reference to MARTA's formation, and the Georgia Constitution requires that the title of a bill control the content of the legislation.

The Camp suit forced the MARTA board to reexamine both its commitment to implement the 15¢ fare on March 1, 1972, as well as its plans to begin collection of the local sales tax on April 1, 1972. The Board could choose to postpone the 15¢ fare and collection of the one per cent sales tax until after the Camp law suit was resolved in court. This alternative posed both financial and political dilemmas. Thus six Atlanta area banks had loaned MARTA $8.5 million so that the Authority could purchase the old Atlanta Transit System. However, the bank loans were contingent upon sales tax revenues which were to begin flowing shortly after April 1. If the 15¢ fare were to begin on March 1, MARTA would have to assume responsibility for subsidizing the fares if the Camp suit prevented collecting the local tax. As a result, the Authority's borrowing would have to be increased -- a situation which the banks would not approve. Politically, moreover, postponing the implementation of the 15¢ fare would break a promise to the community, particularly the black citizens of Atlanta. Black leaders -- including MARTA Board member, Jesse Hill -- warned against violating the "will of the people" and MARTA's commitment to the 15¢ fare.

MARTA soon received some good news, but its predicament remained. On February 22, 1972, the Fulton County Superior Court ruled against Ben Camp's suit against MARTA. Yet, there was little comfort for MARTA because Camp immediately appealed the ruling to the Georgia Supreme Court. Faced with the same decision -- whether to begin the 15¢ fare -- the MARTA Board was warned by MARTA attorney Stell Huie that a Supreme Court decision unfavorable to the Authority could undermine the financial base of the transit system. Huie advised the scheduled March 1 kick-off of the 15¢ fare be postponed.

Despite Huie's admonition, the MARTA Board voted on February 25, 1972, to lower the fare as promised. The summary position of the MARTA Board on the 15¢ fare at that time is shown in Exhibit 1. William B. Schwartz summed up the posture of the MARTA Board: "We're attempting to show good faith with the people of the city and DeKalb and Fulton Counties" by beginning the 15¢ fare on schedule. The Board member from Atlanta went on to say that if the Camp law suit made "it mandatory that we go back up on the fares, then we will have to do it."

Reaction to the action by the MARTA Board was positive, on definite balance. Ben Camp was incensed by the decision, which to him seemed "like an act of irresponsibility." But general sentiment seemed in MARTA's corner; and the Board action drew fulsome praise from black leaders who called the decision a "giant step" which demonstrated that MARTA was "keeping its commitment." Black Board member Jesse Hill stated that MARTA and the black community "should guard over our mandate and keep the faith rather than back down before a law suit that was dismissed." Bill Maynard, president of the Atlanta Transit System, which was purchased by MARTA, reminded the public that 15¢ had not purchased a bus ride in Atlanta since July 26, 1957 -- and that the advent of the low fare would "be the first time in the history of transit operations that a drastic reduction in the fare has occurred."

The joy over the beginning of the 15¢ fare -- on March 1, 1972, at 12:01 A.M. -- was short-lived. Two days after the 15¢ fare went into effect, the Georgia Supreme Court agreed to hear the Camp appeal of the dismissed law suit. But the Court -- MARTA discovered much to its discomfort -- could not render a decision until after April 3, which meant that it was very probable that the 15¢ fare would have to go back to 40¢ on April 1. The local sales tax could not be collected until the Camp suit was resolved; and the 15¢ fare could not provide more than one month's operating costs. After that month, the fare would not be enough to keep the transit authority out of debt -- a situation created by law, as well as by the State Revenue Department which would not authorize MARTA to spend money from the 1¢ sales tax until the Camp law suit was settled.

EXHIBIT 1

SUMMARY OF MARTA POSITION ON FARES

AS OF FEBRUARY 28, 1972

1. Fares will go down to 15¢ on March 1, 1972, as scheduled.

2. For the fares to remain at 15¢, two things are necessary:

   a. sales tax must be collected beginning April 1; and

   b. the law suit must be disposed of so MARTA can received the sales tax funds.

3. The MARTA Board will meet again late in March to decide whether it is necessary to increase the fare on April 1 to a break-even point (40¢).

4. If the law suits by Mr. Camp and others are still pending and interfere with MARTA's financial program and the sales tax funds, then the fares will have to go up to provide the operating funds.

5. The key to the low fare has always been the sales tax. And anything that interferes with the flow of sales tax funds to MARTA will interfere with the reduced fares.

Reaction from the public and MARTA came quickly. The black-owned Atlanta Voice stated: "Poor people: Get your bus riding done this month, if you can, because the 15¢ fare lasts only 30 days." MARTA Board member Jesse Hill, however, argued that the 15¢ fare should remain as long as there was no injunction prohibiting the collection of the tax. MARTA General Manager Alan Kiepper stated that "the sensible route" would be to delay hiking the fare back to 40¢ -- despite previous MARTA pronouncements -- because of the expectation of an early court decision and because no injunction had been filed which could prevent sales tax collection.

The hopes of Kiepper and the MARTA Board rested on the Georgia Supreme Court ruling on the Camp suit early in April 1972. And on the 6th, MARTA got its early decision concerning the Camp law suit -- a favorable one. The Georgia State Supreme Court upheld by a 6 to 1 vote the lower court's dismissal of Attorney Camp's constitutional challenge. According to General Manager Kiepper, the decision was "a great step forward" and removed "a great area of concern. It strengthens the position of the 15¢ fare for at least seven years."

Speculation concerning the reason why Ben Camp filed suit against MARTA gets reflected in several theories. Some believe that Camp filed a "friendly suit" against MARTA, a notion at which Camp scoffs. Oppositely, a Georgia legislator huffs that the suit was not an effort to help MARTA and "if anything, it was an unfriendly suit!" Ben Camp himself explains: "I was angry at the unconstitutionality of the MARTA legislation. And I guess I thought that mass transit wasn't a good idea for Atlanta." Still others applauded the suit, whatever its intent, because (in the words of one close observer) they "were angry about all of the benefits that were coming to Atlanta blacks -- and they saw MARTA as just another form of welfare."

Mixed Results of the 15¢ Fare: No Windfall on Its First Birthday

The Atlanta public seemed pleased with its new bus fare, even too much so. During the first month of the low fare, specifically, ridership increased about 22 per cent, and stayed at that new level, causing the MARTA Board to authorize the purchase of 20 used buses to meet the "emergency conditions of overcrowding on some routes" until new buses could be purchased. The used buses were pressed into service during mid-April 1972 -- less than six weeks after the fare had been reduced. While patronage was considerably higher than anticipated, however, the low fare did not result in a financial windfall. Indeed, passenger revenues were some 50 per cent lower in 1972 than they had been the year before under the old fare structure.

Consequently, the MARTA Board seemed hesitant to predict the future of the 15¢ fare. Indeed, the uncertainty of future revenues led in November 1972 to a survey to determine the effect of the reduced fare on transit ridership. The study -- conducted from November 11 to November 19 -- attempted to determine who the new riders were, where they came from, where they went, and why they were traveling. The survey was conducted on MARTA buses and in some respondents' homes. Survey results demonstrated that some 21,000 former car drivers and passengers were riding the MARTA buses on weekdays. More than one-half of the interviewees stated that the low fare caused them to switch. But the survey also suggested that, although a substantial fare reduction was necessary to get their attention, once people discovered MARTA, they were inclined to continue to use it. These data suggested that the fare could be increased without diminishing ridership, given high-quality service.

As early as its first anniversary, then, mixed messages characterized the life-chance of the 15¢ fare. In March 1973, MARTA GM Kiepper stated: "After the 12 months of operation, I think that we have shown that lower fares and better service result in more riders. Other transit systems are reducing routes, raising fares, and losing passengers." Kiepper continued: "Atlanta has reversed this trend and in my opinion is leading the way to the transit system of the future." But some were less optimistic about the future of the 15¢ fare. An Atlanta Constitution editorial pointed out that some MARTA officials had already privately talked about raising the fare before 1979, the year when the fare was to be raised 5¢. Mayor Massell strongly admonished that the 15¢ fare "better stay" and that the fare should celebrate at least six more birthdays before it was raised. "My four appointees /to the MARTA Board/ had better guarantee it," Massell said, "or we'll have four new appointees."

Its Second Year: A Fuel Crisis Impacts on Service Extensions

While the Camp suit and bus revenues had been essentially-local issues, MARTA and the 15¢ fare soon faced a crisis of national proportions and implications: the rising price of fuel. The higher prices of both gasoline and diesel fuels derived from four basic sources: the petroleum industry's clamor for higher profits to open new refineries and explore for more domestic oil; a 6-7 per cent yearly increase in consumer demand; the curtailment by Congress of the oil depletion allowance which discouraged exploration; and new automobile pollution devices which burned more gasoline.

MARTA's initial response was to hold the line on both service and the fare, by absorbing the greater deficit. In response to questions concerning rising fuel prices, Kiepper stated in March 1973 that the crisis would drive diesel fuel prices upward, but bus riders would not be stranded. Moreover, the 15¢ fare would not be raised. According to MARTA public affairs director Irving Breslauer, this was "a matter of public policy. We are not going to increase the fare; we're going to keep the faith." However, the percentage of the sales tax used to subsidize the 15¢ fare would have to be increased, thus cutting down on the local sales tax money available for construction and capital projects.

The pinch soon got much worse. In December 1973, GM Kiepper told MARTOC -- the Marta Overview Committee formed by the legislature -- that while the Board was "loathe" to raise the fare sooner than 1979, the 15¢ fare had been placed in jeopardy by the energy crisis. Kiepper cited several factors which clouded MARTA's fiscal position -- and the 15¢ fare -- for the next few years:

- higher fuel costs
- the need to extend bus service to cope with increased demand for mass transit generated by the energy crisis
- the possibility of "a serious energy-caused recession" which would bite into MARTA's sales tax receipts
- more cities scrambling for limited federal funds for transit

Kiepper drew attention to a growing dilemma. On the one hand, MARTOC member John Greer stated that he would "not budge from the" 15¢ fare. According to Greer, low-cost bus service -- the only mass transit that Atlanta had at the time -- should be maintained for drivers who might have to take the bus in lieu of spending more for gasoline for their automobiles. On the other hand, GM Kiepper noted the need for a complex balance. Thus the 15¢ fare had to be weighed against increases in bus service. That balance was determined on November 1, 1973, when extensions of bus mileage were first frozen. More or less, service changes were henceforth accomplished within a fixed mileage-limit, by variously modifying routes and frequency of service. Low fare and enhanced bus service also had to be balanced against rail development. The longer the rail construction was delayed, Kiepper added, the more it would cost and the keener would be the competition for federal funds.

Reaction and counter-reaction to even this tentative challenge to the 15¢ fare came swiftly, which implied the significance of the points-at-issue. The Atlanta Constitution stated that "MARTA's record in terms of good faith on this issue of the low fare does not inspire confidence." If the energy crisis does create a shortage of rapid transit monies, the editorial continued, "maybe the first step would be to cut some of the overblown staff salaries" rather than cutting services or breaking the MARTA commitment to the voters who passed the 1971 referendum. GM Kiepper promptly sought to set the record straight, as he saw it, and in the process heightened the sense of the dilemma. MARTA officials had made no recommendation to raise the cost of the fare. Rather, in response to questions from MARTOC, several alternatives were mentioned as possibilities to help cope with rising costs. In addition to raising the fare, Kiepper stated that the MARTA Board might have to consider refusing service expansion in order to conserve funds for capital construction, lengthen the period of rail construction, delete portions of the rail and bus way system, or recommend extension of the sales tax of one per cent beyond 1982.

Perhaps so, Mayor Massell observed, but MARTA needed to be reminded of a critical point. "I think it is a disservice to your present riders in Fulton and DeKalb Counties and potential patrons in the balance of our region to even suggest the smallest possibility of increased fares," the Mayor wrote Kiepper. The reason that MARTA was successful, according to Massell, was the low fare and that "only an emergency of the greatest magnitude . . . would have sufficient impact to raise the fare ahead of schedule." The importance of keeping the low fare, according to Massell, was too great to be included in a "laundry list of options every time some minor change is necessitated."

MARTA soon faced more than a suggested fare increase, however. On January 23, 1974, DeKalb County State Representative Elliott Levitas, chairman of MARTOC, disclosed that his committee had proposed a bill to place a ceiling -- 40 per cent -- on how much of the MARTA local sales tax income could be used to subsidize MARTA bus operations. The subsidization of operating losses by sales tax revenues permitted the 15¢ fare, and MARTA's enabling legislation placed no ceiling on the percentage of sales tax revenues which could be utilized for that purpose. Without the subsidy, the fare would have to be 45¢. The subsidy used for operating expenses -- up from $700,000 in early 1972 to about $1 million per month in 1974 -- had risen steadily due to fuel and labor costs. Levitas cited these rising operating costs, and accused MARTA executives of being "spendthrift" and wanting to live "a champagne life on a beer budget."

Levitas did not convince all relevant publics, but he clearly got their attention. Street-talk had it that the ceiling was part of a white suburban back-lash which had a definite preference if the question was: 15¢ fare or more service? Whatever the case, Reverend Joseph Lowery -- representing the Atlanta Community Relations Committee and Economic Opportunity Atlanta -- spoke before the MARTA Board on behalf of Atlanta's black and poor on January 15, 1974. Lowery told the Board of plans to go to court to defend the 15¢ fare if it were threatened by a ceiling on the sales tax subsidy for the fare, and urged that MARTA join in any such legal effort. The Atlanta Constitution supported Lowery; and inner-city legislators -- Representatives Ben Brown, John Greer, and Billy McKinney -- also decried the Levitas bill in similar terms as a "violation of the trust" which voters had placed in MARTA. Further support came from newly-elected Mayor Maynard Jackson of Atlanta before the City Council in early February 1974. Jackson urged MARTA officials to "cut corners" to preserve the 15¢ fare. MARTA GM Kiepper also took issue with Levitas, countering that the Authority managed its money "prudently." Kiepper added that MARTA wanted to both maintain the 15¢ fare as well as have service expansion continue at its present pace.

Georgia Assembly action on the Levitas bill reflected a compromise. When the bill went to the floor of the Georgia House of Representatives on February 12, 1974, Atlanta Representative John Greer offered an amendment to the legislation which raised the amount of the sales tax revenues that MARTA could spend on operating subsidies to 50 per cent, rather than the 40 per cent proposed in the original bill. The amendment passed.

While the 15¢ fare survived, the future was unclear as the low fare reached its second birthday. Representative Levitas stated that he believed that -- whether the ceiling was 50 or 40 per cent -- there was "an excellent chance the fare is going to have to be increased before 1979, no matter what."

Third Year of the Fare: Congressional Help and More General Assembly Initiatives

During the third year of the life of the 15¢ fare, several forces struck hard at the 15¢ fare. Special impetus came from some members of the Georgia General Assembly, as well as persons in Congress and the Ford Administration.

The attack from the General Assembly came in several waves. In August 1974, MARTOC issued a report stating that MARTA bus operations could be in a "financial bind" by June 1975, at which time the report estimated that the Authority would have to use over 50 per cent of its tax revenues to pay the difference between the fare revenue and the cost of operations. While MARTA was using only 42 to 44 per cent as a subsidy in August 1974, the MARTOC report stated that "a small drop in the local sales tax income coupled with unexpected increases in expenditures could easily eliminate that six to eight per cent cushion." MARTOC chairman Levitas made it clear that MARTA had made two commitments to the public: first, to build a rapid rail system, and only then to maintain the 15¢ fare, if possible. Suburbanite Levitas would not consider raising the 50 per cent ceiling in order to maintain the 15¢ fare. He wanted to protect funds for building the rail system.

MARTA again began generating alternatives. If worse came to worst, MARTA proposed a selective reduction in existing low-patronage routes. Further special services -- such as sightseeing and charter work -- also could be discontinued, followed by a reduction in weekend and late evening buses. "If it should become necessary to reduce service to stay within the 50 per cent lid on the subsidy," stated Don Valtman, MARTA assistant general manager for Transit Operations, "we will reduce mileage in a very orderly fashion, not across-the-board."

The sides quickly formed again. Several state legislators and MARTOC members -- including Senators Bob Bell, Pierre Howard, Jr., and Jim Tysinger, all of DeKalb County, as well as black Atlanta Representative Billy McKinney -- responded that the Authority should raise the 15¢ fare, given a choice between service reduction and raising the fare. Many were surprised that McKinney -- a strong advocate of the low fare -- would endorse such a proposal. McKinney explained that "if they'd have to cut service and leave the people on the street, it would be better to raise the fare." Senator Bell agreed, noting that it bothered him that people accepted inflation and the rising cost of MARTA, and "yet blindly adhered to the 15¢ fare as if it were immutable and unchangeable." Oppositely, Atlanta Representative John Greer, another MARTOC member, again declared that he was "diametrically opposed to any raise in the fare in the foreseeable future."

Greer went on to say that MARTA should wait to see if Congress approved federal operating subsidies to transit systems which could augment the funds available for operating the MARTA buses, but any hope in that possibility soon faded. In August 1974, the U.S. House of Representatives chopped the Federal Transit Subsidy bill from $20.4 billion to $11.8 billion. While MARTA had vigorously opposed the cuts, several DeKalb County officials supported the reduced federal spending because MARTA's spending was "highly inflationary." When the House and Senate could not agree on the wording of the bill, a conference committee was called. In October 1974, the committee approved a six-year $11.8 billion mass transit bill, which was approved by the full Congress. Indications were that President Ford would accept it.

As 1974 ended, then, it had been one step forward and two back, in connection with continuing the 15¢ fare. The 1974 bill did promise a new source of operating funds; and it represented the first time that Congress made such a long-term commitment to public transit. But MARTA's expected share of federal funds was not enough to alleviate new financial pressures. Moreover, Parsons, Brinckerhoff, Tudor & Bechtel (PBTB), MARTA's consulting engineers, announced that construction costs were up so much that the new estimated cost of the rail system was $2.1 billion -- up from the $1.79 billion estimated some four months before. GM Kiepper ordered a study to determine what impact the revised cost would have on the transit system. The choice for MARTA? Raise the 15¢ fare, or delay building the rapid transit system.

The Fourth Year: New Services or Low Fare?

Shortly after the third birthday of the 15¢ fare, its fate took a sudden turn for the worse. The head of the Urban Mass Transportation Administration (UMTA), Frank Herringer, drew critical attention to the 15¢ fare. Market research showed, said Herringer, that "the key variable for most people in making transit decisions" concerning whether to utilize mass transit was "service not cost." He said that in regard to Atlanta's 15¢ fare: "Everybody says: 'Gee, that's great, ridership is up.' But an economist would look at those numbers and be horrified at the marginal cost of those additional riders." The revenues lost because of the low fare could have been used to improve transit services, Herringer continued.

However, Herringer was a realist concerning the politics of operating a transit system. When asked if MARTA should maintain its low fare, Herringer responded that this was a local decision. He said that he would advise MARTA: "It's your decision as to whether you continue the 15¢ fare, and maybe there are local reasons why the 15¢ fare is great. Maybe there are political factors that have to be considered."

The impact of such political factors got reflected in numerous ways. For example, Spring 1975 saw a freeze on extensions of bus service, one way of protecting the 15¢ fare. In May, Fred Meyer -- Board member from DeKalb County and chairman of MARTA's Finance Committee -- stated that the fare might have to be raised to 25¢ by Fall 1975 due to continuing increases in operating costs, particularly since MARTA bus drivers might receive a wage increase as a result of labor negotiations occurring at that time. The 10¢ hike would generate about $6 million in additional yearly revenues for MARTA and, according to Meyer, would forestall another increase until 1979. Others added divergent counterpoint. Several newspapers -- including the Atlanta Constitution and North Fulton Today -- charged that MARTA's "credibility was at stake"; and Representative John Greer of Atlanta threatened to go to court to prevent hiking the fare. He directed his remarks at three DeKalb County legislators -- Senator Bob Bell, and Representatives Hugh Jordan and Walt Russell -- who advocated raising the fare because MARTA service expansion had been affected by revenue shortages. Bell accused MARTA of leaving people "standing on the streets" because of the lack of bus service to his county.

MARTA officials sought a way out, with more energy than effect. Robert Nelson, MARTA Deputy General Manager, proposed to MARTOC in July 1975 that MARTA raise the bus fare during peak-load morning and afternoon hours. Nelson suggested that the approach might benefit the Atlanta poor, and also might induce many people to ride during off-peak hours. Nelson also stated that a study was being made to find out whether a flat rate or a graduated rate -- depending on the distance traveled or the time of day -- was appropriate. The report was released in October, and it appeased neither side to the controversy. The study recommended that riders should continue to be charged a flat fare regardless of the destination. The flat fare, the report stated, was simpler to administer, simpler for patrons using the system, and cost less to collect than a graduated fare. The report remained moot on the amount of the fare. The peak-load idea died, in addition.

So 1975 ended as it began -- in deep division -- and 1976 brought a new threat to the 15¢ fare from the federal level. To explain, in January President Ford submitted a record $394.2 billion budget which contained a sentence which could be the epitaph to Atlanta's 15¢ fare: "The budget limits to 50% the portion of transit formula grants that may be used for operating subsidies in 1977 and future years." Formula categorical grants are provided by the federal government on a conditional basis, and an agency like MARTA submits plans for approval to UMTA which makes a final determination concerning the specific purposes for which a grant may be used, based on Congressional guidelines.

For MARTA and its 135,000 daily riders, the implications of that one sentence were ominous. During the past year, MARTA had been utilizing all of its $3 million federal formula grant as a fare subsidy. This enabled the Authority to stay within the limit imposed by the Georgia legislature -- the 50 per cent ceiling on the proportion of state sales tax revenues that could be used to underwrite fare deficits. MARTA hoped that in fiscal 1976, the federal grant would cover about twelve per cent of MARTA's operating deficit, which approximated $27 million yearly. The 50 per cent federal limitation would severely hasten, if not cause, the demise of the 15¢ fare. For more than 46 per cent of all sales tax revenues were already being used to subsidize operations, and the operating deficit was steadily increasing.

Whether Congress -- at a time of national concern over spending policies -- would blunt Ford's initiative was a matter of speculation in Atlanta. GM Kiepper termed Ford's proposal a "very poor idea," and predicted "strenuous opposition from all transit agencies." However, Kiepper downplayed the possible effect of its passage on the Atlanta bus fare, stating that "Armageddon has not arrived, and the wolf is not at the door. It definitely wouldn't be a positive factor, but we haven't started to panic and clutch our arms." Kiepper went on to say that the whole philosophy behind the mass transit grant program was to "provide local flexibility, let the localities make up their own minds about expenditures." According to Kiepper, "It would be another example of Big Brother -- the federal government knows best. I object to that," Kiepper complained. "We should be allowed to use the federal funds as we think best."

Support for President Ford's proposal came from the federal bureaucracy and Congress. An UMTA spokesman in Washington said that the Ford proposal was designed to encourage local governments to lower operating costs and to seek greater productivity. The official stated that UMTA would take no stand on whether MARTA should raise its bus fare. But he conceded that such a move would have UMTA's "tacit backing," even though MARTA did a "very good job" in managing its bus system. In Congress, the Ford proposal gained further support in the House Public Works Committee. Atlanta Fourth District Representative Elliott Levitas -- formerly a member of the Georgia Assembly from DeKalb County and MARTOC chairman -- told MARTA officials that sentiment in his committee favored Ford's limitation. However, both Levitas and Representative Andrew Young suggested that a compromise might phase-in restrictions on the use of formula funds, rather than jumping immediately to the 50 per cent ceiling. GM Kiepper stated that this would help, because it would allow MARTA more time to plan for a change in funding. However, gradual restrictions would only defer and not prevent the arrival of the day when the 15¢ fare would have to go up.

While MARTA and Atlanta waited for Congress to decide the fate of the federal subsidy, scuffling continued between the two Atlanta-area factions -- one advocated keeping the fare, and the other wanted to raise the fare and accused MARTA of withholding service. For example, Atlantan Robert Holmes filed a bill in the General Assembly which would have reduced the MARTA Board from 10 to 8 members, eliminating two representatives from suburban Clayton and Gwinnett Counties which supported the DeKalb County effort to raise the 15¢ fare. The bill would have changed the Board's composition to include four members from Atlanta and two each from Fulton and DeKalb Counties. By excluding Clayton and Gwinnett, Board membership would have been limited only to those areas which in 1971 approved the one per cent local sales tax to support MARTA. Significantly, also, advocates of keeping the 15¢ fare would have two fewer opponents to deal with on the Board. Relatedly, the DeKalb County Commission proposed a resolution which requested that MARTA terminate service to those counties which rejected the rapid transit system in 1971. Commissioner Bill Coolidge observed: "These people clearly stated that they did not want to participate in MARTA. Why should DeKalb and Fulton County tax monies be spent to provide them service?" MARTA officials, in reply, pointed out that the only such bus service was special, and was being used by many DeKalb Countians. The Commission also was told that the bus fare in Clayton and Gwinnett Counties was adjusted from time to time to reflect full operating costs.

Therefore, as the 15¢ fare reached its fourth anniversary, it was being attacked again by the Federal Government and many local officials. Yet the fare continued to receive support from inner-city interests, which sought to protect it from shrinking subsidy funds and escalating costs alike.

More Service Cutbacks or a Fare Increase?: MARTOC Attacks Again in the Fifth Year

Financial pressures and demands for more bus services continued to plague MARTA as the fifth year of the 15¢ fare began, and a major new institutional element was added to an already-volatile situation. Significantly, that is, the Georgia legislature increased the size of the MARTA Board by four -- three of them state officers who ex officio became MARTA Board members, and the fourth an additional member from DeKalb County. This action reflected state and DeKalb desires for greater influence over MARTA operations; and it was widely interpreted as a deliberate effort to shift political power away from the inner-city Atlanta black constituency, who openly worried that "MARTA was being taken away from us."

The concern about a state take-over proved overblown, in part because the state officers newly-appointed to the board were already extremely busy, and often simply could not take dominant roles. But the balance-of-power had been shifted to a noteworthy degree on the date that the four new Board members took office -- February 20, 1976.

If anything, then, the cross-pressures on MARTA increased in early 1976, due both to the enlarged Board and the continuing ravages of inflation. Signally, in late March 1976, GM Kiepper proclaimed that Atlantans would have to pay higher bus fares or face cutbacks in service. He stated that MARTA's pledge to improve and extend the transit system services and maintain the low fare had run afoul of rising costs of fuel, buses, and wages. As an example, Kiepper explained that bus drivers made $3.72 an hour in 1972, were making $6.04 an hour in 1976, and future negotiations might further raise those wages.

The reaction to the possibility of the higher fare was tested by Atlanta's Channel 5-TV after Kiepper made his statements. The consensus reached on a MARTA bus in late 1976 was that passengers found public transportation "a good deal even if it cost more than 15¢." Typical reactions from bus riders include:

> Passenger 1: Since it is my only means of transportation, I don't think paying the higher fare would make any difference.
>
> Passenger 2: No, it wouldn't keep me from riding the bus. I'll still ride it all the time.
>
> Passenger 3: I feel that maybe we could pay more because with the cost of living and gas, you know the hustle and bustle of downtown driving, the parking and all; well, I would be willing to pay a little bit more -- maybe 30¢ or no more than 50¢.

The reactions of bus riders provided more ammunition for suburbanites and others who advocated raising the fare. DeKalb County Republican Senator Bell attacked the 15¢ fare which MARTA was "zealously guarding" at the expense of future construction. "You operate under whole different concepts of financing than I'm used to," Bell complained to MARTA officials. "You spend everything that comes in and don't set anything aside for saving and depreciation," stated Bell, a significant actor as Chairman of the Finance Sub-Committee of MARTOC. Bell charged that the 15¢ fare gets support only because people "are locked into it politically and can't afford to change positions. People want more service but MARTA is limited. They wouldn't be if they raised the fare." MARTA, according to Bell, was a victim of its own success. The DeKalb County Commission echoed Bell. Chairman Bob Guhl echoed Senator Bell in proposing that 25¢ would be an appropriate bus fare. Said Guhl: "Our first concern is that we feel DeKalb County should be getting more bus service and second, we are very strongly concerned about the completion of the rail system in DeKalb County."

MARTA heard these messages, and responded. Board chairman John Wright told MARTOC in June 1976 that MARTA "never promised that everyone would get a bus route at their front door . . . we made a commitment during the 1971 referendum that 90 per cent of the people would be within a five minute walk of a route. . . ." Wright added that MARTA had provided much more mileage on bus routes in DeKalb and Fulton Counties than had been promised, and had already provided bus services where they were most needed. Representative John Greer supported Wright's position, but added that either raising the fare or cutting services might have to be considered if the federal subsidy could not be maintained.

Congress would later reject Ford's proposal, but in Spring 1976 much sentiment favored the 50 per cent lid on the percentage of federal formula grants that could be used for operating expenses. UMTA Administrator Patricelli said that transit systems around the country were increasing employee wages and holding down fares, while they used federal funds to pay operating costs. According to Patricelli, this represented an "excessive dependence" on federal aid, "dependence which undercuts the incentive to seek greater productivity and operational efficiency." Representative Bella Abzug, Democrat, New York -- voiced the sentiments of the nation's transit systems. UMTA's recommendations reversed a trend in public transportation policy. "You're going to kill us!" she noted.

The MARTA Board held the line, cross-pressures notwithstanding. Budget hearings in June 1976 weighed the demands being made on the Authority -- by UMTA, suburban officials, and inner-city Atlanta leaders. On June 30, 1976, the Board adopted a $348.5 million budget for fiscal 1977 which extended the 15¢ fare for another year. The Board also accepted a MARTA staff proposal for a continued freeze on bus service -- which had not been extended for some 14 months -- to help keep the 15¢ fare.

The implicit weighting in the MARTA budget of inner-city vs. suburban pressures did not escape local attention. Senator Bob Bell of DeKalb County countered in late July 1976 by initiating a probe of MARTA's finances. The Georgia Assembly's top budget analysts were to scrutinize the transit system's revenues, expenses, and rail construction costs, acting on Bell's concern whether MARTA would have enough local funds to match federal grants for construction of the Authority's rail system. Despite MARTA insistence that there would be no problem in obtaining money to complete the 53-mile route, Bell was not so sure: "We think it's possible they've underestimated their costs and overestimated their revenues."

Some MARTA officials had related concerns, in fact. While financial analysts from the Georgia Assembly examined its expenses and revenues, the Authority sought to extend the one per cent local sales tax beyond 1982, when it was to be reduced to one-half of a per cent. For well over a year, MARTA officials had quietly championed repeal of the amendment which would end the one per cent sales tax. On October 5, 1976, GM Alan Kiepper told the Board that the amendment should be repealed primarily because federal funding for completing the rail system was uncertain. The extra revenue collected from extending the one per cent local sales tax would enable MARTA to proceed on its own with construction of the new rail system without waiting until more federal funds were available. MARTA Board members were of several minds, however. Thus Harold Sheats concluded that MARTA should wait until it actually had trains rolling, then expected to be December 1978. Oppositely, Fred Meyer urged testing the climate. He added: "If we lost, at least we would know where our opposition was."

The results? MARTA staff prepared a position paper calling for the extension of sales tax beyond 1982; and Senator Bob Bell saw an opportunity to gain enough leverage to force MARTA to raise the 15¢ fare. Bell suggested that the extension of the tax should be tied by the legislature to increasing the 15¢ fare. MARTA reacted quickly. Board chairman John Wright said he would not tie the tax extension to a fare increase. GM Kiepper added that "a fare increase is not a reasonable part of this question. It should not be part of this issue."

The year 1976 ended as it began, with an interesting twist. MARTA officials were concerned about an extension of the one per cent sales tax; and powerful legislators expressed "a deep concern" over MARTA's financial situation, particularly continuation of the 15¢ fare, which seemed "to have become the first priority of MARTA." MARTOC realized that MARTA was "trying to keep its word regarding the fare, and that is an honorable gesture," but that faithfulness "becomes an unbalanced priority when it has such an impact on MARTA's financial and service capabilities." But some saw a new opportunity in MARTOC's insistence. In a December 1976 editorial, for example, Atlanta Journal columnist Jack Spalding stated that MARTOC had done MARTA a favor by criticizing the retention of the 15¢ fare which Spalding called "politically desirable but . . . economically insane." Spalding found: "It is better to have an outsider make this sort of point. Those who might not have believed MARTA had MARTA argued for a fare increase in the future, might believe MARTOC."

MARTA neither heeded MARTOC's advice nor took the opportunity. In early January 1977, its Board officially voted 10 to 3 to ask the Georgia General Assembly to keep the MARTA sales tax at the one per cent level beyond 1982, the year when the tax was to drop to one-half per cent. Representative John Greer -- now MARTOC Chairman -- predicted a long hard battle over the proposal, but remained optimistic about its eventual passage. GM Kiepper stated that the extension was necessary since it would allow MARTA to double its bonding capacity, and thus permit quicker construction of the rapid rail system proposed in the 1971 referendum. Board member Harold Sheats -- who had earlier favored asking for an extension only after the opening of the first rail line in 1978 -- was now willing to go along with the request, and speculated that the tax extension would put pressure on the federal government to continue grants to MARTA in response to the strong local effort for mass transit. Board members Thomas Moreland, Dave Benson, and Fred Meyer disagreed. Moreland said that there were too many unanswered questions -- e.g., the lack of priorities for various segments of the construction program -- which would influence the types and amounts of funding which MARTA would need.

While the General Assembly considered the tax extension, a MARTA staff report added spice to the debate. In late January 1977, one study projected that the 15¢ fare would jump to 25¢ in fiscal 1979, subsequently leaping to 60¢ by fiscal 1982. Further, MARTA officials stated that the fare would probably have to be about $1 after 1982 if the sales tax were cut in half, as Georgia law provided.

Reactions from MARTA Board members and Atlanta officials came swiftly. Fulton County appointee Sheats declared that if the fare were $1, MARTA "would not provide mass transportation . . . for the working man /and/ would just defeat its purpose." Atlanta Board member Dr. Johnnie Clark ventured that MARTA "might have to move to another philosophy -- like free transportation." Mayor Maynard Jackson found the notion of $1 fare in 1983 "disturbing" and hoped that the General Assembly would react "favorably" to any proposal which would allow the continuance of low fares. Jackson stated that the City was agreeable to working with MARTA "on finding alternatives to unreasonable fare increases."

For their part, suburban sources generally stayed on the offensive. A Gwinnett County weekly, The Gazette, called the package "Blackmail, MARTA Style," and chided the Atlanta press for not recognizing MARTA's "cunningly orchestrated campaign" to scare citizens into accepting the tax extension. DeKalb County Senators Bob Bell, Jim Tysinger, Bud Stambaugh, and Pierre Howard were more specific: the Authority had to boost the fare from 15¢ to 25¢ to gain their support for extending the one per cent sales tax. The senators -- who were supported by the DeKalb County Commission -- further imposed this set of seven conditions in return for their support:

- that MARTA get one-third of the cost of bus operations out of the fare box, which effectively meant raising the fare from 15¢ to 25¢
- that MARTA commit itself to extending its north line all the way to Doraville /in DeKalb County/ before it built the spur line to Northwest-Perry Homes, the latter a key objective of Atlanta's black leaders during the 1971 referendum
- that MARTA adopt and publish a set of standards governing when it would extend existing bus lines, create new ones, or discontinue lines
- that MARTA immediately lift a freeze on bus service extensions imposed for budgetary reasons
- that MARTA set firm priorities for the construction of all segments of its rail system not under construction
- that MARTA settle for a 10-year extension of its sales tax rather than an indefinite extension
- that MARTA agree that once it got the extension it would use at least 60 and perhaps 70 per cent of the local sales tax income for capital improvements, and only 30 per cent for subsidy of the fare.

The trade-offs basically polarized the MARTA Board. Members from the DeKalb, Gwinnett and Clayton Counties supported raising the fare; and Atlanta-Fulton County members supported an extension of the sales tax and the low fare. In a February issue of a monthly tabloid, Common Cents, two MARTA Board members -- Fred Meyer of DeKalb County and Joseph Lowery of Fulton County -- presented the polar viewpoints. Meyer found the issue to be a choice between two options: a low-cost transportation system or "a high-sounding bill of goods . . . with second-rate mass transit that was neither fast, efficient, nor low-cost." Meyer also emphasized that the 15¢ fare was adopted by the MARTA Board of Directors, not by public referendum, and Meyer reminded readers of WAGA-TV's poll of bus riders who, while not savoring the higher fare, nonetheless would pay it. "Material arguments aside," Meyer returned to what he termed "the ethical argument of keeping the faith" of voters who were promised a transit system. "The fare should not in any case be subject to such political demagoguery and cause promises to be made which can never and will never be kept."

Board member Lowery also pointed to MARTA promises, arguing that to discontinue the low MARTA bus fare would reinforce citizens' "lack of faith and confidence in government." Lowery made a case that many accomplishments -- many new buses, bus shelters, service improvements, increased route mileage, and the maintenance of the 15¢ fare -- evidenced MARTA's attempts to keep its other commitments. To illustrate, Lowery stated that increased mileage had been given DeKalb County, where strongest opposition to the 15¢ fare originated. About 56 per cent of the total monthly MARTA bus mileage since 1972 had been concentrated in DeKalb, he noted. According to Lowery, MARTA's other major commitment consequently should be honored. Fares should be kept low in order to attract passengers, to restore public confidence in government, and to provide Atlanta with reliable transit service.

Last Fight Over the Fare: Increasing Services and the Local Sales Tax Extension

In early April 1977, MARTA released a new report which added fuel to the controversy between its inner-city and suburban constituencies. The report concluded that the Authority could face a hefty operating deficit if bus service were expanded without a corresponding hike in the 15¢ fare. The report found that MARTA would have to choose between service expansion and the 15¢ fare before the 1978 budget could be completed.

The MARTA report -- prepared by the Authority's Program Monitoring and Reporting Unit -- was generated by a Board resolution. The resolution -- adopted by a 6-5 vote -- sought either to add new bus routes and services promised in the 1971 referendum, or to "show cause" why a particular service should not be implemented. The target date was June 1977. The Board then charged the MARTA staff with reporting on the feasibility of adding the various new routes, after which the Board would decide whether to add all of the additional service, part of it, or none of it.

Following debate that simmered and sometimes sparked, the Board adopted a dramatic proposal. On April 25, 1977, the MARTA Board acting on staff data surprised Atlanta metro-citizens by voting 7-4 to raise the MARTA bus fare to 25¢, with a nickel for transfers. Fred Meyer, a DeKalb appointee to the Board whose term would soon expire, initiated the action which was to be effective on July 1, 1977. Meyer cited several reasons for the proposed fare increase:

- o operating costs had risen faster than revenues
- o an unanticipated degree of inflation had occurred since the 15¢ fare policy had been established
- o salary and benefits to operators had increased costs
- o additional costs had exceeded annual revenues.

In addition to Meyer, the 7-4 vote gained support from DeKalb Board members Bill Probst and Dr. Sanford Atwood, John Glover from Clayton County, Ken McMillon from Gwinnett County, and two ex officio state members of the Board -- State Transportation Commissioner Thomas Moreland and Revenue Commissioner Nick Chilivis. The three Atlanta Board members -- John Wright, John Evans, and Dr. Johnnie Clark -- and Dr. Joseph Lowery from Fulton County stood opposed. Board member Meyer declared: "We've skirted this issue to the point where we almost have our backs to the wall. We need a fare increase." Meyer called for early public hearings regarding the fare increase, as required by law. While he disagreed, Board Chairman John Wright predicted that most MARTA riders would accept an increase without much difficulty. "Many of them, I would say a majority, wouldn't object all that much," Wright declared.

The reaction of Atlanta leaders to the proposed fare increase was one of anger, however. Board member Dr. Lowery accused the two ex officio state Board members, Moreland and Chilivis, of "joining DeKalb, Clayton, and Gwinnett in a move to hurt poor people" and "violate" a promise. Mayor Maynard Jackson lashed out at the surprise decision, vowing to take "vigorous action if necessary" to avert the fare increase. Jackson said he would "do everything in my power" to block the fare hike, and he assigned Associate City Attorney John Myer "to research the City's legal position, if it becomes necessary to contest in court the validity of such a fare increase." Jackson was "particularly appalled" that the increase was made possible by the votes of ex officio Board members plus those from Clayton and Gwinnett Counties which rejected the 1971 referendum. "We must keep the faith with the two-county /Fulton and DeKalb/ MARTA district, Atlanta especially," asserted Jackson.

Some action against MARTA resulted, in fact. In late April 1977, the Utilities Committee of Atlanta's City Council decreed that MARTA had to guarantee the 15¢ fare until March 1979 if it expected to close a major Atlanta thoroughfare in order to work on a crucial rail station. The action came on a motion by Councilman Hugh Pierce, who explained that the threat of not closing the street was the "City's main leverage" to keep MARTA from raising the 15¢ fare. "We want to make sure the City of Atlanta is protected, based on what all of us said in 1971 when we went out there to get votes," declared Councilman James Howard. "They can do what they want outside the City limits."

This retaliatory action created instant consternation among the MARTA staff who attended the meeting. Morris Dillard -- a black activist during the 1971 referendum, and now the Authority's Assistant General Manager for Planning and Public Affairs -- pleaded with the committee not to make the street closing contingent on the fare, and predicted that such a move would "create very serious difficulties" for MARTA. Councilman James Bond responded. "There may be a delay," he observed, "but it will be a delay on the part of the MARTA Board in not rescinding the fare hike proposal, and not on the part of the City." MARTA Board member Fred Meyer, who noted that the City had approved the closing of the street more than a year before, said that MARTA could probably obtain a court order requiring the City to close the street. "They've had a strictly political reaction to an economic question," stated Meyer.

Holding a middle-ground between MARTA and the City of Atlanta became more difficult, as State Representative John Greer of Atlanta discovered. Greer chose a MARTOC meeting of April 29, 1977, to call upon all sides in the dispute to pull together. Greer criticized the MARTA Board's decision to increase the fare, as well as the vote by the Utilities Committee. When Greer suggested that a compromise might be reached by raising the fare in July 1978, State Representative Mildred Glover of Atlanta said that keeping the fare until 1979 was "a matter of integrity." Bud Stumbaugh, DeKalb County State Senator and MARTOC Vice-Chairman, then blasted Greer and the City action. He threatened to introduce a bill in the General Assembly that would take away the City's power over street closing permits in any case involving MARTA construction if the full Council passed the resolution. "Councilman Pierce says 'that they've got leverage'. Well, we've got leverage in the General Assembly, and we'll use it if we have to," Stumbaugh threatened.

One avenue for a working resolution appeared on May 2, 1977. The MARTA Transit Systems Operations staff released a report which had been ordered by the MARTA Board in early April 1977. The Board wanted to find out if particular service improvements promised during the 1971 referendum could be implemented by June 1977 without raising the 15¢ fare. The new study -- adding fuel to the controversy over the fare and contradicting the April report of MARTA's Program Monitoring and Reporting unit -- concluded that service improvements could be made, though not by the deadline set by the Board. Basically, the stretch-out was unavoidable because new buses would not be available from MARTA vendors until some months later.

The same day that the report was released, the MARTA Operations Committee voted 6-1 on a motion sponsored by Board member Joseph Lowery which asked the full Board to take a second look at its earlier resolution to increase the fare. This committee action caused the Atlanta City Council to reconsider its earlier threat about not closing a major Atlanta thoroughfare. On the same day that the MARTA report was released -- with lobbying by MARTA Board Chairman John Wright and Board member Lyndon Wade -- the Atlanta City Council returned the street closing-resolution to the Utilities Committee, in effect delaying its final consideration. The City Council still remained adamant in opposing the fare increase by adopting a separate resolution which stated: "Any increase in the fare at this time will compound the economic and financial burdens of many of the Atlanta residents, particularly the poor."

Some Atlantans concluded that the April MARTA report reflected great timing and, in any case, it provided impetus for important decisions. Atlanta Journal columnist John Crown, for example, found it "absolutely fascinating that after what should have been an exhaustive research before the hike was proposed that 'fresh information' should miraculously appear at this expedient moment." Whatever the case, on May 9, 1977, the full MARTA Board passed 9-4 a resolution sponsored by Chairman John Wright which indefinitely postponed action on the proposed fare increase. The Wright resolution, based on the new staff report, states: "It does not seem necessary at this time . . . to raise the 15¢ fare." Voting against the measure were Fred Meyer and Bill Probst of DeKalb County, Harold Sheats of Fulton County, and Ken McMillon of Gwinnett County. Subsequently, the tentative budget submitted to the MARTA Board by GM Alan Kiepper in June 1977 focused on how the transit system could both implement service improvements and still keep the 15¢ fare. Kiepper's budget message stressed, however, that the budget with its no-fare-hike projection assumed that sales tax revenues would increase by seven per cent during the fiscal year while inflation would stay below six per cent. The proposed budget passed on June 27, 1977, quietly.

MARTA's suburban Board members persisted in their attempts to raise the 15¢ fare, however. In mid-August 1977, Fred Meyer of DeKalb County again proposed a new fare policy. Meyer, whose term on the MARTA Board was to expire in December 1977, called for the fare to be set at the level necessary to produce 35 per cent of the agency's operating costs. As costs went up, fares would increase a nickel at a time to insure that the fare box produced the required revenue. At the time, revenue from MARTA's 15¢ fare paid only about 21 per cent of the cost of operating the transit agency's bus system. The difference is made up from local and federal subsidies, as well as from various MARTA net money-makers -- charters and sightseeing, advertising concessions, and so on.

Board member Meyer urged that his proposal would give MARTA a "fixed guide or policy on the fare." This would be in line with comments made by Richard S. Page, new head of UMTA, who had stated during a July 1977 visit to Atlanta that bus fares should bear "a reasonable relationship to the overall cost of the system."

Meyer would be disappointed, but he remained undaunted. On August 25, 1977, MARTA's Operations Committee rejected Meyer's proposal. Meyer then urged that MARTA consider a fare hike before the 1978 Georgia legislative session. Otherwise, he warned, Georgia state lawmakers might reject MARTA's proposal to extend the one per cent local sales tax, or might even pass legislation preempting MARTA's control over the fare.

In response to Meyer's proposal, MARTA officials decided to take a look at what other major cities charged for bus service. The MARTA study examined the fare policies of five other cities with operations similar in size and scope to MARTA's, to determine whether any of them set fares to capture a set percentage of operating costs. The results? The survey covered Baltimore, St. Louis, Oakland, Seattle, and Pittsburgh, which had bus fares ranging from 25¢ to 50¢. The MARTA study found that, on the average, about 39 per cent of the cities' transit operating costs came from fares, with tax subsidies generally making up the remainder.

The report -- though largely ignored by the Board -- again put MARTA on the hot seat as inner-city Atlanta and suburban Atlanta officials fought over the 15¢ fare, but the status quo prevailed. Thus powerful forces urged that, as 1977 drew to a close, MARTA would have to raise the 15¢ fare if it hoped to convince the Georgia General Assembly to extend the one per cent sales tax beyond 1982. State Representative John Greer of Atlanta stated that MARTA would have to adopt a plan before the legislature convened in early 1978. On November 28, 1977, however, the Board ignored the staff report and the pleas of Greer and, at the moment of truth, voted to continue the 15¢ fare until March 1979.

The decision to retain the 15¢ fare did not signal that MARTA had given up on getting an extension of the sales tax. Indeed, in early January 1978, MARTA officials -- despite internal Board turmoil over the decision to retain the 15¢ fare -- attempted to piece together a united front to extend the one per cent sales tax beyond 1982. However, the extension remained so closely tied to the 15¢ fare that Atlanta and DeKalb officials both inside and outside MARTA remained at loggerheads. Governor George Busbee pleaded for a compromise that would pave the way for positive action concerning the proposed legislation, but felt frustrated over the deadlock. Busbee told a group of about sixty metropolitan leaders: "I want to support MARTA in any way I can, but everyone feels that we need to get our act together." Busbee went on to say that the proposed sales tax extension was "essential to the MARTA system," but termed it "critical" that local leaders warring over the 15¢ fare "resolve their differences" in order to maintain a united push to get the legislation passed.

Representative Greer responded to the Governor's suggestion. He proposed a four-point compromise to unify both Atlanta and DeKalb support for the MARTA sales tax extension. First, Greer urged that MARTA keep the 15¢ fare until March 1979, and then raise it to 25¢. Second, the legislator proposed that MARTA adopt a plan giving priority to a north-south line from suburban Doraville to Hartsfield International Airport -- a route favored by DeKalb officials over some "spur lines" such as the Perry Homes Branch favored by most black inner-city officials. The third point of Greer's compromise called for MARTA to show what specific future additional transit service it proposed to offer in Fulton and DeKalb Counties. Finally, DeKalb and Fulton County legislators were asked to unite with MARTA's inner-city constituency in supporting the sales tax extension. Greer told DeKalb officials that the inner city constituency had "to back up on some things and you've got to back up on some things."

In response to Greer's proposal, the MARTA Board of Directors adopted what Chairman John Wright called a "compromise plan" in an 8-5 vote on January 9, 1978. The four black Board members and Fulton County Member Harold Sheats voted against the plan. The MARTA Board plan:

- guaranteed the 15¢ fare through May 1979 as originally promised, but raised the fare to 25¢, 30¢ or 35¢ after that, depending upon budget projections of expenses and revenues which were to be developed by the MARTA staff within the next six months. The exact increase would be decided when the MARTA Board adopted its Fiscal 1979 budget in June 1978.

- called for the construction of the entire north-south rail line from Doraville to Hartsfield International Airport before the building of any "spur" lines such as the line into Perry Homes, a predominantly-black public housing project in west Atlanta

- called for MARTA to increase annual bus service from 28 million miles to 30 million miles by March 1979, with half of the service to be added no later than June 1978. MARTA staff members would submit a list of proposed new service to the Board by January 23, 1978

- required the development of "service standards" by which the Board could judge proposals for additional bus service

This proposal kept MARTA's pre-referendum promise to its inner-city constituency -- to keep the 15¢ fare for 7 years -- but it changed the nickel-a-year increase clause beyond that date. In return, MARTA's suburban constituency gained the promise of priority construction of the north-south line, plus an unspecified amount of additional bus service.

Opinions varied on the Board action. Atlanta Mayor Maynard Jackson lashed out, labelling the Board action, unfair, illegal, and unwarranted . . . the city has been nailed against the wall," he said. "What did Atlanta get? Atlanta got a broken promise on the fare structure, Perry Homes got put on the back burner, and Atlanta got no promise of help on the one per cent local sales tax." However, DeKalb County Commission Chairman Walt Russell termed the compromise "satisfactory" and recommended that the DeKalb legislative delegation support the sales tax extension. State Senator Bell of DeKalb County agreed, stating that the plan was "no victory" for DeKalb County, but rather was a victory for service in which DeKalb could participate. "They have removed a major barrier that prevented us from considering an extension of the sales tax," declared Bell.

Despite the outcries from Mayor Jackson and other Atlanta black leaders, the MARTA Board accepted the compromise and quickly renewed its plea for an extension of the sales tax. The MARTA Board -- encouraged by the positive support of DeKalb County -- unanimously adopted a resolution sponsored by DeKalb member Daniel Patillo urging that the Georgia General Assembly extend the sales tax twelve years beyond 1982. The resolution cited "extraordinary inflation in construction costs" and "more intense" competition for federal aid as the reasons for requesting the extension of the sales tax.

After all those years, what does the balance sheet show? The passage of the Greer-inspired proposal maintained the life of the 15¢ fare through March 1, 1979, the very date originally promised, to the almost-unanimous praise of the metro media for a promise kept. The fare was increased to 25¢, uneventfully, even though the original understanding called for a 5¢ increase in 1979. Other parts of the MARTA program over which battles had been fought -- the one per cent local sales tax extension, and the date for the opening of the rail lines -- all remain in doubt to this day, March 1, 1979.

CASE STUDY III -

LOW FARE:

AN ECONOMIC ANALYSIS OF A POLITICAL DECISION

John Bates

Low Fare:

An Economic Analysis of a Political Decision

On March 1, 1972, the Metropolitan Atlanta Rapid Transit Authority reduced bus fares from a 40¢ base, with zoning and with a 5¢ transfer charge to a systemwide flat fare of 15¢ with free transfers. Closely following the purchase of a privately-owned bus company, the fare decrease constituted the first step in a comprehensive program of improvement approved by voters in November 1971.

The low fare had immediate and dramatic effects. Transit ridership under private operation had been declining at about five percent per year, while fares were rising and service was cut back to maintain a break-even (or slightly less) financial picture. Within the first week of MARTA low-fare operation ridership not only increased systemwide, but additional ridership on some major routes caused overloads during the peak periods. MARTA had to buy old buses from Cincinnati and Cleveland to manage the overloads until arrival of the first order of new, air-conditioned buses acquired as part of the approved comprehensive program of improvement.

The flood of new riders came as a distinct surprise. The low fare was not initiated to gain riders, but as a political compromise acceptable to low-income, central-city residents to gain their approval of a sales tax levy to expand the bus system and especially to build a rail transit system.

The political choice of a low bus fare to gain a local funding-base for mass transit also turned out to be shrewd public economics. This case will demonstrate that point through an analysis of costs and benefits for riders and nonriders from 1972 through 1977. The analysis will follow a brief description of the evolution of the financial arrangements and some observations on the immediate effects of low fare on ridership patterns. The analysis itself will estimate the "fairness" of the sales tax/low fare method of financing public transportation by comparison with two alternatives. A technical appendix deriving some of the parameters used in the analysis is included.

Toward the "Atlanta Plan"

MARTA is a single-purpose, limited-jurisdiction agency created by the General Assembly of Georgia in 1965, under authority granted by amendment to the state Constitution in 1964. The single purpose is to plan, purchase, design, build and operate a system of public transportation for hire in four designated counties. The MARTA Board of Directors has fairly broad powers to carry out its purpose, but only within the framework of contracts with its constituent governments. If the contract requires indebtedness on the part of the local government, extends beyond one year in duration or is financed by optional sales tax levies, then the contract must be formal and ratified by a majority of voters in the county affected.

Learning from a Past Failure

A contract proposal to build a fixed-rail transit system in two of the four metro counties -- Fulton and DeKalb Counties -- was defeated by local voters in 1968. That proposal was flawed in several critical particulars. It required <u>ad valorem</u> tax financing; did not make adequate provision for an existing private bus system; assigned tax funds for capital costs only, with operating costs paid entirely by fares; and was rushed to referendum several months before scheduled completion of a comprehensive transportation plan for the entire region.

Local urban transport advocates learned from their experience. In November 1971, a new contract was proposed, differing from the 1968 proposal in four central ways:

- o The proposal envisioned an integrated bus and rail regional public transit system, including acquisition of the private bus company.
- o The rail transit part of the program extended into all four member counties, although barely into two of them.
- o It included a short-range program to improve the bus system during the extended period it would take to design and build the rail system.
- o The proposal called for financing through a one percent sales and use tax, with part of the tax going to subsidize low fares.

All four of these differences contributed to the attractiveness of the 1971 referendum to voters in Atlanta and in Fulton and DeKalb Counties, and the unique approach to financing and the commitment to low fares may have started a national trend for transit financing. This approach definitely has long-term administrative and political impact on MARTA, as well as on metro-area riders and non-riders.

Some Early Assumptions About Financing

The estimated cost of implementing the MARTA program in 1971 was $1.42 billion, and ad valorem taxes were ruled out as a funding source, because studies indicated that this was one of the major reasons for the 1968 defeat. A range of other tax sources was considered, including sales tax, admissions and amusements taxes, auto license fees, gasoline tax, hotel and motel occupancy taxes and cigarette taxes. Potential revenues were estimated for all of these with the results shown in Table 1. Only three of the taxes yielded enough revenue for further consideration: sales tax, payroll tax and personal income tax.

TABLE 1

POTENTIAL TAX REVENUE ESTIMATES FOR 1970
(All Figures in Thousands)

	Sales	Payroll	Admissions & Amusements	Hotel & Motel	INCOME Personal	INCOME Corporate	INCOME Total	Autos	Gasoline	Cigarettes
	0.5%	0.5%	2% Increase	2% Inc.	1%	1%		$5 ea.	1¢/gal.	2¢/pk.
DeKalb	4,467	3,397	140	60	6,297	750	7,042	1,115	1,776	972
Fulton	15,467	15,214	1,100	1,300	11,143	3550	14,693	1,415	3,270	1,526
	19,934	18,611	1,240	1,360	17,435	4,300	21,735	2,530	5,046	2,498
Atlanta	13,700	13,815								
DeKalb	3,913	3,138								
Fulton	2,321	1,658								
Clayton	783	670	26	20	1,238	117	1,355	250	402	208
Gwinnett	617	296	14	10	769	83	852	185	355	164
Grand Total	21,334	19,577	1,280	1,390	19,442	4,500	23,942	2,965	5,803	2,870

*Outside Atlanta

Soon there were only two potential sources of funding. Georgia already had a statewide sales tax and income tax, but did not have payroll taxes on any level. Mutually, the MARTA Board of Directors and local elected officials decided that the problems of trying to get approval for a payroll tax were too great, and that source of funds was dropped, leaving the sales tax and the income tax as viable alternatives.

Thought about funding local transport also was limited in other crucial ways. That is, thought about funding to this point presumed that taxes would be used to buy the bus company, obtain more buses, and build the rail system. This concept also assumed that all operating costs would be met by farebox revenues. This is a traditional method of financing public projects, and is "equitable" or fair by most definitions for flat or graduated income taxes or payroll taxes, but not for a sales tax. Equity usually means that people pay in proportion to their use, or benefit, and/or a constant or increasing proportion of their income. With a sales tax, people usually pay a smaller proportion of income as income increases.

Political Mind-Expanding About Financing Assumptions

With only the sales and income taxes left as options to fund the urban transit system, progress toward a financing method stalled. Generally, representatives of suburban areas preferred the sales tax to the income tax, while central-city representatives objected strongly to the sales tax. Suburban representatives felt that higher-income suburbanites would pay most of the costs, but would be least likely to use the system when built, since they have more diverse travel patterns in the areas with the lowest density of transit service. Low-income central city residents, on the other hand, spend a much higher proportion of their incomes on consumption goods and, therefore, pay a higher proportion of their income in sales taxes. Hence the opposition of Atlanta politicians to the sales tax as a funding source.

The impasse continued until November 1970, when a meeting of MARTA Directors, local government officials and state legislators was held to thrash out the matter. Sam Massell, the Mayor of Atlanta, came up with the seeds of the solution which broke the log-jam. He observed that the central-city objection to the sales tax was its regressiveness, and noted that most transit riders were low-income central-city residents. He suggested that the sales tax be adopted, but that the bus service be free. Mayor Massell apparently overlooked the impact on low-income people who did not or could not use transit; and Massell and others may have generally accepted the notion that <u>all</u> poor people, and <u>only</u> poor people, ride the bus. Such inadequacies aside, the proposal had a major political attraction. For many central-city residents, especially low-income blacks, the savings in bus fares would at least compensate for an increased sales tax.

The Massell proposal caught on immediately, but it had to be modified for legal reasons. MARTA General Counsel Stell Huie quickly pointed out that the constitutional authority for MARTA defined what MARTA could do as provide transit <u>for hire</u>; free transit would not be legal. MARTA planners and engineers quickly ran through their figures and came back with a conclusion that if the sales tax was three-quarters instead of one-half percent, then a fifteen cent fare would support the operation for several years. Thus the "Atlanta Plan" for transit financing was born, probably the first time in the United States that a political decision was made to subsidize transit up-front, without any intent that farebox revenue pay for all operations.

Recalling that November 1970 meeting at the Marriott Hotel, Sam Massell observes that he initially preferred using an income tax to fund MARTA to minimize the impact on the poor. Massell recalls: "It was at the end of the meeting, and suddenly it came to me. Why not a compromise of the sales tax <u>and</u> a very low fare? Everyone was shocked and surprised at the idea." Massell still supports very low fare for transit services. He equates transit as a public service not to police and fire protection, but instead to public services like recreation facilities and libraries. Not everyone benefits from them, but everyone pays to provide them.

Legislative Reprocessing

Massell's basic notion survived, albeit with some correctives by state legislators. The 1971 Session of the Georgia General Assembly convened in Atlanta in January, and one of the first bills introduced in the House by Representative John Greer of Fulton County called for a local option, three-quarter per cent sales tax for urban transit in the MARTA counties. The State Revenue Department quickly pointed out the difficulties in establishing brackets for a three-quarter per cent tax. Others realized another potential problem, not associated with the sales tax. In 1966 the Constitution had been amended to allow state funding for up to ten per cent of MARTA's annual budget. Someone realized that ten per cent of $1.4 billion was $140 million. Over a seven to ten-year construction period that amounted to $14 to $20 million per year, not including a state share of operating costs in the budget. Legislators became concerned at being faced with that kind of annual appropriation. Both issues were resolved by increasing the tax rate to a full one per cent. The extra one-quarter per cent of sales tax was legislatively defined as constituting the State's ten per cent contribution to funding MARTA.

Who motivated this critical compromise? MARTA's General Counsel Stell Huie recalls that then-Governor Jimmy Carter first raised the issue of state funding with MARTA officials, since the Governor had a problem with committing state funds. According to Huie, Carter urged changing the tax rate to the full one per cent, while also prohibiting further state contributions. Huie liked the compromise, since the additional tax funds would be ongoing and not subject to annual appropriations. The bill was appropriately amended in the House Ways and Means Committee by Representative Greer.

Greer's bill sailed through the House with little difficulty, but experienced very rough-going in the upper house. In

Georgia, the Lieutenant Governor serves as President of the Senate and exercises a great deal of power over the legislative processes in that body. In 1971, Georgia's Lieutenant Governor was former Governor Lester Maddox. His anti-big government position put him squarely against the MARTA proposal; and Maddox also maintained a running feud with Governor Carter, an active supporter of the MARTA proposal. Maddox actively opposed the sales tax bill, claiming that the bill would give MARTA so much money that it could not only build an infinite transit system, but also could serve Coca-Cola and fried chicken to all passengers.

The legislative mills ground so as to give something to both sides. Negotiations and compromises resulted in an amended bill that limited the one per cent tax rate to ten years, reduced at that point but continuing without time-limit at one-half per cent. The bill also required that after ten years the tax could not provide more than one-half the operating costs. The amended bill was accepted by both houses, and signed into law by Governor Carter.

The 1971 Referendum Financial Plan

With some significant technical adjustments, Massell's essential proposal got embodied in various policy documents. For example, the financial plan was included in the technical documents that supported the contract between MARTA and Fulton and DeKalb Counties. Note that since the City of Atlanta did not have sales-tax power, county-wide ratification was required. Atlanta did sign the contract, but only as an "assistance agreement." After combining all of the assumptions and estimates that went into annual capital and operating costs, MARTA staff and consultants estimated that the operating cost per passenger in the eleventh year would be 70 cents. Because of the legislative limitation, the fare consequently would be 35 cents in 1982. To avoid a large percentage increase between the tenth and eleventh year, the adopted fare policy called for a 15-cent fare for seven years, increasing at five cents per year thereafter to reach the expected 35-cent level in 1982.

Results of Sales Tax/Low Fare Transit, I

Since the fare was reduced in March 1972 and since the sales tax was first levied in Fulton and DeKalb Counties in April of that year, much has been accomplished. Expansion of the bus service included in the 1971 referendum has been nearly completed; and service has been expanded well beyond original plans. Specifically, January 1978 level of service is 47 per cent higher than for February 1972 (measured in annual vehicle miles operated); and commitments were made for increases of about three and one-half per cent in the last half of fiscal 1978 and 1979. A major part of the bus service increase in 1979 will involve reconfiguration of radial bus routes as feeders to rail stations, with extensions and expansion into previously unserved areas.

Automobile Users Take to the Buses

Experience with bus-ridership since 1972, moreover, knocked all previous estimates into a cocked-hat. Total ridership increased from 57.4 million passengers in calendar year 1971 to 79.0 million in calendar year 1978 -- an increase of 37.6 per cent. This compares with estimates made in 1971 that the completed service expansion program would increase ridership by 23.1 per cent. More than half of that ridership increase, 12 per cent, was expected to result from the fare reduction, with the balance caused by new riders using new services. The 12 per cent estimate derives from the historical marginal elasticity for fare increases in Atlanta. For many years, when the fare rose, the ridership declined 2.5 per cent for every 10 per cent increase in fare.

No one had any real idea how ridership would respond to a fare decrease, so the historical elasticity was assumed to work both ways. That assumption proved very wrong. Consider some details. The first week of the fare reduction, ridership rose 18 per cent, and averaged 16 per cent for the first 13 weeks. In November 1972, MARTA conducted a survey and found that ridership had increased 30 per cent, comparing "new rider" and additional "old rider" trips with continuing "old rider" trips. That survey also revealed some very interesting changes in the composition of the ridership resulting from the low fare. Generally speaking, "new riders" -- people who did not regularly use transit before the fare reduction -- were predominantly from higher-income families, higher at least than most "old rider" families. New riders also tended to be younger, and had a car available more often, had a higher proportion of males (about half and half compared to two female old riders for every male), and they rode mostly on weekdays. Ninety per cent of the increase was made up of new riders on weekdays, while old riders showed no increase in weekday travel. On the weekend, however, with much larger percentage increases in total trips, almost all increased ridership came from old riders making additional trips. (For more detailed information on changes in ridership characteristics, see the series of reports prepared by MARTA for the Fare Reduction Research Study, and the monograph: "Effect of Fare Reduction on Transit Ridership in the Atlanta Region: Summary of Transit Passenger Data" published in TRANSPORTATION RESEARCH RECORD NUMBER 499 by the Transportation Research Board of the National Research Council in 1974.)

Results of Sales Tax/Low Fare Transit, II

Much has been made of the increase in MARTA ridership following the fare reduction, as well as of the fact that most of the increase resulted from people who were not the traditional primary market for transit. On the surface, it might appear that Mayor Massell's assumption was not correct. The ridership increase suggests that combining low fare with sales-tax financing benefits "new" and higher-income riders rather than those Massell wished to benefit.

Toward Economic Test of A Political Decision

That possibility gets tested here. This analysis asks whether or not, in the long run, low-income people have benefited in the way the political decision-makers anticipated. Put alternatively, the question is whether or not the distribution of costs/benefits from the Atlanta Plan meets economic tests of fairness.

1. Defining Economic Fairness. We distinguish three approaches to testing fairness, two of which provide little challenge. To begin, should public funds be spent at all in the issue-area? We can dispose of this question quickly because the political decision to spend public funds on urban transportation, both for highways and transit, has been made. Urban transportation is a mixed-benefit public good, with private benefits accruing directly to the people who use the transportation system, and public benefits accruing to the community at large through the very existence of the system. Urban public transportation is therefore "eligible" for public funding. Moreover, should the particular MARTA project within the issue-area be supported by public funds? The MARTA proposal resulted from an extensive analysis of alternatives and was specifically approved by voters. The second test is satisfied.

The final test of fairness asks whether or not the particular method of financing chosen to fund the project is equitable -- do the costs and benefits get distributed in fair ways? Determination of equity involves a value judgment, of course. What are the criteria for judgment here? Ideal conditions of equity here are said to exist if: (1) payments made are directly proportional to benefits received; or (2) all groups of individuals with similar socioeconomic characteristics pay equally, and all groups of individuals in increasingly wealthy strata pay increasingly in proportion to their greater wealth. If these conditions cannot be met, because of the nature of the public good or because a satisfactory financing source cannot be found, then true inequity is defined by the condition where increasingly-wealthy strata pay proportionally more, a "progressive" condition.

Fairness of the 15-Cent Fare

Three cases demonstrate the comparative fairness of the Atlanta Plan -- low fare/ sales tax method of financing. Case I relates to a no-public transit alternative, where all trips have to be made by some other means. The cheapest probable alternative is the private automobile, at least considering only the marginal costs of trips and assuming that a car is available and is used for other trips as well. If this assumption is not true, then automobile travel costs, or taxi, or some other option, are probably much higher for comparable comfort and convenience. The second alternative (Case II) is the traditional method of public financing where there are both direct and indirect benefits -- the method originally proposed for MARTA. Here everyone pays the tax for capital expenditures, and the users pay the full amount of operating costs in direct proportion to their use. Case III analyzes what actually happened under the Atlanta Plan.

Comparing the three cases rests on several conventions. For all three cases, the actual number of transit trips made on the MARTA system for the five-year period from July 1, 1972, through June 30, 1977 (shown in Table 2) will be used for the analysis. For any period, only that portion of the total sales tax collections which were allocated to operating costs (Table 3) will be used for determining individual costs, because we are dealing with the fairness of the fare and because it will be several years before the effects of the capital program can be estimated. Also, in determining benefits, the benefit is assumed to equal the actual cost of providing each trip. Some economists will object to this procedure. They would maintain that the ridership would not have been as high if the fare were higher, which is probably true, and that consumer surplus (the difference between value received and

TABLE 2

TRANSIT OPERATING STATISTICS
FISCAL YEARS 1972-1977
(Vehicle Mileage and Passengers are in thousands)

	1973	1974	1975	1976	1977	TOTAL
For 12 Months Ending June 30:						
Revenue Passengers	51,681	56,357	57,934	59,504	59,782	285,309
Transit Passengers	14,475	15,963	16,303	17,855	19,234	83,820
Total Passengers	66,156	72,310	74,287	77,359	79,016	369,128
Vehicle Miles Operated	22,419	24,637	26,985	27,203	27,507	128,751
As of June 30:						
Vehicles in Service	603	689	715	735	735	
Route Miles	1,367	1,527	1,587	1,670	1,812	
Annualized Vehicle Miles of Service	24,955	26,380	26,922	27,308	28,926	

TABLE 3

STATEMENT OF TRANSIT OPERATING COSTS AND REVENUES
FISCAL YEARS 1973-1977 (in thousands)

	7/1/72 thru 6/30/73	7/1/73 thru 6/30/74	7/1/74 thru 6/30/75	7/1/75 thru 6/30/76	7/1/76 thru 6/30/77	TOTAL
EXPENSES						
Transportation	12,479	16,866	20,077	21,692	23,827	94,941
Maintenance	4,998	7,809	10,222	11,008	12,523	46,560
Administration and General	6,127	5,588	4,505	4,957	6,531	27,708
Total Expenses	23,604	30,263	34,804	37,657	42,881	169,209
Direct Revenues						
Passenger Revenue	7,754	8,269	8,472	8,875	8,898	42,268
Special Operations and Other	1,215	1,015	972	1,058	1,291	5,551
Total Transit Service Revenues	8,969	9,284	9,444	9,933	10,189	47,819
Net Service Expenses over Revenues	14,635	20,979	25,360	27,724	32,692	121,390
Federal Operating Assistance Funds	--	--	2,418	3,346	4,098	9,862
Sales Tax Funds Applied	14,635	20,979	22,942	24,378	28,594	111,528
Per Cent of Total Sales Tax Required	31.5%	41.5%	45.0%	46.2%	49.4%	43.1%

the price one is willing to pay) is not a real benefit. However, the actual benefit received is the difference between actual price paid and value received. Also, microeconomic theory assumes perfect competition, perfect information, and perfect substitutability of alternatives -- none of which apply to the real world of urban transportation.

For the five-year period considered, MARTA carried a total of 369,128,000 passenger trips -- of which 83,820,000 were transfers to make the second or subsequent leg of the 285,308,000 actual origin to destination (revenue passenger) trips. A total of $285,593,000 was collected in sales taxes, with $111,528,000 allocated to operating costs. This allocation supplemented $42,208,000 in fare revenues, $5,551,000 in other operating revenues, and $9,862,000 in federal operating assistance that constituted $169,209,000 in total operating expenses. The average cost per (revenue) passenger for the five-year period was 59.3¢, with a subsidy rate (sales tax only) on 65.9 percent. Transit service revenues contributed 28.3 per cent of total operating cost.

1. Case I: The No-Transit Alternative: Table 4 presents estimates of the proportion of annual family income required to fund 258 million-odd trips by auto transit. See Appendix 1 for derivation of the numbers of transit-user families, and average family incomes.

This computation rests on conservative assumptions: an average trip length of five miles, along with a marginal cost of automobile use of 15¢ per mile. This 15¢ figure includes costs of gasoline, maintenance, parking, depreciation, incremental insurance (because of using automobile for trips to work), and probably constitutes a conservative estimate.

Case I demonstrates clearly the regressiveness of the no-transit alternative. Although the calculations are based on trips by transit-user families, the results also apply to non-transit-user families.

2. Case II: The Traditional Public Financing Method. Table 5 presents estimates of per family costs for transit-user families under the traditional financing method. Here the user pays the full operating cost through a break-even fare. Transit non-users have the same cost per family in this case as all families bear in Case I. The distribution of cost for transit users is still regressive, but not so much as in Case I. The cost per trip is the total five-year operating cost divided by total (revenue) passengers for the period, or 59.3¢.

TABLE 4

CASE I: THE NO TRANSIT ALTERNATIVE: PER CENT OF ANNUAL FAMILY INCOME FOR AUTO ALTERNATIVE TO TRANSIT

Total Transit Trips - Five Year Period	285,308,000
Transit User Families	93,034
Annual per Family Trips	613.3
Average Trip Length (Miles)	5.0
Cost per Mile	$0.15
Auto Cost per Trip	$0.75
Annual per Family Cost	$459.98

Income Group	Percent of Annual Income
Less than $5,000	9.2%
$5,000-$9,999	4.6%
$10,000 and Higher	2.6%
Total	3.5%

TABLE 5

CASE II: THE TRADITIONAL METHOD
PERCENT OF ANNUAL FAMILY INCOME FOR TRANSPORTATION
TRIPS BY TRANSIT USERS AT FULL COST/NO TAX FINANCING

Five year Total Cost	$169,209,000
Average Annual Cost	33,841,800
Transit User Families	93,034
Per Family Annual Cost	$363.76

Income Group	Percent of Annual Income
Less than $5,000	7.3%
$5,000 - $9,999	3.6
$10,000 and Higher	2.1
Total	2.8%

3. Case III: The Atlanta Plan. Table 6 presents estimates of annual costs per transit-user family, and of the proportion of annual family income required to pay these costs under the sales tax/low fare method. Here it shows a net benefit for all transit-user families, with the benefit largest for low-income families and declining as income rises. This reflects a "progressive" distribution.

Transit users are not the only ones paying for operating costs of transit, however. Table 7 presents the transit operating cost burden for non-transit user families added onto the automobile costs for their trips (the same number of trips per family as for transit users to preserve comparability). When the tax burden is added to the cost of private travel, the distribution of costs for

TABLE 6

CASE III: THE ATLANTA PLAN
PERCENT OF ANNUAL FAMILY INCOME FOR TRANSPORTATION
TRIPS BY TRANSIT USERS WITH SALES TAX/LOW FARE FINANCING

	INCOME GROUP			
	Less Than $5,000	$5,000- $9,999	$10,000 and higher	Total
Five-Year Fare Cost	$15,427,820	$16,484,520	$10,355,660	$42,268,000
Five-Year Tax Cost	6,726,203	15,707,732	12,043,793	32,777,728
Five-Year Total Cost	22,154,023	30,102,252	22,399,453	75,045,728
Five-Year Value Received	61,761,285	65,991,510	41,456,205	169,209,000
Five-Year Net Cost (Benefit)	($39,607,262)	($35,799,258)	($19,056,752)	($94,163,272)
Transit User Families	33,957	36,284	22,293	93,034
Per Family Total Net Cost (Benefit)	($1,166.40)	($986.64)	($854.83)	($1,012.14)
Per Family Annual Net Cost (Benefit)	($233.28)	($197.33)	($170.97)	($202.43)
Percent of Annual Income Benefit)	(4.7%)	(2.0%)	(1.0%)	(1.5%)

TABLE 7

CASE III: THE ATLANTA PLAN
PERCENT OF ANNUAL FAMILY INCOME FOR TRANSPORTATION
-AUTO ALTERNATIVE UNDER SALES TAX CONDITION

	INCOME GROUP			
	Less than $5,000	$5,000-$9,999	$10,000 and higher	Total
Five-Year Tax Cost	$2,419,093	$14,174,268	$62,456,911	$79,050,272
Nontransit User Families	12,212	37,518	115,108	164,838
Per Family Tax Cost	$198.09	$377.80	$542.59	$479.56
Annual Per Family Tax Cost	39.62	75.56	108.52	95.91
Annual Per Family Auto Cost	459.98	459.98	459.98	459.98
Per Family Annual Total Cost	$499.60	$535.54	$568.50	$555.89
Percent of Annual Income	10.0%	5.4%	3.2%	4.2%

transit non-users is very regressive. There are more transit-user than non-user families in the lower-income groups, however, and considering all members of each income group together, as shown in Table 8, results show a progressive distribution of net costs. The lowest income group almost breaks-even on the average, and the higher income groups on the average bear a growing proportion of net cost.

What's Fair About Low Fare?
A Summary

The preceding analysis has demonstrated the relative fairness of three methods of financing for different income groups, for transit-user families, as well as for non-transit-user families. To complete the picture, Table 8 presents the cost distribution for income groups as a whole for

TABLE 8

CASE II: THE TRADITIONAL METHOD
PERCENT OF ANNUAL FAMILY INCOME FOR TRANSPORTATION
-ALL HOUSEHOLDS AT FULL COST/NO TAX TRANSIT OR AUTO

	INCOME GROUP			
	Less than $5,000	$5,000-$9,999	$10,000 and higher	Total
TRANSIT USERS				
Per Family Annual Cost	$363.76	$363.76	$363.76	$363.76
Number of Families	33,957	37,284	22,793	93,034
Total Annual Cost	$12,352,257	$13,198,302	$ 8,291,241	$33,841,800
NONUSERS				
Per Family Annual Cost	$459.98	$459.98	$459.98	$459.98
Number of Families	12,212	37,518	115,108	164,838
Total Annual Cost	$ 4,227,400	$12,987,519	$39,846,671	$57,061,590
ALL FAMILIES				
Total Annual Cost	$16,579,657	$26,185,821	$48,137,912	$90,903,390
Number of Families	46,169	73,802	137,901	257,872
Per Family Annual Cost	$359.11	$354.81	$349.08	$352.52
Percent of Annual Income	7.2%	3.5%	2.0%	2.7%

Case II, and Table 9 does the same for the Atlanta Plan. Table 4 shows the Case I condition, since in that instance there are no transit users.

fare transit resulted from political compromise. Whether the fare is 15¢ or 10¢ or 25¢, applying the sales tax/low fare method makes non-riders pay for the benefits they

TABLE 9

CASE III: THE ATLANTA PLAN
PERCENT OF ANNUAL FAMILY INCOME FOR TRANSPORTATION,
ALL HOUSEHOLDS AT SALES TAX/LOW FARE TRANSIT OR AUTO USE

	INCOME GROUP			
	Less than $5,000	$5,000-$9,999	$10,000 and higher	Total
TRANSIT USERS				
Per Family Annual Cost	($233.28)	($197.33)	($17.97)	($202.43)
Number of Families	33,957	36,284	22,793	93,034
Total Annual Cost (Benefit)	($6,873,919)	($7,344,735)	($4,614,000)	($18,832,654)
NONUSERS				
Per Family Annual Cost	$499.60	$535.54	$568.50	$555.89
Number of Families	12,212	37,518	115,108	164,838
Total Annual Cost	$5,101,115	$20,082,389	$65,438,898	$91,632,402
ALL FAMILIES				
Total Annual Cost (Benefit)	$772,804	$12,747,654	$60,824,898	$72,799,748
Number of Families	46,169	73,802	137,901	257,872
Per Family Annual Cost (Benefit)	$16.74	$172.73	$441.08	$282.31
Per cent of Annual Income (Benefit)	0.3%	1.7%	2.5%	2.2%

The results from Table 4 through Table 9 are presented graphically in Figures 1 and 2. Figure 1 distinguishes between transit user and non-transit user segments of each income group for each case, while Figure 2 considers the income groups as a whole.

The analysis shows what's fair about the 15-cent fare. Overall, it is considerably better for transit users, of every income group, than either no-transit or the traditional method of financing mixed-benefit public goods. What's not fair about the 15-cent fare is that -- considering income groups as a whole -- low-income, non-transit user families are hardest hit of any group under the Atlanta Plan. However, the absolute cost per family is only slightly increased, and virtually any cost for anything severely impacts that group. At least those low-income families who can and do use transit end up well ahead, while higher-income families who do not use transit must carry a greater share of the load.

The 15-cent fare came about serendipitously, while the concept of sales tax/low receive -- whether those benefits be reduced traffic, more available gasoline, or cleaner air. It gives the biggest break to low-income transit riders, who need the benefit the most, with all riders coming out ahead and higher income non-riders paying out the most absolute dollars. A different tax-base would shift things around a little, as would a different fare level. That shifting, however, would only change degree and not result: low fare, tax-supported transit is fairer than no transit or full user-charge (farebox) support of operations.

The 15-cent fare has proved to be very fair for Atlanta.

FIGURE 1
DISTRIBUTION OF COSTS
TRANSIT USER AND NONUSER FAMILIES

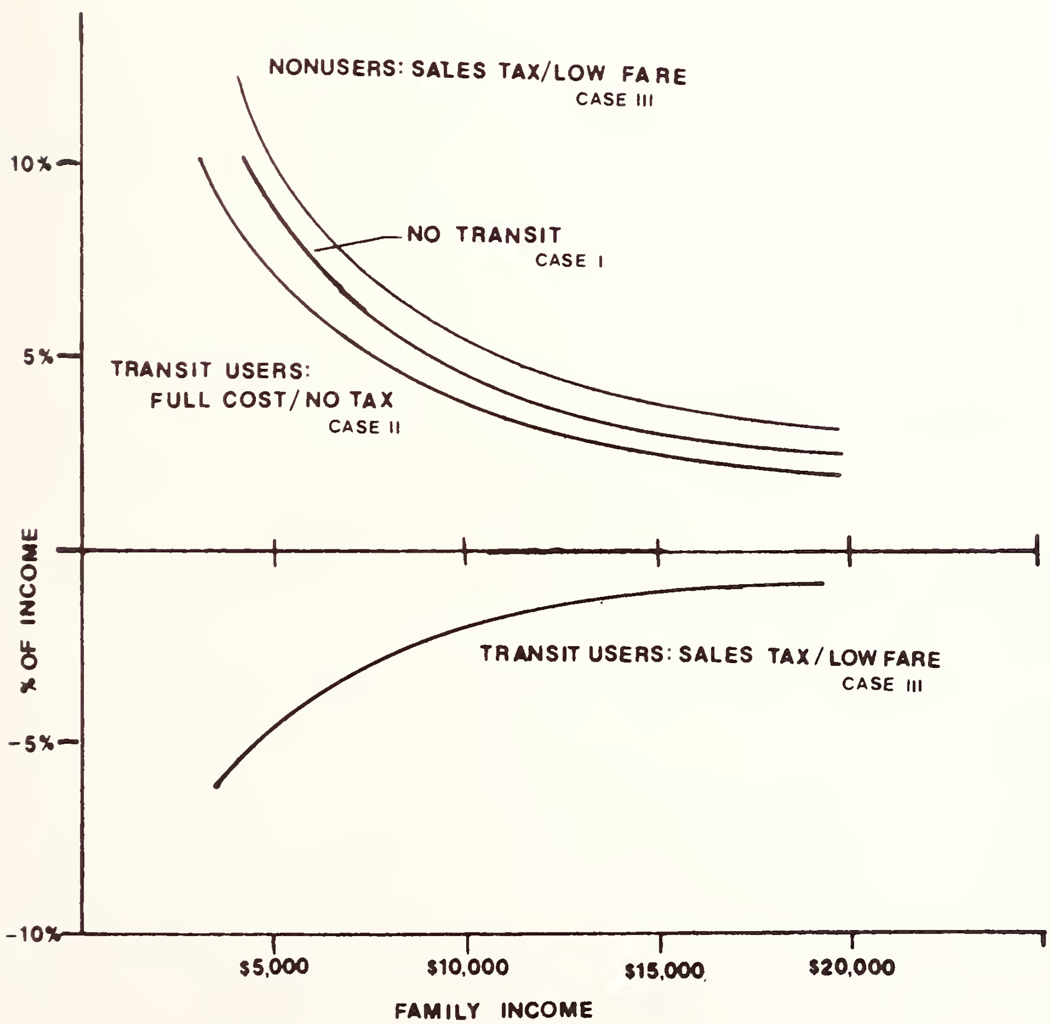
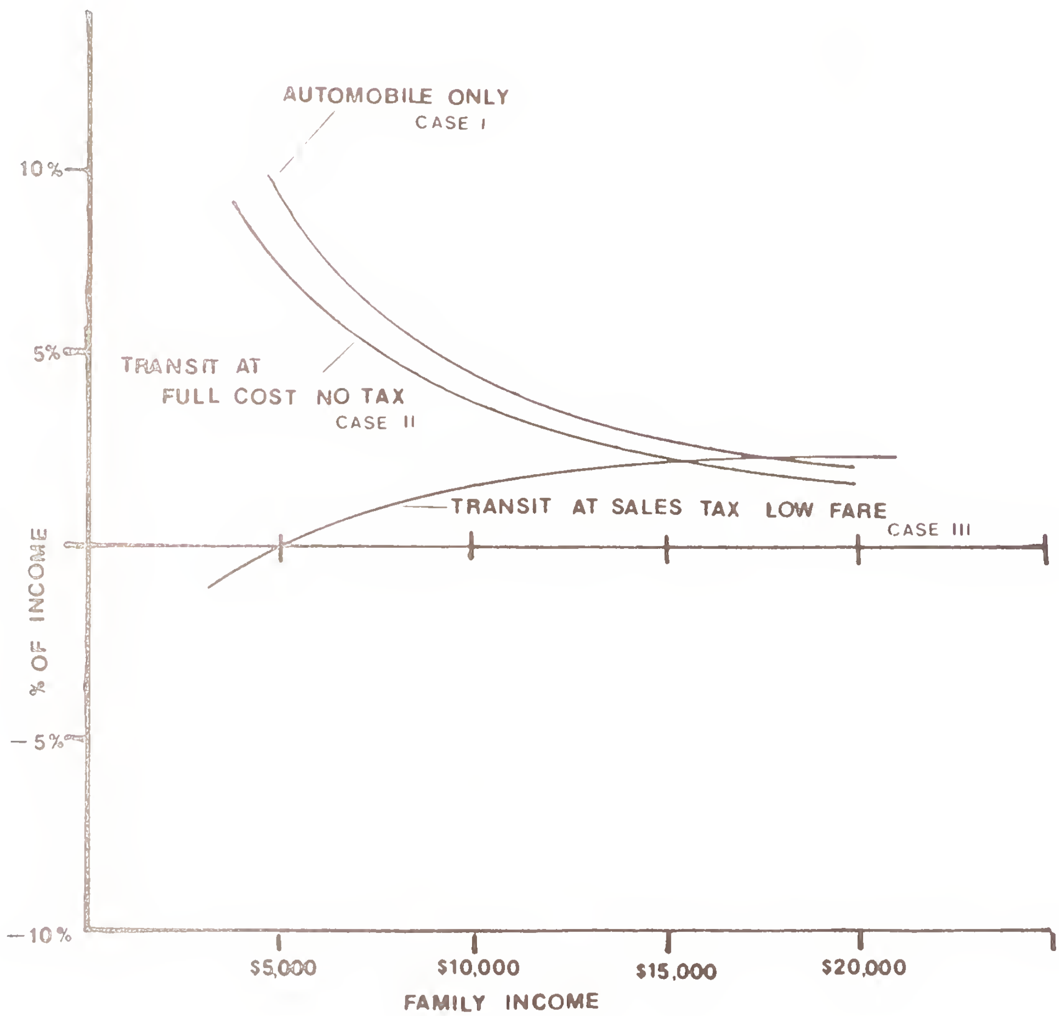


FIGURE 2
DISTRIBUTION OF COSTS
ALL HOUSEHOLDS



Appendix 1. STRATIFICATION OF RIDERSHIP VOLUME AND ESTIMATION OF NUMBER OF TRANSIT-USER FAMILIES, BY INCOME GROUP.

To assess the share of sales tax paid by persons in various income groups and to estimate the benefits received, we stratify the total number of revenue trips by income group and estimate the number of transit-user families in each income group. This can be done using data from the 1972 ridership survey. Table IA shows the number of weekly trips made by persons in each of four income groups, as determined from that survey.

TABLE IA

WEEKLY PERSON TRIPS BY TRANSIT BY FOUR INCOME GROUPS

	WEEKDAY	SATURDAY	SUNDAY	7-DAY WEEK	PERCENTAGE OF TOTAL TRIPS
Less than $5,000	67,361	40,868	16,452	394,125	36.5%
$ 5,000 - $ 9,999	74,007	37,884	13,652	421,571	39.0
$10,000 - $19,999	40,047	13,731	3,881	217,847	20.2
$20,000 and Higher	8,552	3,227	894	46,881	4.3
All Income Groups	189,967	95,710	34,879	1,080,424	100.0

Source: MARTA Fare Reduction Research Study, On-Board Survey Phase

The percentage distribution of weekly trips is derived, and in Table IIA those percentages are applied to the total ridership for the five-year period to derive passenger estimates for each income group. In further computation and tabulation, the two higher income groups are added into a single group to conform to group definition utilized by the U.S. Bureau of the Census.

The 1970 Census reported a total of 257,872 families and unrelated individuals within Fulton and DeKalb Counties who are arrayed, by income groups, in Table IIIA.

Utilizing these totals and estimates of per family sales tax payments, actual tax payments for families in each income group can be derived, as shown in Table IVA. There the estimated annual tax per family is applied to the total number of families in each income group to obtain an initial estimate of total sales tax per year. This total of sales taxes applied to operations is allocated to each income group in the same proportions found in the initial estimates,

TABLE IIA

ESTIMATED PERSON TRIPS BY TRANSIT
FOR FOUR INCOME GROUPS
(July 1972 - June 1977)

INCOME GROUP	PERCENT OF TOTAL TRIPS	VOLUME OF TRIPS
Less than $5,000	36.5%	104,137,000
$ 5,000 - $ 9,999	39.0	111,270,000
$10,000 - $19,999	20.2	57,632,000
$20,000 and higher	4.3%	12,269,000

Source: MARTA Fare Reduction Research Study (On-Board Survey Phase, and Operating Reports).

TABLE IIIA

FULTON AND DEKALB COUNTY, GEORGIA
NUMBERS OF FAMILIES AND UNRELATED
INDIVIDUALS BY INCOME GROUP

INCOME LEVEL	NUMBER OF FAMILIES	PERCENT OF TOTAL FAMILIES
Less than $5,000	46,169	17.9%
$ 5,000 - $ 9,999	73,802	28.6
$10,000 and higher	137,901	53.5
Total	257,872	100.0%

Source: U.S. Census (1970), Table P-4.

TABLE IVA

DISTRIBUTION OF INCOME TAX BURDEN
(OPERATING EXPENSE PORTION BY INCOME GROUP)

	INCOME GROUP			
	Less than $5,000 (5,000)	$5,000-$9,999 (10,000)	$10,000 and Higher (17,500)	Total (13,116)
Number of families and unrelated individuals	$ 46,169	$ 73,802	$ 137,901	$ 257,872
Initial estimate* of annual sales tax per family	33	63	90	
Applied estimate of annual sales tax per family	1,523,577	4,649,526	12,411,090	18,584,193
Distribution of burden	8.2%	25.0%	66.8%	100.0%
Allocation of sales tax revenues applied to operating costs	9,145,296	27,882,000	74,500,704	111,528,000
Contribution to operating subsidy per family	198.08	377.79	540.25	432.49
per family/per year	$ 39.62	$ 75.56	$108.05	$ 86.50
Percent of annual family income	0.8%	0.8%	0.6%	0.7%

*Estimates from Eva C. Galambos, An Evaluation of Major Revenue Sources to Finance Rapid Transit in Atlanta (November, 1970), with figure for low income group representing a weighted average of Galambos' estimates for $2,000 and $4,000 annual income families.

which are 8.2 percent for families with income less than $5,000, 25.0 percent for families with income between $5,000 and $10,000, and 66.8 percent for families with income greater than $10,000. When these percentages are applied to the total sales tax allocation to operating costs, subsidy from each income group is obtained and by division the subsidy contribution per family and per year is obtained.

There have been changes in income group distribution since the 1970 burden estimates and the 1972 survey; there have also been changes in total families. To allow in part for these changes, "average" family income will be estimated at $5,000 for the low-income group, $10,000 for the middle-income group and $17,500 for the upper-income group. Retaining the 1970 estimate of family units, the areawide average family income is estimated at $13,116. It may easily be seen that contribution per family per year represents a smaller proportion of income as income increases. This verifies that the sales tax is regressive unless consideration is given to the compensating effect of the low fare.

To properly consider the effects of the low fare in compensating for the regressiveness of the sales tax, it will be necessary to derive a division of families in each income group into transit user and nonuser families. This is done in Table VA using data obtained in the home interview phase of the 1972 survey. In that study, phase surveys were conducted in 1,239 households. Assuming the same percentage distribution by income group as were found for on-board passengers, the number of transit user families is estimated as shown.

TABLE VA

ESTIMATING OF NUMBER OF TRANSIT USER FAMILIES, BY INCOME GROUP

Number of families and unrelated individuals	257,872
Number of home interview samples*	1,239
Expansion factor	208.13
Transit user household samples*	477
Estimated transit user households	93,034

INCOME GROUP	PERCENT OF TOTAL TRIPS	TRANSIT USER FAMILIES	PERCENT OF FAMILIES IN INCOME GROUP	PERCENT OF TOTAL FAMILIES
Less than $5,000	36.5%	33,957	73.5%	13.2%
$5,000 - $9,999	39.0	36,284	49.2	14.1
$10,000 and higher	24.5	22,793	16.5	8.8
Total	100.0%	93,034	36.1%	36.1%

*From MARTA Fare Reduction Research Study, In-Home Survey Phase.

CASE STUDY IV -

REORGANIZING THE GENERAL MANAGER'S OFFICE

Robert T. Golembiewski

Richard F. Perkins

REORGANIZING THE GENERAL MANAGER'S OFFICE

The old Shafter Cow experienced change directly. Just before 5:13 A.M., on April 18, 1906, the cow stood contentedly, no doubt thinking bovine thoughts. Just after 5:13 A.M., huge forces which she could not understand -- the great Frisco earthquake -- swallowed her, leaving only a bit of her tail showing above ground.[1]

This case study describes another kind of change, neither as catastrophic nor as dramatic as the change caused by the 1906 earthquake. But for the Board of Directors, the General Manager, and the staff of the Metropolitan Atlanta Rapid Transit Authority (MARTA), a basic reorganization in 1975 provoked the same kinds of phenomena the earthquake produced -- surprise, anxiety, fear, frustration and pain. Some even felt as if they were swallowed up by events over which they had very little control.

Past as Prologue

In very real senses, the 1975 reorganization came as a necessary evolutionary stage, a kind of organizational shifting from first gear. Created by the Georgia legislature to design, construct, and operate a mass transit system, only an embryonic organization existed when a new General Manager, Alan F. Kiepper, was appointed in March 1972. An organization structure, along classic lines, was designed by a management consulting firm, positions were filled; and MARTA began work on its two major programs -- a Short-Range Program and a Long-Range Program. The Short-Range Program called for the up-grading of the surface transportation system which MARTA had acquired in 1972. The Long-Range Program called for the designing, constructing and operating of a rapid rail transit system.

The two programs were worked simultaneously but, for many reasons, the Short-Range Program assumed initial priority. That priority was reflected in various ways, most prominent among them being the basic organization of MARTA sketched in Figure 1. That structure encouraged -- even required -- that GM Kiepper enforce this priority in a hands-on mode. Kiepper clearly was "the head" in the structure -- everything of any consequence flowed through his office in a highly-centralized mode. While Kiepper insisted on early and tight control, his longer-run desire involved developing a close-knit team of executives who would play increasingly active roles in determining Authority policy, a group of colleagues with Kiepper as primus inter pares. While asserting definite personal control over the evolving MARTA, then, Kiepper at the same time insistently sought to develop his Senior Staff -- all those in Figure 1 who reported to him, with the exception of the Federal Relations Coordinator and the Assistant Secretary to the Board of Directors -- into a group of policy advisors.

As the Short-Range Program neared completion in 1974, the priorities of MARTA began to change and the structure in Figure 1 began creating serious problems. The new priorities related to designing and especially building the rail system -- a more complex task requiring intricate schedules that required spritely response. The new priorities were poorly served by the existing organization. GM Kiepper felt that the organization was cumbersome, slow moving, lacked team work, and that the Long-Range Program was not advancing as it should. The Board shared his feelings, as did many of the Senior Staff.

Frustration, pain and pressure occurred in three sets of relationships prescribed by the structure. First, the Board increasingly came to the opinion that progress was not substantial enough, while Kiepper often saw their attempts to correct the situation as an invasion of his territory.

Second, Kiepper felt that he was not getting adequate information and support from his Senior Staff, and most Board members agreed with him. Flashpoints developed throughout the structure, and several personnel changes were made on the Senior Staff. Special concern focused around: Transit Systems Development, headed by Assistant General Manager Peyton Tabb; and Administrative Services, whose first AGM had been replaced by Morris Dillard.

The TSD situation was extremely complex, involving major pushes-and-pulls within MARTA as well as between TSD and MARTA's general engineering consultant -- Parsons-Brinckerhoff, Tudor, Bechtel, or PBTB. TSD sought to serve as a "strong" in-house staff to monitor PBTB, which provided the technical numbers

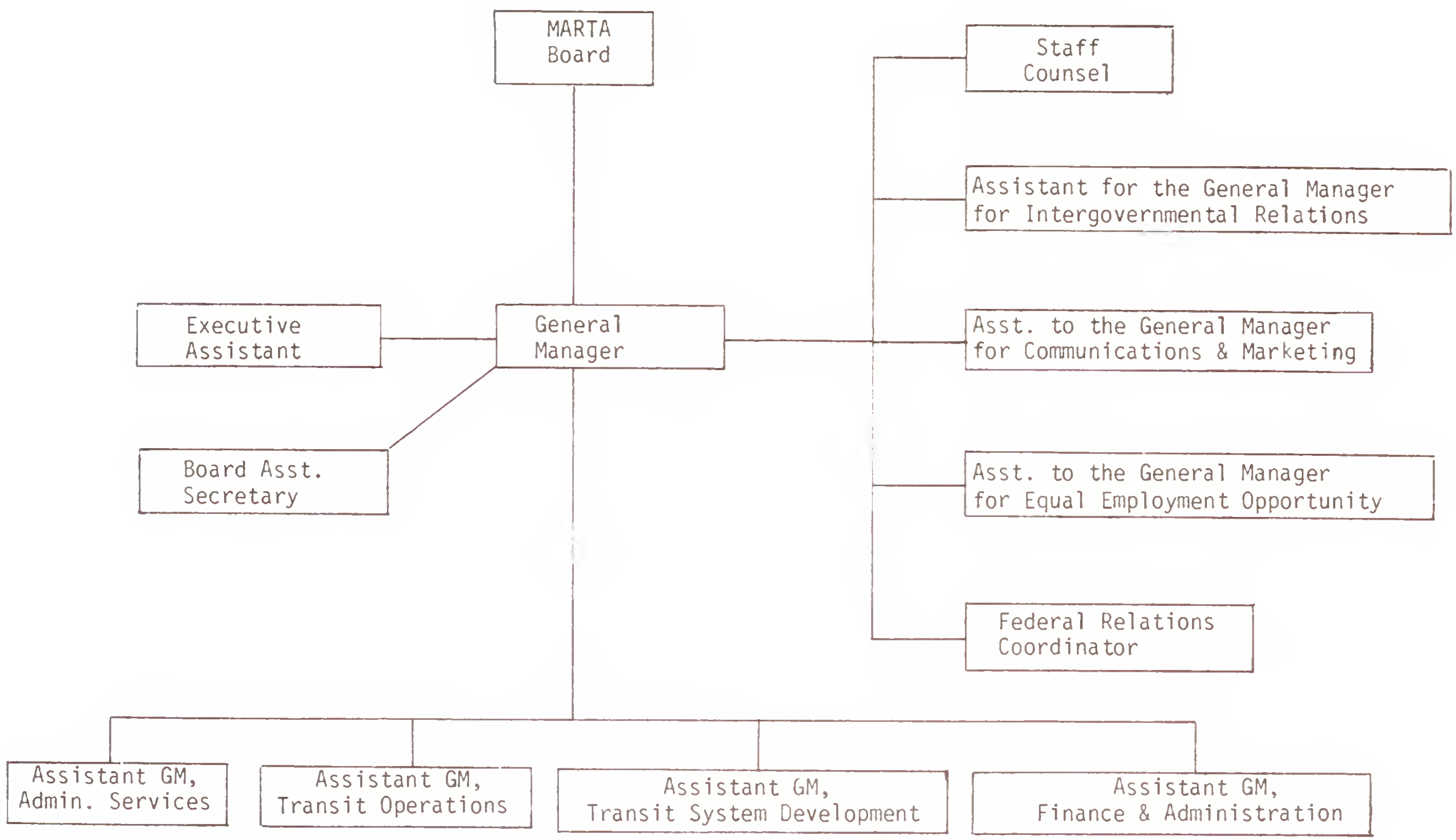


Figure 1. The Original MARTA Organization.

and muscle, and both TSD and PBTB sought to develop suitable organizational elbow-room with respect to the broad MARTA authority system. The state of relationships in 1975 satisfied none of the major actors.

The Administrative Services situation was more direct. The AGM for Administrative Services had not been recommended by MARTA's consultant, but was added by the Board to provide a senior "black" position. The thinking was that it would be difficult or impossible to recruit blacks for most other AGM positions -- which required senior construction/engineering experience for the TSD slot, major experience in bus and rail transit for Transit Operations, and so on -- at MARTA salary levels. It was believed that such hiring would be far easier for Administrative Services, with responsibilities which included personnel, general services, and other activities with an "internal" thrust. There had been two AGMs for Administrative Services, both blacks. The 1975 incumbent -- Morris Dillard -- had a strong track record at MARTA, first in the pre-Referendum organization working for the rapid transit system, then in MARTA's Community Relations office, and still later as Kiepper's executive assistant. But Dillard was not experienced in the Administrative Services role which he assumed in February 1974, and did not feel comfortable in that role nor satisfied with his performance, which facts he had discussed with GM Kiepper.

Third, strained relationships developed among Senior Staff members, with all being more or less involved from time to time. Especially tender spots did exist, however. Robert Nelson, the AGM for Finance and Administration, felt that his area of responsibility was not getting Kiepper's proper attention, and that the General Manager was focusing too much on Tabb and Dillard. Others felt that they could not get the services and supplies they needed from Dillard's department.

The Unfolding Constellation of Forces

The drama of the 1975 reorganization reflected the impact of a turbulent constellation of forces, roughly from November 1974 through February 1975. Those forces surrounded three sets of actors: the various personalities on the Board, GM Kiepper, and the Senior Staff.

The common features of those contending forces are clear. Perhaps basically, the major actors were committed to a major public works program, in fact, the program in the southeast; and they were variously concerned about its progress, with some even beginning to doubt that there would be a rail system. Disenchantment existed between some of these actors; struggles for power and dominance were being played out; tension and wariness often characterized their dealings with each other; lack of adequate information escalated their frustration; and they went to work, to meetings, made decisions, and talked in the halls with uneasiness about the future and their part in it.

These common features rest upon complex constellations of events and actions affecting the three sets of major actors. Attention turns to each of these actors, in turn.

The Board. 1975 marked the end of an era for the MARTA Board. The Board through early 1974 had been made up of leading Atlanta citizens -- figures of considerable wealth and influence, in the main; and that Board could count among its many blessings the active support of the business and commercial community as represented (for example) by the Atlanta Chamber of Commerce. The chairman of the Board in 1974 was Allen Hardin, a prominent Atlanta contractor.

The old order changed mercurially. By late 1974, several terms had expired, several resignations took place, and new appointments -- made by various political bodies at city and county levels -- came from a different strata of the Atlanta metropolitan community. They were younger and lower-tier prominent citizens. In particular, black representation on the Board was strengthened. In a palace revolution, moreover, a widely-known Atlanta labor leader, John Wright, was elected Chairman of the Board.

The new Board began developing its own special chemistry. Overall, the 1975 Board was less sure of itself, was more responsive to diverse constituencies with less of a regional view, had less local backing from the business and commercial communities, and was much more diverse in background, economic position, and experience in governing a complex public project. In addition, members generally had more time to give to their Board work than did their predecessors; and Board members certainly began to assert themselves openly in response to their constituencies. One specific point illustrates the cross-pressures. The "new" Board inherited the "old" Board's General Manager, and the prevailing talk in the streets had it that the Board was only a rubber stamp for Alan Kiepper, and did not exercise much influence over what took place. Board members sought to scotch the street-talk in various ways, as by organizing themselves into standing committees to work with the principal functions of the Authority -- operations, system development, finance, etc. Chairman Wright placed great emphasis on the work of the committees and named strong chairpersons.

But the transition between the old Board and the new went neither swiftly nor surely. Evidence of that point was overwhelming. To illustrate only:

-- Board members often felt frustrated and uneasy in making decisions. They could not agree on who should be the Bond Counsel, for example. The Board postponed, delayed, discussed, made a decision, then re-opened the subject and made a new decision. From the Board's point of view, decision-making often was complicated and difficult because information from the staff was not available, or was inadequate.

-- Board members saw the Senior Staff at odds with each other and often concluded that Kiepper was not on top of what was happening and could not get the staff sufficiently together on data or recommendations coming to the Board. The GM's wide span of control became a central target for Board members as they tried to find ways to get the information for the burgeoning range of decisions in which Board involvement was required by their newly-instituted system of active committees.

-- The Atlanta press, the Chamber of Commerce, and downtown business interests were cautious if not suspicious of the new Board, and some concern developed that the rail system might never be built. Newspapers reported gleefully on the happenings in MARTA, and emphasized several embarrassments that characterized late 1974 and early 1975. Blame was directed at both the Board as well as GM Kiepper.

Chairman John Wright puts the time in perspective. He remembers: "The Board was in transition and still very divided. We were divided about the competence and effectiveness of the General Manager; divided about our power and influence and about whether or not some of the Senior Staff as well as the General Manager ought to be fired." In the words of another Board member: "Differences about racial matters disrupted our work together and the black/white issues were far from being resolved." Moreover, Wright also explains that the situation got so serious that "MARTA was clearly in trouble and had to cope with public and political threats. We got concerned about our survival. The Governor thought that the MARTA Board had deteriorated and ought to be replaced by the people who put in the Disneyland monorail."

The General Manager. GM Kiepper was in trouble on two fronts. As he himself observed: "The atmosphere was tense. There was wariness between the Board, myself and the Senior Staff. I felt caught between the Board and the Staff."

Kiepper's issues with the Board were both specific and general. Although several Board members provided unwavering support, to note the key specific issue, a few Board members thought that the trouble was so serious that he ought to be removed. Others felt that the trouble was less serious, that all he needed to do was delegate more and to make stronger demands for getting the rail system moving. Pervading this very-practical issue, Kiepper was in-transition concerning the new Board. On the one hand, he had relished the freedom implicit in the broad oversight of the "old" Board, which often simplified his job and magnified his own direct influence. At the same time, the GM ideologically saw value in an active and participative Board, although he did not relish competitors for his power. Moreover, Kiepper realized that MARTA was in the midst of transitioning from an idea to a concrete building program that would impact on the full range of local institutions, traditions, and policies. The old Board was ideal for sustaining the MARTA concept and getting it accepted. But implementing that concept would profit from the kinds of skills and contacts represented on the new Board, even though its members gave no sign of being content with exercising control only via broad policy-making.

A basic problem for Kiepper, perhaps the problem, thus became one of distinguishing useful efforts by the Board to participate in and to own the program, from efforts to simply diminish the authority he needed to function effectively. Mistakes were easy to make, obviously, and especially under the threat of losing his job. And the costs of failure to make correct discriminations were great, especially in the sense that a well-intentioned effort to participate/own, if interpreted as an effort to wing-clip, would very likely encourage just such emasculating efforts. Similarly, the failure to recognize and respond to a wing-clipping effort also could be dangerous. Kiepper and his external consultant, Dr. Robert T. Golembiewski, spent much time seeking to distinguish the two kinds of thrusts, and in planning appropriate responses.

Kiepper's specific problem with his Board inhered -- the GM concluded, as a general matter -- in the inadequate performance of the Senior Staff, and that constituted his major concern. Kiepper felt they did not work together as a team for the overall good of MARTA. Oppositely, in fact, he saw them often supporting only their own departments, protecting their own territory. For example, it was not uncommon for one Senior Staffer to come to Kiepper with data "proving" that another Staffer was currying favor with certain Board members, was disloyal, or just incompetent. Kiepper especially needed information from his Staff about progress in designing and building the rail system, and he was not getting it. He said later: "I don't think they were trying to mislead or deceive me or the Board, but they thought they were protecting me and the Board from being the target of unfavorable criticism in the newspapers." Whatever the cause, Kiepper sought to stimulate the input he needed, as by weekly meetings with the principals from MARTA's Transit System Development and also from MARTA's general engineering consultants, PBTB. He dreaded those early meetings because he was so often just the referee between the two principals, his AGM and the PBTB executive.

Here Kiepper was torn. He had a major commitment to succeeding with his present Senior Staff, whom he had personally recruited in almost all cases. But performance problems were a fact of life, and the three months beginning with December 1974 were difficult ones for Kiepper. After much counselling, discussion, and evaluation, Kiepper gave poor performance ratings to three of his principal subordinates.

Kiepper came to another conclusion: both he and MARTA needed a third-party view of what was wrong and what needed to be done. Consultant Richard F. Perkins interviewed thirty of the Senior Staff and their immediate subordinates during January 1975. He put together a report that was presented to the GM, and then to the Senior Staff on the first Saturday in February. The report contained few surprises for the GM or the Senior Staff, but confirmed the impressions of most. In capsule, Perkins' report pointed out that:

- There is lack of cooperation, support and mutual understanding between members of the Senior Staff.
- Most meetings at the Senior Staff level are unproductive.
- The decision-making process is unclear, slow, and lacks decisiveness.
- The "turf" issue is preeminent in the working relationships of the Senior Staff.
- The consultant observed an inability or unwillingness to plan ahead and to keep to schedules, often rooted in insufficient respect for plans and schedules of others. GM Kiepper is a major contributor to this problem.
- Insufficient delegations of authority are made by the GM to the Senior Staff.
- The GM needs to pay more attention to, and give more time to his work with the Board, leaving far more details to the Senior Staff.

These symptoms were particularly distressing, given one awesome fact -- the workload in MARTA was escalating rapidly, and the end of the things that needed early doing was nowhere in sight. Left alone, then, things would get worse at an increasing rate.

The Senior Staff. The Senior Staff perceived serious trouble with both the General Manager and the Board, as well as between them. Some Senior Staff felt that their jobs were in jeopardy and that they might not be around much longer. Their performance review sessions and their weekly one-to-one meetings with the General Manager made them anxious about their future. The GM's difficulties added a volatile ingredient to Senior Staff concerns. Nearly half of the Senior Staff thought it would be good for them if the General Manager were fired; but a majority felt this action would be bad news for them. "We were scared to death we might get a new master," said one of the Senior Staff. Others were equally concerned that the old master would remain.

Issues of power and preeminence characterized the Senior Staff throughout late 1974 and early 1975. The most glaring power issues were expressed in terms of differential access to the General Manager. One Senior Staffer echoed the sentiments of most of his colleagues, if not all. "It was a time when there was a terrific amount of disenchantment with each other and with the General Manager," he notes. "The core problem had to do with accessibility. Some of us had to wait outside his office cooling our heels when we needed to see him, while others could go right in to see him and get what they wanted. We were angry at him and at each other. Talk in the halls focused on who was currently on top of the General Manager's totem pole."

The Senior Staff and the Board also had serious problems. The Senior Staff problem with Board members had to do with the question: "What can I say to which specific Board member, and what can't I say." When the Board created standing committees via which individual Senior Staffers had regular access to several Board members, things became a little easier. However, standing committees also created a vehicle by which Senior Staff members could curry favor and advance their own cause with members of the Board, or could be thought to be doing so. In the words of one Senior Staffer: "There was a lot of politicking going on between some Staff members and some Board members who were disenchanted with the General Manager -- and two Board members encouraged this in their attempt to develop their case against the General Manager."

Two fundamental points of agreement also existed between Senior Staff and the Board. Both were concerned about the lack of visible progress on the rail system. And both agreed with these words of one Senior Staffer: "The General Manager had too many people clamoring for his attention. Because he didn't delegate enough authority so that we could act without checking with him, work went slower and slower." Increasingly, Senior Staffers articulated a common remedy for what ailed them: "What we need around here is a Deputy General Manager." The genesis of this idea cannot be dated precisely, but a major and confidential recommendation to this effect had been made to GM Kiepper by one of the AGMs in a memo dated December 1, 1974. The AGM noted: "So that there should be no suspicion that my proposal is self-serving should you look favorably upon this specific recommendation, for your information I am not a candidate for the position."

Key Events Before the Showdown

GM Kiepper decided on a process for resolution of these obvious issues, a process which he had used at other critical times in MARTA's life. The process involved an off-site retreat or workshop, and was characterized ideally by high degrees of openness as well as of owning ideas and feelings by participants. The workshops shared much in common with "team development" activities, and drew practically and philosophically on that body of research and practice called Organization Development.[2] For example, three such events had been held earlier at the Center for Continuing Education at the University of Georgia in Athens. Details are provided in another title in the UMTA Case Study Project on MARTA Management, "Facilitating Transitions to the Several MARTAs."

Early in 1975, GM Kiepper began planning for the first workshop involving the new Board and the Senior Staff. The setting was to be at Callaway Gardens, Ga., a lovely spot; and the issues and stakes were awesome. In summary, these major developments and data had to be taken into quick and efficient account:

- There had been a change in the Board's leadership and membership.
- Board standing committees had been formed.
- MARTA was gearing up for the first phase of construction for the rapid rail system.
- The General Manager had been on the job for three years.
- The consultant Perkins' study confirmed all was not well.

GM Kiepper summarized the stakes involved, if matters were allowed to continue without forceful intervention. The momentum of the Authority could be jeopardized after a successful great-leap-forward in improving an existing bus system that was doing well. Moreover, relationships between himself, the Senior Staff, and the new Board could have been ruptured. And there was one other matter at stake: "_My_ job," Kiepper recalls.

So GM Kiepper carefully touched the proper bases. The General Manager consulted with John Wright, chairman of the MARTA Board, about the possibility of a Board/Staff retreat. Wright enthusiastically approved. And Kiepper announced to the Senior Staff that their ongoing discussion about a restructured MARTA and also about relationships with the new Board would have a broader forum. Senior Staffers reacted variously to the news that a retreat would be held March 2-4 at Callaway. "All aboard for Callaway," one wag on the Senior Staff was heard to say. The more general feelings were anxiety, mixed with relief that it was about time.

GM Kiepper took two other major preparatory steps before the Callaway session. He accepted a suggestion by one Senior Staff member -- Robert Nelson, the Assistant General Manager for Finance and Administration -- who offered to prepare for the General Manager a brief paper outlining structural changes to make the Authority more effective.

Nelson's reorganization introduced a Deputy General Manager, and arrayed the required functions as in Figure 2. Nelson deliberately left the organization boxes blank, but he did describe for GM Kiepper the impact of the change on existing staff. Nelson intended substantial changes in both rank and persons, the details of which have no special relevance here. He then described

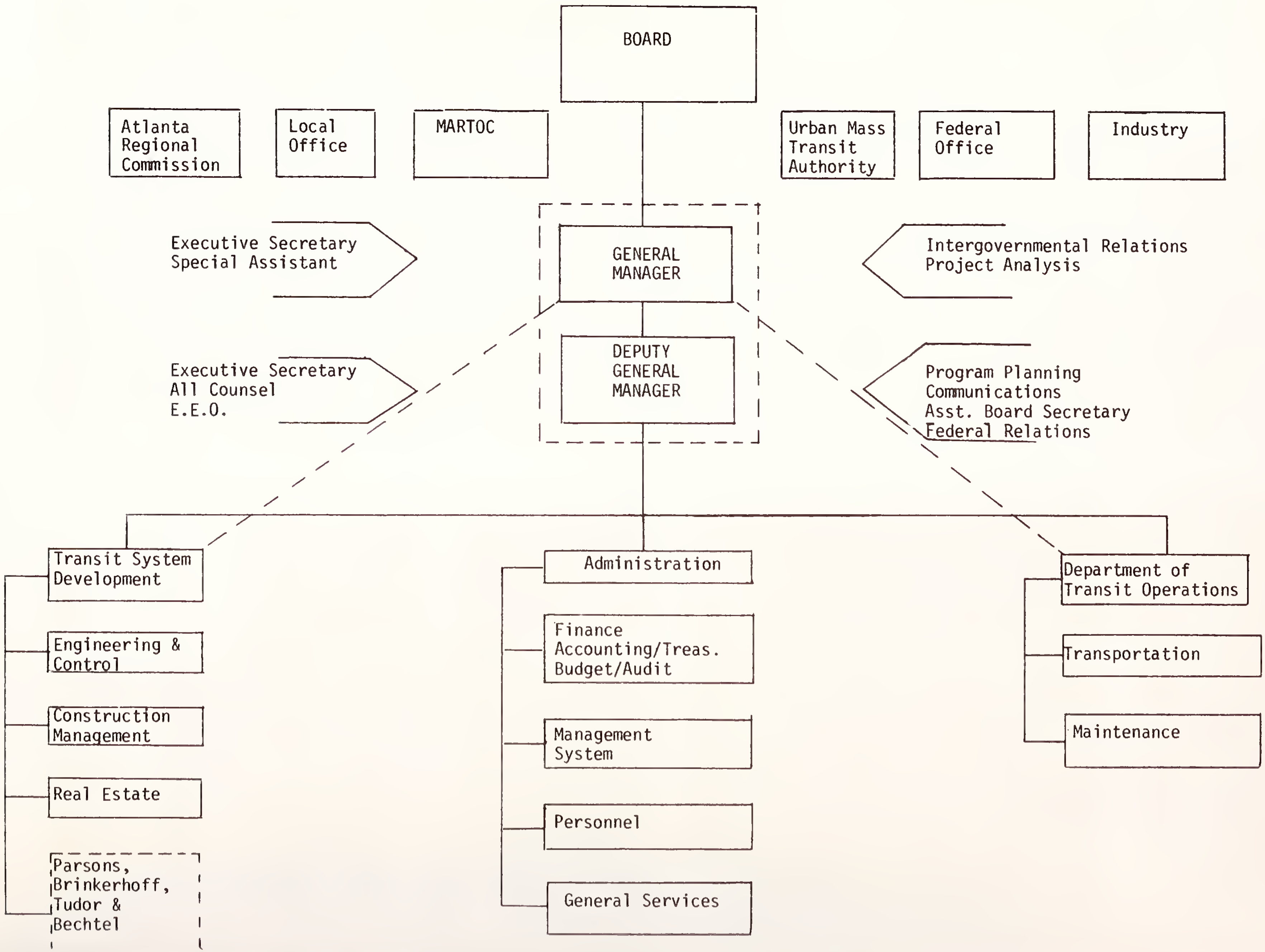


Figure 2. A Strong Deputy Model for MARTA.

several new systems that would be installed: management by objectives, and a unit for overall MARTA Program Planning and Reporting.

Along with the new organizational chart, Nelson raised some questions for Kiepper's consideration that would be relevant if Nelson were the deputy. Would Nelson have some time each day with the General Manager? Would he have full authority to direct the work of Transit Operations and Transit System Development? What would be the physical layout of the offices? Nelson also proposed some strong and early training in interpersonal relationships so that he would not have to "force feed" the staff.

The General Manager then asked Dr. Perkins, the consultant who conducted the management study, to write him a confidential paper suggesting several alternative organizational structures which would reduce his span of control, providing a rationale for each one. The consultant prepared such a paper with four options for realigning the top tier of the Authority. The consultant and the GM met on February 26th to review these four options, which would assist Kiepper in preparing a presentation he was planning to make at the opening of the Callaway Gardens' session.

Option 1: Minimal Structural Changes

A. Maintain the present organizational structure

B. Clearly delegate to Mr. Nelson day-to-day internal management; adding the program information and control function to him, with additional staff, if necessary. The basis for better information and control would be a Management by Objectives (MBO) system.

C. Install an effective Management by Objectives System

in which each Assistant General Manager sets: specific objectives, negotiated with the GM, including target dates; performance review agreements; and plans for corrective action.

Option 2: Defer any structural or personnel changes until after a six to eight months' experience with an MBO program focusing clearly on results, then making any structural changes in light of performance review.

Build the control and information system around MBO.

Option 3: Major Structural Change -- two Deputy General Managers, as sketched in Figure 3.

Option 4: GM Focuses on External Relations; Deputy for Internal Operations, as in Figure 4.

The rationale underlying Options 3 and 4, especially, sought to deal directly with the major Board and Senior Staff complaints -- reduced span of control and more delegation of authority, so as to free the General Manager to give greater attention to the Board, as well as to attend to the external relationships so critical to MARTA's success.

None of the options met with Kiepper's complete approval and acceptance. He indicated that the Deputy concept represented major problems for him. He would take the options, study them, and come to the Callaway session with a "broad brush" proposal of his own for a new structure -- a proposal which would provide clear guidance for both Board and Senior Staff, but which also would provide ample room for specific inputs from both.

With these preparatory steps as a backdrop, Kiepper asked consultants Golembiewski and Perkins to develop a general plan for the workshop, which evolved into two basic tracks. Thus some time would be spent by Board and Senior Staff alone, working on their internal issues. Senior Staffers would concentrate on the implications of Perkins' management study for their relationships and their structure of work. Considerable time and effort had already been devoted to both themes, of course. The Board was at a different place, and interviews were conducted by Dr. Golembiewski to provide data and agenda items for the Callaway discussion. The second design track sought to use the workshop as a vehicle for building a more effective Board/Staff team for accomplishing MARTA's mission, and especially by considering whether some new form of organization would improve MARTA's functioning.

What Happened at Callaway?

The first Board/Staff event was a social hour given by the Chairman of the Board on Sunday evening, March 2, followed by dinner. There was considerable nervous laughter, and a high degree of superficial cordiality, which carried over into the introductory work session. GM Kiepper sketched the

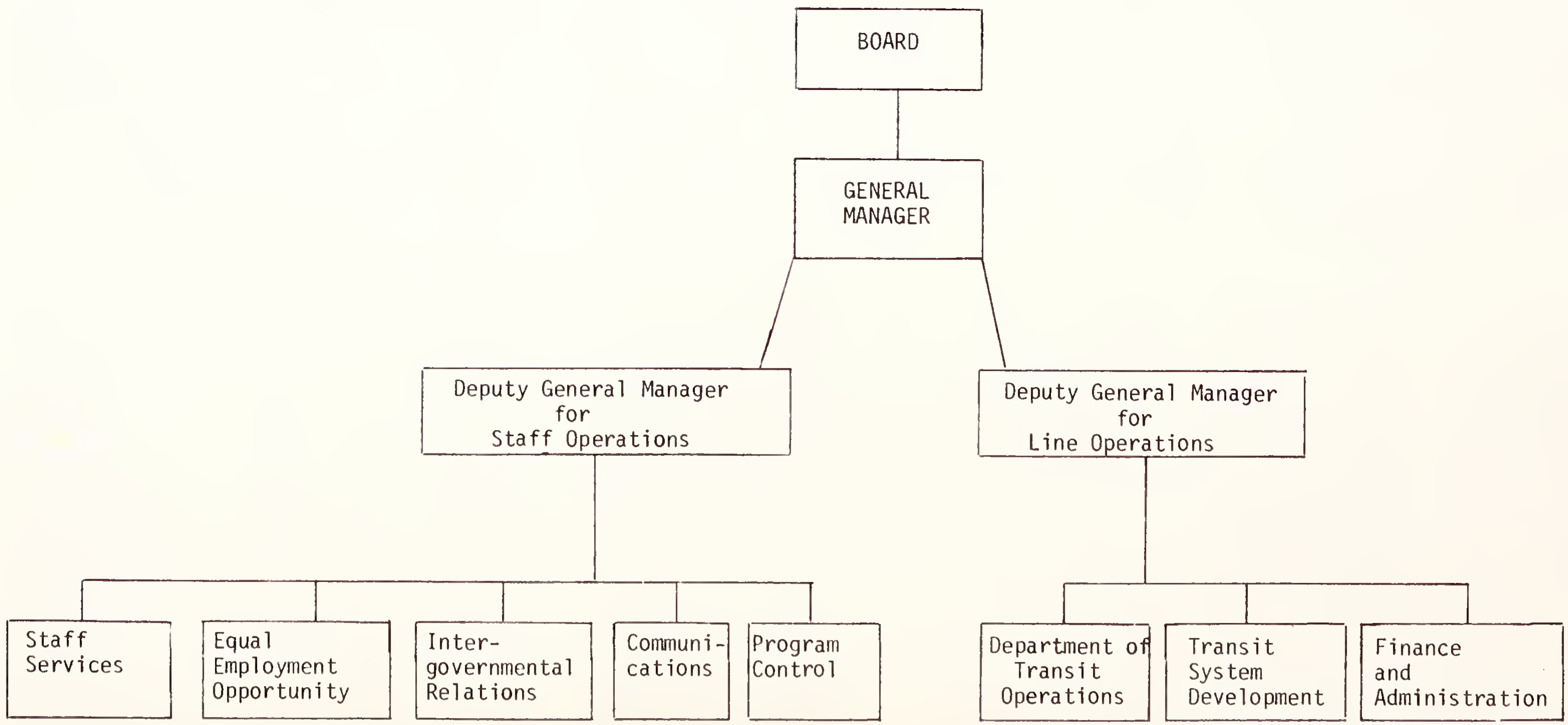


Figure 3. A Two Deputy Model for Reorganization.

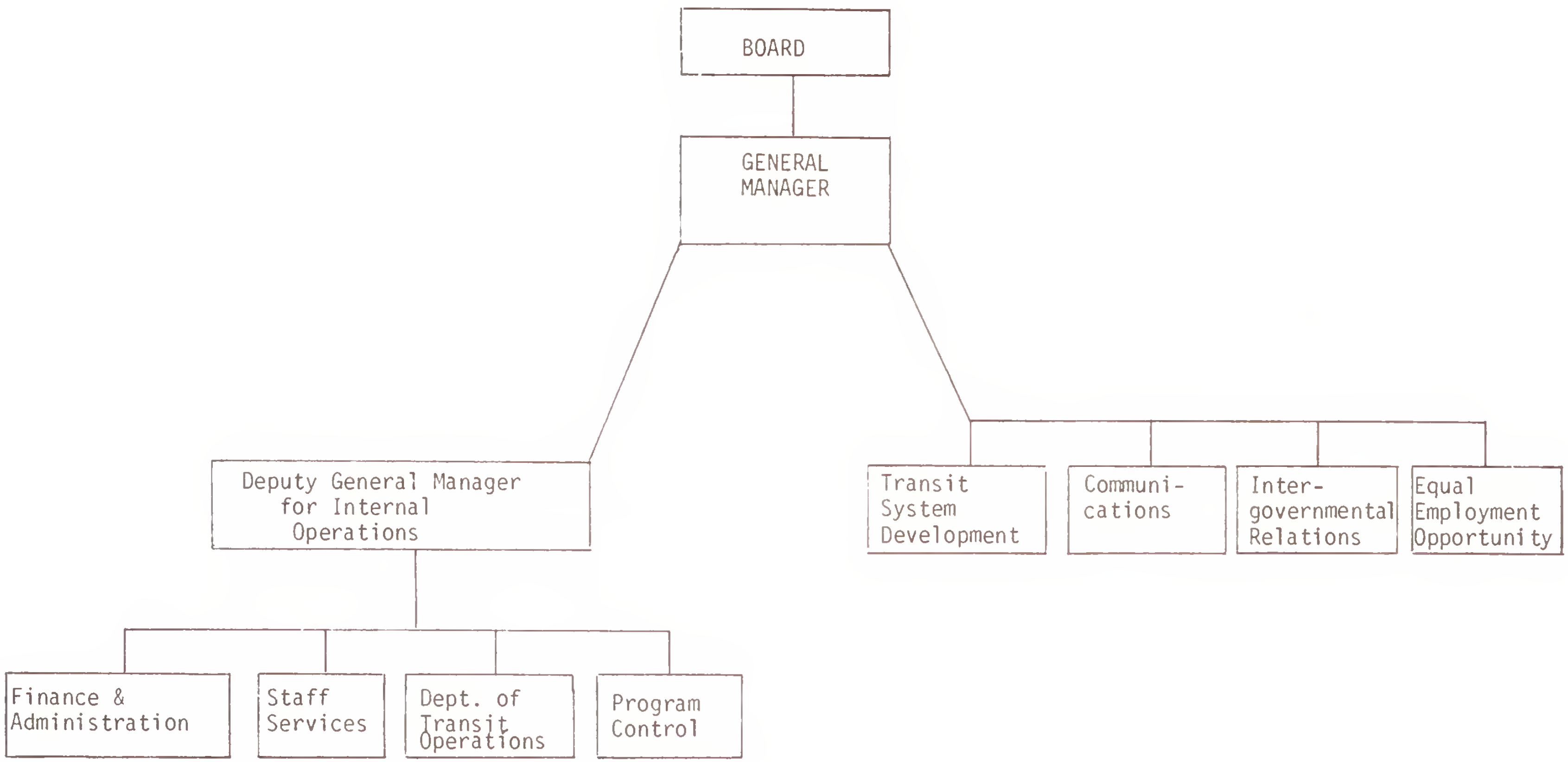


Figure 4. The GM as Chief Transit System Developer.

purpose of the workshop; Drs. Golembiewski and Perkins explained their two-track design, very briefly; and then the Board went to one room while the GM and Senior Staff went to another. With their respective consultants, each group agreed to work on these topics:

- o Mission
- o Role and function
- o Restraints in the present working relationships
- o Agreements for improved working relationships

What follows is a capsule recap of the various sessions, taken primarily from the consultants' report on the workshop, the General Manager's notes, and the memories of some Board and staff participants.

Sunday Evening and Monday Morning: Two Tracks of "Internal" Work. The Board and the Senior Staff with GM Kiepper met separately for this extended period of time. Generally, the two meetings had a similar purpose: to deal with concerns internal to the two groups; to dissipate or focus any free-floating anxiety; and to focus as specifically as possible on the key agenda items, many of which had a high and unavoidable potential for anxiety associated with them.

Four Shifts in Board Dynamics

A complete recapturing of events is neither possible nor necessary, but the flavor of the Board meeting can be sketched with essential accuracy. Board members met with their consultant who fed back to them the results of his interviews, in a mode that encouraged Board members to focus on their own interaction first, and then on their relationships with the GM and his Senior Staff.

The character of the Board's "internal" issues and how they were presented may be illustrated briefly. Consultant Golembiewski immediately presented the Board with the data they could only have guessed about before -- data concerning how they and their colleagues perceived the effectiveness of the Board. In his interviews, Golembiewski solicited three kinds of perceptual data:

- o how individual Board members each rated Board effectiveness
- o which 2 or 3 colleagues each Board member saw as giving the highest ratings to the Board's effectiveness
- o which 2 or 3 colleagues each Board member saw as giving the lowest ratings to the Board's effectiveness

All responses were coded numerically, and presented on a single visual. The interest was intense. Board members could only guess who (for example) #3 or #6 were. But they could get a very definite idea of the range of opinion about Board effectiveness; and they often could compare a member's rating of Board effectiveness with the perceptions of others as to the rating that member would give. "We got right down to it," one Board member noted. "It was obvious quickly that there was a lot we needed to know about each other to function effectively. Take #5. He was ranked highest on evaluating Board effectiveness by three of us; two of us saw him as lowest; and he put himself smack in the middle."

The introductory design sought to provide a model not only for looking at internal relations, but also for reviewing relations with GM Kiepper and the Senior Staff. The Board members shared a mutual concern that they needed to be more active and potent in overtly influencing MARTA actions, in forcefully showing they were "on top of things" and in generating a real sense of greater progress. They moved on to develop a list of "relational" concerns and problems, which focused particularly on scheduling a formal performance review for GM Kiepper before the entire Board, and on generating specific concerns that would be raised with Kiepper in that first common appraisal of his work. Concerns were discussed in detailed, and sometimes heated, terms. There were differences of opinion about what was wrong and what needed to be done. But no one doubted that a new tocsin was born, as Board members shared their concerns with one another, at length, and in several cases for the first time. That tocsin -- "Build the railroad" -- appealed to all, perhaps especially to the three new members of the Board.

This agreement was not gained uneventfully. Oppositely, in fact, the Board's meetings had a double-bind character, especially early. For example, Board members were concerned about acting decisively to enhance their credibility, but a serious division on the Board existed about the GM. Oversimply, three clusters of Board members were clear going into Callaway: roughly a third were solid supporters of the GM; a smaller cluster led by Fred Meyer were vigorous opponents; and there was a large "swing" cluster composed largely of the new Board members and the new leadership.

Race also added a volatile element to Callaway. Black influence on the Board had sharply increased recently, overall. Two new blacks representing Atlanta recently were added to the Board, and Drs. Joseph Lowery and Johnnie Clark promised to be activist members. Lowery's credentials for activism reached back to early civil rights days, in fact. A third black Board member -- Lyndon Wade -- had been one of the major architects of the recently-successful change in Board leadership. This changing racial composition of the Board required careful building of new relationships, and the process was slow overall, commonly eventful, and often clamorous. For example, a third new Board member -- Harold Sheats, representing one of the white and affluent metro counties -- was quoted in late October 1975 to the effect that he would be pleased "if blacks got up off their haunches and stopped begging for handouts." Those words and the attitudes associated with them encouraged a minor fire-storm in the local media -- with four black state legislators demanding Sheats's resignation -- and also drew considerable attention during the early Board meetings.

The Board dynamics were subtle, but their resolution was clear. To simplify, four major shifts occurred over time. First, the Board relished its new experience with the public sharing of information about the interviews, as well as discussion about Board relationships, GM Kiepper, and so on. The sessions started early, and went on long past the breaks as well as into normal recreation and sleeping time. "I didn't dare leave," one Board member said in unleashing a torrent of knowing laughter, "for fear they would start talking about me and I'd miss all my 'feedback'." The store of available information increased sharply, interpretations often shifted as new inputs were shared, and some "facts" previously generated among clusters of two or three Board members were radically altered on the basis of open discussion. "We were hot to trot," one Board member recalls. "There were no great revelations for me, but many of my suspicions were confirmed or laid to rest."

Second, Board members Sheats, Lowery, and Clark mutually grew to appreciate how much they shared the desire "to build the railroad," despite other differences, and all came to a growing appreciation of the personal characteristics behind the "white conservative" and "black activist" stereotypes they had of one another.

Third, the opposition to Kiepper led by Board member Fred Meyer tended to lose momentum. The emphasis in Board discussions had a diminished anti-Kiepper flavor over time, and increasingly sought positive steps toward building the railroad. Relatedly, new black Board members -- and especially Lowery -- openly noted they were not yet ready to take a position with respect to GM Kiepper. In addition, Meyer's strongest support typically came from Sheats, as well as two or three Board members who missed the Callaway meeting. Sheats was preoccupied with the theme of "building the railroad," and seemed satisfied with scheduling the session for Board review of Kiepper's performance.

Fourth, attention began to shift -- sometimes in halting ways, but nonetheless clearly -- toward ways of asserting the style of the new Board. The emphasis was on Kiepper/Board spheres of influence, which got expressed in several ways including the issue of where the GM was to sit at Board meetings. GM Kiepper sat next to the Board chairman, at the "head" of an oval seating arrangement, and participated actively and even dominantly with both the old Board and the new. The old Board preferred this highly-central role for him. Substantial new Board opinion would place Kiepper at a table, off to the side and clearly outside the Board's oval seating arrangement, where he would be on-call and less likely to be seen by the media and spectators as in control. The relocation of the GM was dropped after awhile, but the underlying issue remained. Quite often, the issue of Board prerogatives got reinforced by racial undertones, as in the case of the Board's secretary, a black. The old Board had been pleased to assign their secretary to Kiepper's direct supervision (see Figure 1). But the new Board questioned that arrangement and, moreover, felt that the secretary should not continue to have a lower salary than Kiepper's Executive Secretary. In addition, definite Board opinion called for additional help to be assigned directly to the Board secretary, who previously had called on the GM's office staff when overloads threatened.

Relevant to these four major shifts on the Board, consultant Golembiewski wrote in his notes: "The Board has definitely shifted. Be alert for efforts to challenge or reinforce the new balance." Evidence of both challenge and reinforcement soon appeared.

Senior Staffers Refine GM's Proposal

While these four major shifts in Board dynamics were occurring, GM Kiepper and the Senior Staff picked up where they had left their earlier discussions of the workshop aims and ambitions. After emphasizing some norms for their work together -- openness, honesty, staying on the subject, and so on -- the GM provided Senior Staff with a detailed set of guidelines and boundary conditions for the reorganization process. Kiepper began by expressing his concerns about MARTA; he sketched both general and specific goals for a restructuring to reduce those concerns; and he concluded by outling a method for restructuring MARTA. Exhibit 1 sketches Kiepper's presentation.

During Kiepper's prefatory comments, the Senior Staff kept silent. Kiepper's proposed method for moving toward a restructuring of MARTA got their especial attention, however. He proposed that the organizational model would evolve out of give-and-take discussion with Board and Senior Staff. The basic constraints were that a monitoring system for goals/schedules would be included, and that existing budgetary authorizations would have to fund any new organizational model. Consultant Perkins characterizes the meeting's tone in these words: "Some heads nodded in approval; and all body language indicated that Senior Staffers were tense, anxious, and waiting for the words which would describe whether or not they were going to gain or lose power in the new organization."

Following his introductory comments, Kiepper drew on a sheet of newsprint the first-cut of a proposed organizational chart for restructuring MARTA, which is reproduced in Figure 5. Kiepper reflected three key concepts in the new structure: creating a Deputy General Manager; developing a new organizational unit called Project Monitoring and Reporting; and aggregating a number of present offices that had an "external affairs" focus.

The three key notions reflected in Figure 5 are directed at pressing problems. Straightforwardly, for example, the DGM was intended to free Kiepper from some detail, and to permit more extensive delegation. But Figure 5 clearly stops well short of AGM Nelson's proposal in Figure 2 for shifting activities to the DGM. For example, Transit Operations -- MARTA's substantial bus services -- still report to the GM in Figure 5, while Figure 2 moves that large office under the DGM.

Relatedly, PM & R represented an attempt to correct the problem of communicating progress and problems about the development of the fail system -- Kiepper's problem and the Board's problem. The unit's specific responsibility would be to gather information on all the aspects of operation and compile periodic reports on progress against the agreed-upon milestones in MARTA's overall plan. The reports would inaicate what was on-schedule, highlight potential problems, and flag more serious problems that needed immediate attention.

Finally, the aggregation of an "external affairs" unit -- composed of Intergovernmental Relations, Community Relations, as well as Communications and Marketing -- would accomplish several major purposes. Directly, GM Kiepper's span of control would be reduced, since two of those offices presently reported to him. Moreover, the aggregation would provide a position taking better advantage of AGM Morris Dillard's experience and strengths than his present internally-oriented assignment, Administrative Services.

GM Kiepper did not have to repeat his notice that Figure 5 was a first-cut and subject to revision. The Senior Staff went to work on the proposal, energetically and purposefully. Some of those major purposes, at least, were mutually exclusive. As one AGM recalls: "My goal was the same as everybody else's goal -- to keep what I have -- power, authority, prominence, access to the General Manager and recognition -- and to get more."

What emerged from the intense interaction between the GM and the Senior Staff had a cousinly resemblance to Kiepper's first-cut proposal, as Figure 6 shows; and the structure was in no sense final. The structure was accepted by some, more or less as it stood: but most Senior Staff had problems with it, of one degree of seriousness or another. For example, Peyton Tabb -- the AGM for Transit System Development -- saw the Program Monitoring and Reporting unit as at least usurping a function that had been lodged in his department, and perhaps even as a direct criticism of what he had been doing. And the AGM for Communications and Marketing was angry -- indeed he felt betrayed -- since he had been hired with the specific understanding that he would report directly to the GM. The same point applied to Tabb, as well as to others. But it was less salient for them, although still not an issue that could be dismissed. Other Senior Staffers also were anxious as well about what the new Program Monitoring and Reporting unit would mean. They asked: "Will that unit be monitoring and reporting on <u>my</u> performance as well as that of Transit System Development?" Possible changes in title and salary made some even more fearful. "Am I still going to be an Assistant General Manager, or an Assistant to the General Manager, if I no longer report directly to him?" This typified the questions being asked as the Senior Staff broke for lunch. No one could answer that question. Nor could anyone answer the key question: which personnel would occupy what positions in the new organizations?

Paramountly, however, both critics and supporters of the Figure 6 structure had serious concerns beyond possible loss of prestige, power and access. Specifically,

EXHIBIT 1.

GM KIEPPER'S ORIENTATION RE REORGANIZATION

1. Concerns

(1) With advent of rail construction MARTA has entered a new phase of development.

(2) Need for reevaluation of organization in light of new requirements

- Greater External Focus
  Future determined by outside forces

- More flexible organization that can evolve and adapt to changing needs

(3) Need to:

(a) Clearly establish goals and schedules

(b) Monitor progress against goals & schedules

These need to be done for entire organization. Absence /of goals and schedules/ has encouraged involvement of General Manager and Board in excessive problems

2. General Goals for Restructuring

(1) Strengthen effectiveness and coordination

(2) Focus for me on the external relations

(3) Free General Manager from internal administrative responsibilities

(4) Improve coordination of external units

3. Specific Goals of Restructuring

(1) Free General Manager for greater attention to the MARTA Board and -- with their help -- for greater attention to these external publics;

- UMTA & other Federal agencies
- /Georgia/ General Assembly
- Local Governments
- Atlanta Regional Commission
- Community groups/press
- PBTB /MARTA's general engineering cousultants/
- Transit Industry

MARTA's future destiny depends on quality of decisions

(2) Improve Decision Making process

Focus on goals and schedules and monitoring thereof

Exhibit 1, concluded

(3) More effective use of key personnel

4. Proposed organizational model

(1) Will evolve out of discussions

(2) Restructuring will be accompanied by joint Board/staff development of goals and schedules for monitoring system

(3) Can be accomplished within existing budget

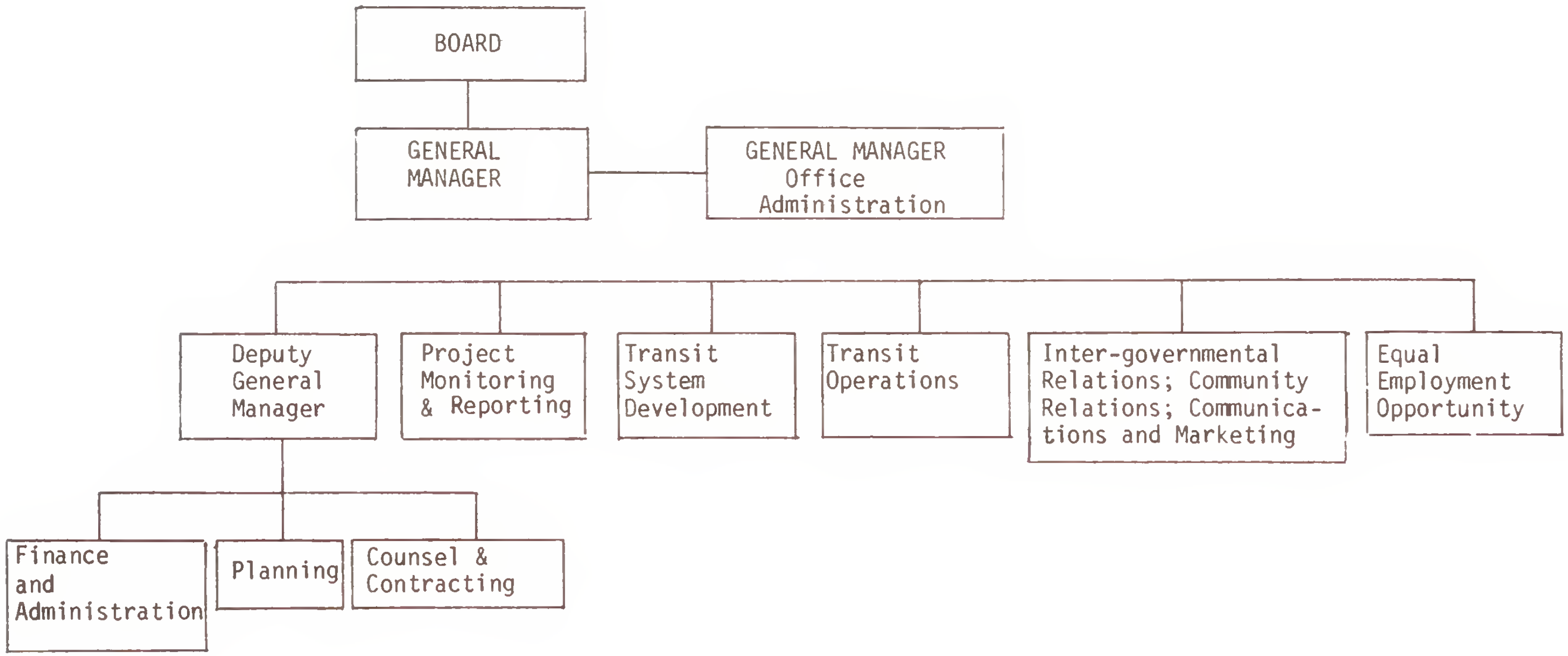


Figure 5. The General Manager's First-Cut at A Restructuring.

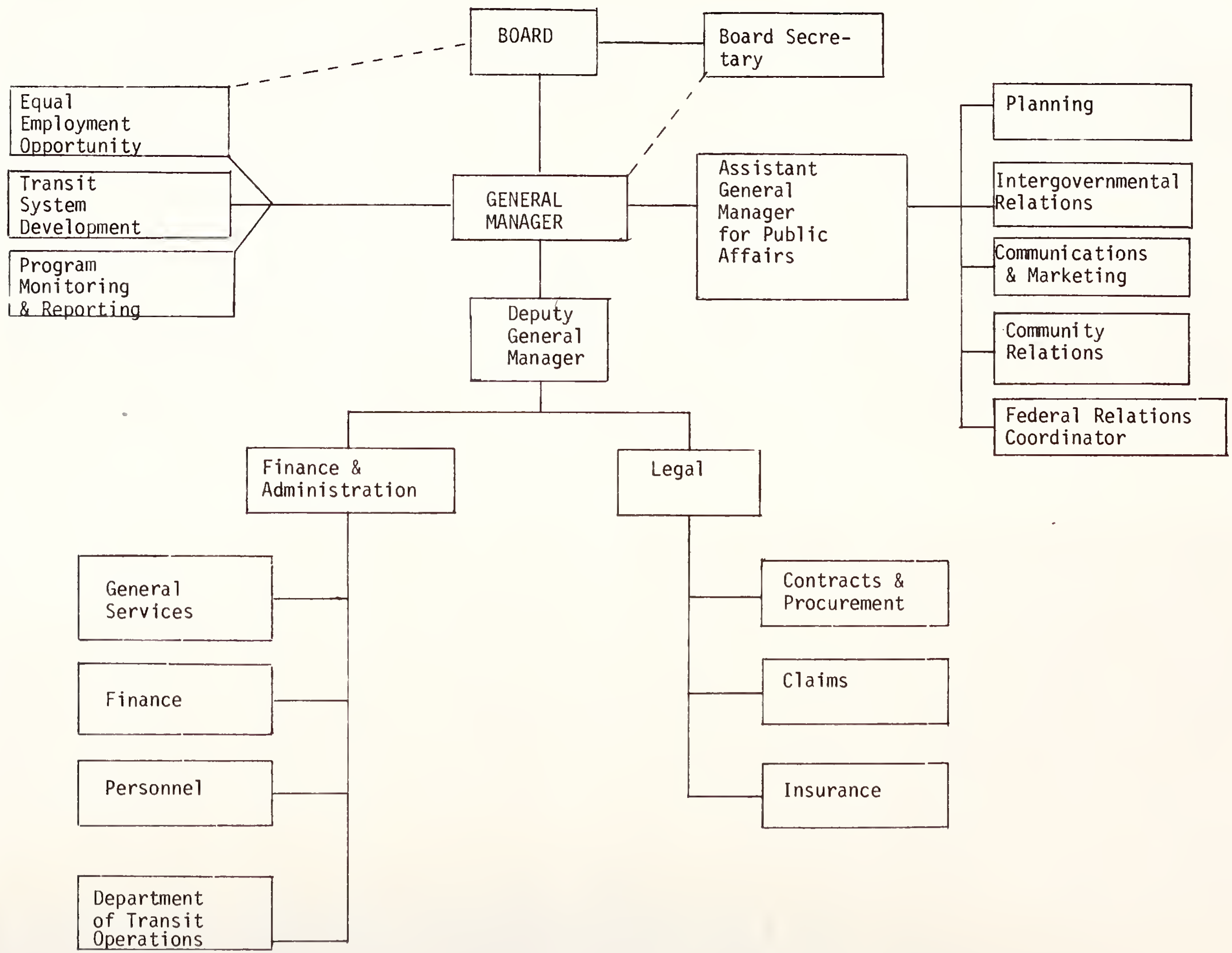


Figure 6. An In-Process Restructuring of MARTA Top Levels.

all Senior Staffers felt anxious about what the Board was discussing and how they would respond to the proposed organizational structure.

Monday Afternoon: Testing "Relational" Aspects of the Two Tracks. The lunch break provided an opportunity for consultants to compare notes. The timing was just right for "bringing the two tracks together," as it were. The Board had made a number of decisions, and specified a number of goals for actions that required early decisions. And the restructuring discussed by the Senior Staff was responsive to many of these decisions and goals. Considerable progress had been made by both groups, and neither set of products was yet cast in concrete. GM Kiepper and the two consultants agreed it was time to bring the two groups into direct contact for some mutual testing.

The Board met with the staff on Monday afternoon to review the proposed reorganization of the Authority. Consultant Perkins explained the proposed changes, and the General Manager and several staff members spoke in support of the proposal. Some Senior Staff were noticeably silent during the discussion.

Board members responded significantly in two ways. The import of the first effort escaped some, although it certainly pleased several attendees. Immediately after Kiepper spoke, Board member Sheats spoke to this effect: "Whatever the new organization, we've got to take good care of Morris Dillard. He's done great work." Consultant Golembiewski made a note for himself: "A major reinforcement of the shift observed in Board discussions. Will others see it?" Most heard the message and got the point.

No one missed the meaning of a second Board reaction to the proposal. The proposed structure well-suited many Board concerns, but not all. In response to the proposed organization, the Board developed six major variations on two themes: a more active Board role; and more visible progress in moving beyond the real advances of having developed a first-rate network of bus transit. Specifically:

- o The General Manager should spend two-thirds of his time on "building the railroad."
- o The following three individuals and their staff should report directly to the Board:
  - Assistant Secretary to the Board
  - Assistant to the General Manager for EEO
  - Program Monitoring and Reporting
- o Contracts and Procurements should be a separate unit and upgraded.
- o Staff Counsel should have an expanded role to reduce "outside" legal costs.
- o Structural change was not enough. In addition, MARTA needed an organization-wide system for setting goals, objectives, and schedules, beginning with the Board.
- o The Board was to be involved in some of the personnel appointments which would be made following the reorganization.

Basically, these variations spoke directly to the issue of enhanced Board prerogatives, sometimes reinforced by racial undertones. Board aspirations for new influence are clearest, for example, in seeking direct reporting relationships with three individuals/offices, in prescribing a goal-setting and scheduling system focused around the Board, as well as in the major Board role in the new appointments attendant to the reorganization. Racial undertones attached most directly to the Board Secretary, AGM for EEO, and the head of Contracts and Procurement, incumbents in all of which offices were black.

The processes of proposal generating counter-proposal did not go smoothly, especially with the many issues which only detailed consideration of the in-process structure could even hope to resolve. Anger was displayed; strong words and some inflamatory statements were made; and some Senior Staffers felt punished by the statements made by some Board members. The black members of the Board were exercising more power and influence than they had before.

Nevertheless, as the Monday afternoon session came to an end, semblances of agreement began to emerge. The General Manager accepted most of the Board's demands. The Board compromised on their original demands that the Board's Assistant Secretary, the Assistant General Manager for EEO, and the new head of the Program Monitoring and Reporting Unit report directly and only to them. The compromise allowed direct and simultaneous reporting to the Board and the General Manager. In the negotiations out of which the compromise hatched, the General Manager indicated his eager willingness to spend two-thirds of his time on building the railroad. The Board also would be involved in the development of the concept for the new Program Monitoring and Reporting unit, as well as in staffing it. Adjustments would be made in the compensation of the Board's secretary, as well as in providing additional help to that office.

Monday Evening and Tuesday Morning: Substantial but Incomplete Consensus-Building. Monday evening saw the two groups -- Board and Senior Staff -- meeting separately. The discussion was eventful in both locations, and the resolution was similar in each case.

In its meetings, the Senior Staff generally came to see substantial merit in the new structure, on growing balance. By noon Tuesday, the "winners" -- those who had gotten more power and influence -- clearly accepted the new structure. And acquiescence was growing even among the "losers," if only because they recognized they were fighting a losing battle. The AGM for Communications and Marketing was the most vocal about the pain he felt. He said to the staff's consultant, "I'll send my resumé to you. See if you can find me another job. I won't work for Morris Dillard if he becomes the Assistant General Manager for Planning and Public Affairs. I came to MARTA to report to the GM."

Most Board members articulated a wait-and-see attitude in their discussion, but some advocated a more active posture. For most members, attractive commitments had been made that promised vigorous response to their concerns, but only time would tell. A minority was more adamant, and the subject of firing the General Manager was unsuccessfully broached. In Dr. Golembiewski's words: "It never came to a vote, but it was a clear intent on the part of some Board members."

The end-state at Callaway thus can be described as substantial but incomplete consensus-building, with major issues still open. As the workshop ended at noon on Tuesday, that is, few participants felt completely happy about the outcomes. For example, Morris Dillard came out of Callaway with an assignment far more to his liking and with a heightened organizational status, but he knew there were problems ahead. The Board members felt they had increased their power and had made clear their demands to the General Manager, but only time would tell whether this would help build the rail-line.

Senior Staffers saw paper changes -- boxes and names in new places on the chart. They were not sure that the paper changes would really become operational. The talk in the cars as they drove back to Atlanta dwelt on such questions:

- "Will the General Manager genuinely delegate administrative details to the Deputy General Manager -- to Bob Nelson?"
- "Will Kiepper and Nelson be able to work together, given their personalities and managerial styles?"
- "Did the Board really have more power, or were they just given the symbols of power?"
- "What will happen as the General Manager gets deeply involved with 'building the railroad'?"

The General Manager felt better about the results of the workshop than most others. He felt that there had been an acceleration in the involvement of the Board, a freeing up of the organization, and a much higher level of mutual support and sharing. He did have misgivings about whether or not the Deputy General Manager position would work. Going outside was not considered seriously, given the pressure of time and Kiepper's no-cost pledge. But the only reasonable and available internal candidate for DGM -- Robert Nelson, the Assistant General Manager for Finance and Administration -- was an avowed competitor for the General Manager's job. In addition each man was wary of the other, and neither was comfortable in a subordinate role.

The General Manager also hoped that the new structure would work, although he recognized some unresolved problems. The officials of units focusing on external affairs would have to thrash out their difficulties and learn to work together under the leadership of Morris Dillard. Then, too, he was uneasy about having Program Monitoring and Reporting directly responsible to the Board as well as to himself.

Apres Callaway

Three lines of development briskly followed the return to Atlanta. The General Manager at Callaway created a task force to implement the basic agreements developed there, to meet March 5-6. Subsequently, some conflictful aspects of the restructuring were addressed. Finally, Kiepper and AGM Nelson sought to define the DGM role to their mutual satisfaction.

Implementing the Basic Agreements. The task force for implementation was manned by the four AGMs and Dr. Perkins, the Senior Staff's consultant, and they moved quickly to legitimate the essential Callaway agreements, as well as to transform them into a reasonable sequence and schedule of events for transitioning toward the new structure. The task force also would prepare a resolution for GM Kiepper's approval that would go to the Board. Together, these men generated the Staff Paper on Organizational Restructuring, presented in Appendix 1. Among other points, the paper proposes to:

- o install the Deputy on March 10 following Board action, and inform the entire organization of the change
- o begin work on the PM&R unit
- o clarify by mid-April the organization responsible for the "external affairs" thrust
- o by mid-April complete the change-over of responsibilities from the Executive Assistant to the Deputy General Manager

On March 10, the Board accepted in principle the changes in structure, instructing the staff to implement them. The next day, GM Kiepper issued this memo:

TO: Senior Staff
Directors

FROM: Alan F. Kiepper
General Manager

<u>Realignment of Responsibilities</u>

For the past two months we have been reviewing our experience and analyzing the ability of our organization and staff to meet the challenges of the future. Dr. Richard Perkins assisted us in this effort and each Director and member of the Senior Staff provided valuable input.

Almost without exception the staff believed that the General Manager must somehow free himself to devote more of his time and effort to our Long-Range Program. In addition, there was a unanimous belief that our organization needs to be more flexible, responsive, and task-oriented.

Last week the Senior Staff met with our Board of Directors for two days to review our progress to date and to discuss ways by which we can increase our effectiveness. As a result of these discussions, we have Board concurrence and support in initiating the several significant organizational changes set forth below.

1. Morris J. Dillard has been named Assistant General Manager for Planning and Public Affairs and will be responsible for coordinating our external functions including Planning, Intergovernmental Relations, Community Relations, Urban Mass Transportation Coordination, and Communications and Marketing.

2. A Program Monitoring and Reporting Unit will be established assuming many of the functions presently delegated to the Division of Program Control. This group will report directly to the Board of Directors and the General Manager and will assist in setting organizational goals and objectives and in monitoring program progress. The staffing of this Unit will be determined within the next few days.

3. Robert W. Nelson has been named Deputy General Manager and will assume direct responsibility for the Department of Transit Operations, Legal Services, Contracts & Procurement, and all other supportive services, including the Divisions of Personnel and General Services. In addition, the Deputy General Manager will provide day-to-day administrative support to the General Manager and all other elements of the Authority.

These changes are effective today, March 11, 1975.

In addition to the structural changes set forth above, we are embarking on a comprehensive program with our Board of Directors which will involve the establishment of solid goals, objectives, and schedules.

We believe these changes, many of them proposed by you will not only free the General Manager from the many routine matters requiring his attention, but will produce a more flexible, responsive, and task-oriented organization. Their implementation and effectiveness will depend upon your continued support and enthusiasm.

As General Manager, I want to thank each of you for your openness and cooperation in the organizational review process.

Problem-Solving the Conflictful Details. Appendix 1 notes that some issues were still unresolved, as in section 2B (1.), and the principal irresolution involved the "external affairs" group. A staff-consultant task force had the responsibility for developing a finalized plan and organization chart. The basic roadblock? Two key Assistants to the General Manager -- one for Intergovernmental Affairs and the other for Communications and Marketing -- were hired by Kiepper with the understanding that they would report directly to him. The new structure called for them to report to an AGM for Planning and Public Affairs -- Morris Dillard. The two key AGMs resisted the change.

A consultant met with the external affairs executives to see if they could work out an acceptable form in which supervision of PPA could be handled. Three persons in the group had no problems in being directly responsible to AGM Dillard -- the Director of Planning, the Director of Community Relations, and the Federal Relations Coordinator. They had reported to Dillard in the past. Jim King in Intergovernmental Affairs and William Swinford in Communications and Marketing were adamant about directly reporting to the General Manager.

The Board and the General Manager wanted a final report from the external affairs executives by mid-April, but the issue was deadlocked. The results of some intense meetings: very heated discussion, very strong differences of opinion, and for several weeks, no resolution. GM Kiepper recalls: "I promised the two men they would report to me, no doubt about it. So their recollection of that point did not surprise me. What did surprise me was the intensity with which they insisted on the direct reporting relationship with me." From Dillard's point of view, the issues were more understandable. He preferred line control over King and Swinford, believing in the integrity of the "external affairs" grouping and arguing for corresponding authority. Not only a loss of personal influence was at stake, moreover. The Board had been concerned lately not only about its own prerogatives, but also had taken major steps to see to it that blacks in MARTA got their just due. Dillard was a black incumbent in a traditionally "black slot," which complicated the resolution of the clash of needs and preferences in this case.

GM Kiepper came to believe he had two basic choices when the matter was stripped to elementals, and both choices had unattractive features. Kiepper could order the two resisting Assistants to the GM to report to Dillard, and risk the probable departure of both men. Alternatively, Kiepper could charge AGM Dillard with the responsibility for coordinating the work of the sub-units in the Department of Planning and Public Affairs, while Kiepper reserved to himself the continuing direct supervision of Swinford and King. This approach had multiple possible costs, and also represented a continuing demand on the GM's time.

The latter recommendation went to the Board on April 14, 1975. See the details in Appendix 2, Organizational Restructuring Status Report of April 14. Basically, Kiepper's decision rested on the integrity of his word. "I had to keep my promise," he recalls, "although I realized the coordinating-only role could be troublesome for Dillard." He adds: "And of course I understood that my decision probably would not sit well with some Board members."

No one was completely happy with the resolution, including Kiepper; and active displeasure was not hard to find. Several Board members thought that Morris Dillard, as Assistant General Manager for Planning and Public Affairs, was being demeaned and weakened by not having direct control and supervision of the two AGMs. Moreover, one of those two assistants made it clear to consultants that he was not going to make a genuine commitment to even Dillard's coordinating role. Nevertheless, the Board affirmed the decision and the organization change was "completed." However, everyone recognized that some of the paper had a very shaky future.

Finalizing the DGM Role. While the "external affairs" issue hung fire to be resolved only by the GM's decision, the DGM's role and functions were agreed to by Nelson and Kiepper. On March 17 and again on April 7, GM Kiepper sent two important memoranda to DGM Nelson spelling out their agreements. The March 17 memo included this time-table:

> 1. For the next two to three weeks I suggest that you concentrate on the new units which have been assigned to you; namely, the Divisions of Personnel and General Services, and the restructuring of the newly established Division of Contracts and Procurement. While it is necessary that we defer temporarily a decision on the head of Finance and Administration, I do believe that by and large the former Finance and Administration Divisions have sufficient momentum and quality leadership to permit them to function with minimum supervision from you during this period....

2. A second important task, and one which you share with Robert Duvall, my Executive Assistant, is planning for the transition or transfer of administrative responsibilities from my office to yours. I have given Mr. Duvall specific instructions in considering those administrative responsibilities which should be retained in the Office of the General Manager and the staffing required to properly execute them. It will therefore be necessary for you and he to work very closely together to assure an orderly transition. I've asked him to give me a draft of such a plan by March 21.

3. The second phase of the transition to the new organization will involve the naming of a head for the Finance and Administration group and the actual transfer of administrative responsibilities. It is my hope that this can be accomplished within the next 30 days and I suggest that we work to this end.

The April 17th memo spells out the details of the DGM role, and deserves reprinting here:

Phase Two Implementation of the Recently Announced Organization Change

Effective Monday, April 7, 1975, implementation of the recently announced organization change will move into phase two. Further refinements in the implementation of the Deputy General Manager concept are included in phase two. Specifications and responsibilities are as follows:

A. Your office will be relocated to the office presently occupied by the Executive Assistant.

B. Full responsibility for and authority over all functions of the Division of Contracts and Procurement, the Division of Staff Counsel, the Department of Transit Operations, and the Department of Finance and Administration.

C. Responsibility for administrative activities of the department of Transit System Development, the Department of Planning and Public Affairs, the Division of Program Monitoring and Reporting, the Assistant Secretary to the Board, the Division of Equal Opportunity, and the General Manager's office staff, except the Executive Secretary 1. Administrative activities are defined as those not directly related to the prime mission of these organizations, e.g., personnel, budget execution, office space and supplies, and other supporting activities and services.

D. Log and screen all incoming mail and take action on all items falling within the above areas of assigned responsibility.

E. Provide administrative support for the Board of Directors, working closely with the Assistant Secretary to the Board.

F. Provide the administrative support for Staff Meetings, including the definition of action items and related follow-up.

G. Maintain the Assignment Monitoring System.

H. Provide the supervision for members of the General Manager's office staff, with the exception of the General Manager's Executive Secretary 1, Mrs. Spivey.

I. The General Manager's files will be maintained by the office staff, under the supervision of the Executive Secretary 1, Mrs. Spivey.

J. You will become Acting General Manager in the absence of the General Manager.

K. Correspondence to chief executives of local government agencies, ranking elected officials, chief executives of UMTA, Chairman of APTA and other persons of similar rank or prominence will be prepared for the signature of the General Manager. Other routine correspondence will be prepared for the signature of the Deputy General Manager or, preferably, delegated to the appropriate staff member.

L. Prepare by noon daily an information sheet for the General

Manager covering the previous 24-hour period. If necessary, a supplementary information sheet will be prepared at the end of the day. This information sheet will include items received or occurring during the period deemed to be of significance to the General Manager.

The orderly transfer of functions from the Executive Assistant to the Deputy General Manager is important to the continued smooth operation of this office. I expect you and Bob Duvall /the Executive Assistant/ to maintain close coordination during this period.

In accordance with our agreement, a 30-minute meeting will be scheduled on Monday, Wednesday, and Friday at 9:30 a.m. In addition, the one hour weekly status meeting on Wednesday afternoon will be continued. On the last Wednesday of each month the afternoon meeting will be expanded to a two hour meeting. The last hour of this meeting will be devoted to discussing the experiences of the previous month, for the purpose of improving our performance.

These new internal administrative responsibilities are broad in scope and will present many challenges in the months ahead. I look forward to a productive and rewarding association.

cc: Mrs. Juanita C. Spivey, Executive Secretary 1
Mr. Robert D. Duvall, Assistant General Manager for Finance & Administration

Three Perspectives on What Happened at Callaway

Figure 7 depicts the final structure of work consistent with the April 7th memo. In some important senses, that single exhibit encompasses all that happened at Callaway and its several aftermaths. Indeed, for the astute organization watcher, the signs are bold.

In other significant senses, no chart or paper can reasonably reflect what happened -- the depth of feelings involved in the events at Callaway and the subsequent activities that led to the Board's formal action on April 14, 1975. Powerful and volatile words were spoken. Pain was felt by some in the compromises and concessions that were made. Anxieties ran high. Nevertheless, some decisions were made that gave each set of actors some, if not all, of what they wanted.

Given the elusiveness of the task, some useful summary is possible about how the several major sets of actors viewed what happened.

From the Board's Point of View. The MARTA Board that went through the 1975 reorganization was a new one -- with several new members, a larger representation of blacks, and a new leadership. That experience was significant to Board members, perhaps critical in shaping what the Board would become. Specifically:

- The Board members had gained more direct control over the affairs of the Authority.
- The Board had developed a greater cohesiveness.
- Their basic priorities had been agreed to by the GM.
- The Board had reasonable expectations of getting better information.
- Board members had come to know Senior Staffers in direct ways.

These themes get significant counterpoint in the words of a Board member: "We took charge," he concluded. "For the first time, the Board as a group asserted itself. The GM's span of control had been reduced and a DGM had been put into place. The GM's position was strengthened, and we decided to give him a new chance." At the same time, the Board sought to avoid overcommitting itself to details of management and supervision. That would be undesirable in a management sense. Moreover, neither the Chairman nor the Board envisioned a full-time job, even given their desire to be active. The legislation enabling MARTA had a similar view of the Board role: it basically provided that members be compensated for up to 10 official meetings a month, at $50 per meeting.

From the GM's Point of View. GM Kiepper realized the risk at Callaway, but he had survived the showdown, and also strengthened his position with the Board. He now had the opportunity to rid himself of details and to concentrate on the new priority -- "to build the railroad." The Senior Staff had come somewhat closer together, in addition, and the GM had lost no real power as MARTA's Chief Executive Officer. Perhaps most significantly a massive reorganization with major potential for divisiveness -- between Board and GM, between GM and Senior Staff, and between Senior Staffers -- had been

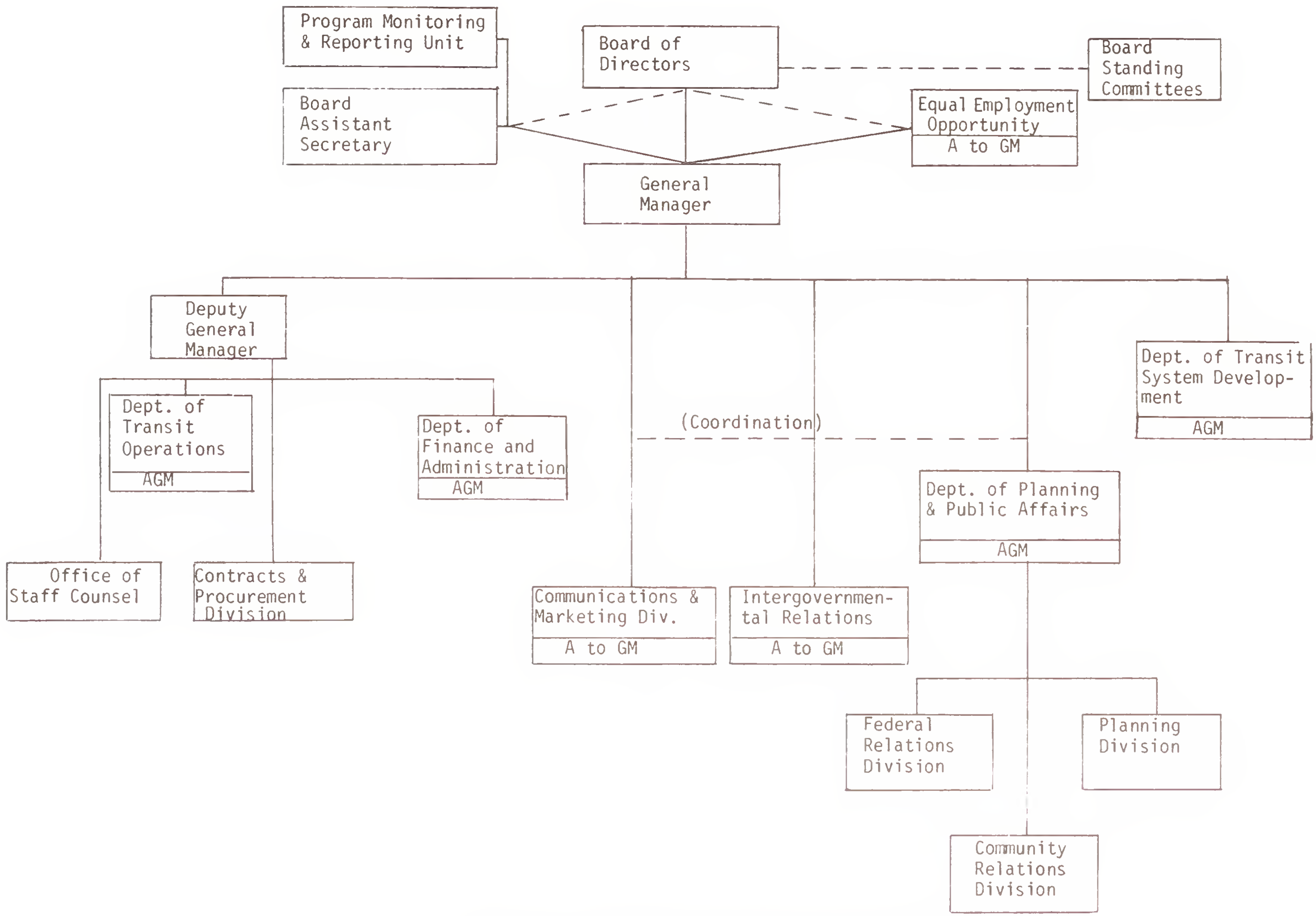


Figure 7. The 1975 Restructuring of MARTA Executives.

brought off, with a balance of support from all major sources. And events had moved toward the ideal of an active Board, without smothering management with excessive controls.

Significantly, also, both Board and Senior Staff experienced a lessening of the tension and wariness that had existed in the organization. The air was cleared between the parties, to a substantial degree. The stage was set for a new kind of drama, given the deeper understandings and friendships that had developed in the relatively free exchange of thoughts and feelings.

Overall, also, the underlying issue throughout the reorganization was the distribution of organizational power. The Callaway sessions were their most volatile and painful when individuals saw the gaining or losing of power as enhancing or diminishing them as persons. Some participants gained power, and some lost. So all interests were not somehow similarly served. The consequences -- for both Board and Senior Staff -- included public sharing of relevant information, and agreement by most about the general thrust of required changes. The concerns, or even fantasies, about what cliques or factions would or could do, generally, were overridden by group decisions within broadly-accepted senses of what had to be done.

Some equalizing of the distribution of power and authority between the Board and the GM also occurred. It was clear at the end that the Board would be better informed and more involved in the crucial MARTA decisions. Moreover, although the GM's job description gives him the authority to hire all personnel for the staff positions, he shared with the Board the power to influence his decisions about the selection of personnel for staff positions. That sharing is also reflected in the Board's agreement to the dual reporting relationships for the Board's Secretary, PM&R, and EEO staff.

So where does it all come out for GM Kiepper? Given the perspective of nearly two years, he concludes:

> The timing had been good. We came out with a fair amount of agreement on the major points in the organization. The Board was more interested in personnel than in the boxes on the chart. While the Board was interested in their own prerogatives, they found a way to have greater involvement. We all came out of the experience with a greater sense of urgency. In all, it was a very healthy exercise and a positive move.

<u>From the Senior Staff's Point of View.</u> The Senior Staff had undergone a set of traumatic changes which they knew were necessary, on balance, and which were made with a substantial involvement of all interests, and with quite explicit guidelines from the Board and their General Manager. Several individuals had real reason to be concerned about their jobs before Callaway, in addition, but all the changes were made with the same executive team. Overall, again, understanding and willingness to cooperate increased, even though some harsh words were spoken. Senior Staffers also saw the real possibility that with a Deputy General Manager decisions might get made in a more timely way. Their working relationships and understanding of individual Board members had been improved. And the survival of GM Kiepper promised that things would be more stable for awhile. Several quotations from several Senior Staffers convey the sense of these prevailing viewpoints:

- "The concessions made to the Board were peripheral to the basic issue. We all survived the Callaway encounter so our worst fears weren't realized."

- "The DGM concept is right in theory and if it works we and MARTA will function better."

- "When we returned from Callaway life got easier for some of us -- the GM <u>was</u> concentrating on building the railroad."

- "I knew other staff members better and that was a real plus for me. I felt easier about dealing with the Board and knew more clearly what their biases and priorities were."

Some Consequences in the Mid-Range Aftermath

Did MARTA live happily, forever and ever, after the reorganization? The reorganization contained some seeds of success, some of failure, and some whose consequences have yet to work themselves out. The 18 following months provide examples of all three kinds of outcomes:

- The AGM for Transit System Development resigned in June 1975 and the GM took control for some three months while a search for a successor took place, an assumption of responsibilities by the GM that was at least eased by the reorganization and the transition by the GM toward spending two-thirds of his time on the railroad.

- Board concern with its power vis-a-vis the GM continued to moderate as new issues came to the fore.

- The DGM concept worked only partially, and DGM Nelson resigned ten months after he took the job. The Executive Assistant position was reestablished.

- The GM delegated substantially more than before, and especially to the AGM for Transit System Development appointed in September 1975.

- The Planning and Public Affairs cluster never functioned as a cohesive department.

- The Board hired a contractor to detail the work of the PM&R unit and develop organization goals and schedules. In this consultation, PM&R survived in somewhat altered form.

- Planning and Public Affairs was later restructured (with new personnel) giving AGM Dillard direct supervision of the Communications function.

There were other resignations, modifications and improvements. And the end of the organizational changes, as MARTA's priorities continue to shift, is not in sight.

Appendix I.

Staff Paper

ORGANIZATIONAL RESTRUCTURING

. . .

1. Rationale for the Proposed Change

A. Background

The proposed change is the result of concerns which have been expressed by the Board and by the Staff of MARTA. The Staff concerns are to some extent a response to the results of the recent Management Survey. The following steps have already been taken in the development of this proposal.

(1) The General Manager has been considering a proposed change.

(2) A proposed change was presented to the Staff at the recent Board-Staff Workshop.

(3) The Staff participated in modifying and improving a proposed structured change.

(4) The proposed change was presented to the Board for their review and advice.

(5) The Board gave important suggestions and criteria that should be met in any restructuring of the organization.

(6) The Staff reviewed the Board's suggestions, modified their proposal and appointed a task force to refine the proposal. The Staff Paper represents the work done by the task force.

B. Board Concerns Which Influenced the Proposal

(1) The Board expressed a strong concern that the General Manager and the total organization should focus increased attention on the construction of the new rail rapid transit system.

(2) Further, the Board supported the Staff's concern that there should be greater coordination of activities that relate to community and governmental relations, particularly as they assist in expediting the construction of the rail transit system.

(3) The Board also expressed concern for a definite improvement in the program monitoring and reporting system and the direct transmittal of such information to them.

(4) The Board also stated a concern that a system of Goals, Objectives and Schedules should be developed and that this process should begin with the Board.

(5) The Board indicated that any proposed change in the organization should be done with the present budget restraints.

(6) Further, the Board expressed concern about

a. The personnel decisions in any proposed change.

b. The contracting and procurement function.

c. The direct relationship of the Assistant Secretary to the Board

d. The relationship between the Board and the EEO responsibility of the organization.

e. The cost of outside legal services.

C. Staff Concerns Which Influenced the Proposal

(1) The crucial need for the General Manager to focus increased attention on building the rail rapid transit system requiring the reduction of his span of control

(2) Increased attention by the General Manager on the groups and agencies which provide for policy, funding and community acceptance of MARTA's effort.

(3) The delegation of authority by the General Manager for administrative details.

(4) An improved program monitoring and reporting function.

(5) Improved utilization of the human resources in the organization.

(6) Improved organizational decision making at all levels.

2. General Proposal - Narrative

A. The proposal calls for the establishment of a Deputy General Manager who would be responsible to the General Manager for all routine activities for the administration and operation of the organization to provide for the General Manager's concentration on Transit Development Specifically, the Deputy General Manager will be responsible for:

(1) The management and administration of the following functions:

a. Transit Operations

b Finance and Administration

(2) The provision of back-up services for the Board Secretary.

(3) The appointment of Robert W. Nelson to the position immediately following Board action.

B. The proposal calls for the designation of an Assistant General Manager for Planning and Public Affairs Specifically, he will be responsible for coordinating the work of

Planning
Intergovernmental Relations
Communications and Marketing
Community Relations
UMTA Coordination

(1) The procedures for achieving improved coordination of these functions will be developed in consultation with this Assistant General Manager, the Assistant to the General Manager for Intergovernmental Relations, the Assistant to the General Manager for Communications and Marketing, the Directors of Planning and Community Relations, and the UMTA Coordinator.

(2) The appointment of Morris J. Dillard to the position immediately following Board action.

C. The proposal calls for the establishment of a new unit in the organization to perform for the Board and the management a Program Monitoring and Reporting function.

(1) This group and its functions will be developed by a Board-Staff task force. It may be selected from outside.

(2) The unit will provide reports directly to the Board and the General Manager.

(3) A realignment of present functions and personnel will provide the staff for this unit.

(4) This unit will assist the Board in an early installation of a total organizational Goal, Objective and Schedule System.

(5) A unit leader will be appointed as soon as possible, in consultation with the Board.

D. This proposal calls for the establishment of a separate unit responsible to the Deputy General Manager for contracts and procurement.

E. This proposal provides for the continuation of the reporting relationship between the Assistant to the General Manager for Equal Employment Opportunity, the General Manager, and the Board.

F. This proposal calls for input and a decision by the Board about the role and relationship between the Board and the Assistant Secretary.

G. The staffing of the proposed organizational change can be accomplished within the general guidelines of the present budget. Personnel presently at work in MARTA are currently seen in the new positions at or near their present pay scale.

H. The proposal calls for an expanded role for the Staff Counsel . . .

3. Proposed Implementation Schedule

March 10 -- Board action and designation of Board Personnel to work with Staff on formation of PMR group.

March 11 -- Appointment of Deputy General Manager

-- Appointment of Assistant General Manager for Planning and Public Affairs

-- Communication to MARTA Staff and other appropriate groups

-- Implementation of the revised organization

Appendix I, concluded

March 12-14	--	Appointment of an Acting Director of Program Monitoring and Reporting
March 15-30	--	Planning by a Board-Staff task force for an improved monitoring and reporting system
March-April	--	The establishment of general goals and objectives by the Board
March-May	--	The establishment of organizational, departmental and unit leader goals, objectives and schedules in support of the Board's Goals and Objectives

Appendix II.

STATUS REPORT

ORGANIZATIONAL RESTRUCTURING

April 14, 1975

Status of Recommendations

Each of the general proposals adopted at the March 10, 1975, Board Meeting are set forth below -- followed by a brief narrative report of related actions taken, matters not yet resolved or implemented, and present status.

2. General Proposal - Narrative

A. The proposal calls for the establishment of a Deputy General Manager who would be responsible to the General Manager for all routine activities for the administration and operation of the organization to provide for the General Manager's concentration on Transit Development. Specifically, the Deputy General Manager will be responsible for the management and administration of the following functions - Transit Operations, Finance and Administration to include - Finance, Management Systems, Personnel, General Services, Contracts and Procurement, Staff Counsel, MIM, and Claims.

(2) The provision of back-up services for the Board Secretary.

(3) The appointment of Robert W. Nelson to the position immediately following Board action.

As proposed, Robert W. Nelson was appointed Deputy General Manager on March 12, 1975, serving as both Assistant General Manager for Finance and Administration and Deputy General Manager until April 4, 1975. At that time Robert C. Duval was appointed Assistant General Manager for Finance and Administration and Mr. Nelson was able to begin full assumption of his new responsibilities. Several of the actions initially proposed to be accomplished in this restructuring have not yet been fully implemented, these include the following:

(a) Effective day-to-day administrative relationships and supervision of the Department of Transit Operations have not yet been initiated due primarily to the Authority's present involvement in the budget review process.

(b) The provision of additional back-up services for the Board Secretary has not yet been possible; however, it is anticipated that this matter will be dealt with as part of the FY 76 budget review process.

B. The proposal calls for the designation of an Assistant General Manager for Planning and Public Affairs. Specifically, he will be responsible for coordinating the work of Planning, Intergovernmental Relations, Communications and Marketing, Community Relations, and UMTA Coordination

(1) The procedures for achieving improved coordination of these functions will be developed in consultation with this Assistant General Manager, the Assistant to the General Manager for Intergovernmental Relations, the Assistant to the General Manager for Communications and Marketing, the Directors of Planning and Community Relations, and the UMTA Coordinator.

(2) The appointment of Morris J Dillard to the position immediately following Board action.

As proposed Morris J Dillard was appointed Assistant General Manager for Planning and Public Affairs on March 12, 1975. Mr Dillard was able to immediately assume his new responsibility with the transfer of the Division of Personnel and General Services to the Department of Finance and Administration Due to the fact that several of the key units of this Department had previously functioned under the sole direction of the General Manager, the development of procedures for achieving improved coordination within the Department has been difficult However, budgetary and reporting relationships have been established to the point that a formal organization chart was issued on 4/7/75.

(C) The proposal calls for the establishment of a new unit in the organization to perform for the Board and the management a Program Monitoring and Reporting function

(1) This group and its functions will be developed by a Board-Staff Task Force. It may be selected outside.

(2) The unit will provide reports directly to the Board and the General Manager.

(3) A realignment of present functions and personnel will provide the staff for this unit.

(4) This unit will assist the Board in an early installation of a total organizational Goal, Objective and Schedule System.

(5) A unit leader will be appointed as soon as possible, in consultation with the Board.

The establishment of this unit of necessity involves the coordination of many existing functions within the Department of Transit System Development. Unfortunately, during the past months the various staff elements involved have been involved in extensive review meetings with UMTA and PBTB and have thus been unable to give full consideration to the necessary realignment of responsibilities. Robert C. Duvall in addition to his new responsibility as Assistant General Manager for Finance and Administration, has been appointed Chairman of the Staff Task Force to work with the appointed Board representatives in developing a Work Program for the activation of the Program Monitoring and Reporting Unit. It is my understanding that the Chairman of the Board plans to appoint the Board representative to this Task Force in the near future. The plans for activating this unit will include the determination of staffing level, the development of position descriptions, the development of an organizational charter, the realignment of present functions, and the development of goals and objectives with a related management reporting system to insure adequate monitoring of progress against these defined goals.

D. This proposal calls for the establishment of a separate unit responsible to the Deputy General Manager for contracts and procurement.

While reorganization and staffing of the new Department of C&P is underway and new systems and procedures are being developed, it is not expected that the role of this unit will change significantly until certain key vacancies are filled.

E. This proposal provides for the continuation of the reporting relationship between the Assistant to the General Manager for Equal Employment Opportunity, the General Manager, and the Board.

The existing relationships between the Assistant to the General Manager for Equal Employment Opportunity, the General Manager, and the Board continue to be effective and no change is anticipated in this area.

F. This proposal calls for input and a decision by the Board about the role and relationship between the Board and the Assistant Secretary.

This relationship has not yet been resolved by the Board.

Appendix II, concluded.

G. The staffing of the proposed organizational change can be accomplished within the general guidelines of the present budget. Personnel presently at work in MARTA are currently seen in their new positions at or near their present pay scale.

To date all of the changes which have been implemented have been accomplished within the present budget.

H. The proposal calls for an expanded role for the Staff Counsel

Consolidation of legal services, operating claims, and MARTA Insurance Managers has been deferred pending further Board review of these functions.

NOTES

1. Donald Fabun, et al., The Dynamics of Change, (Englewood Cliffs, N. J.: Prentice-Hall, 1967), p. 1.

2. Robert T. Golembiewski, Renewing Organizations: The Laboratory Approach to Planned Change (Itasca, Ill.: F. E. Peacock, 1972); and Wendell L. French and Cecil H. Bell, Jr., Organization Development: Behavioral Science Interventions for Organization Improvement (Englewood Cliffs, N. J.: Prentice-Hall, 1973).

CASE STUDY V -

DEVELOPING AN ARBITRATION PROCESS FOR RESOLVING CONTRACT DISPUTES

Jeffrey B. Trattner

Gerald J. Miller

Developing an Arbitration Process for Resolving Contract Disputes

Three major constraints faced the Metropolitan Atlanta Rapid Transit Authority (MARTA) when staff members readied construction contract documents for bidding. First, plans entailed an ambitious and optimistic schedule, with a no-frills budget. Second, the Urban Mass Transit Administration (UMTA), the major federal source of funds, would approve contract awards and audit payments to contractors, and this put UMTA in a strategic position to look over MARTA's shoulder, if not to second-guess at leisure decisions made in a fast-paced program. Third, the Authority was an unknown contract manager -- a new kid on the block -- in construction and equipment markets with no track record in managing any construction, no less a billion-dollar-plus program.

Anticipating the Worst in Contract Disputes

Consequently, pervasive uncertainty characterized both MARTA actions and those of the primary groups with which Authority executives would deal. MARTA staff members felt cautious about the degree of control UMTA would exert, as well as about maintaining stiff budget and schedule constraints. Authority executives, moreover, were wary about the possible tendencies of contractors to exact profits and impact the schedule. In addition, UMTA and contractors experienced their own misgivings. UMTA administrators assumed a major risk in granting the largest amount of federal transit dollars ever to a local construction program. MARTA's tight schedule and budget counseled caution for contractors, especially in considering whether and how much to bid on MARTA work.

Experience in public works projects made it very clear to all three parties -- MARTA, UMTA, and the contractors -- that trouble would come, if anywhere, from contract disputes. Contract disputes spelled trouble for MARTA in both time and money. To UMTA, disputes meant possible generous awards to contractors to avoid protracted delays. On the other hand, contractors could envision paltry profits and much agitation in getting the railroad built. A way of steering clear of such potential horribles had to be found by MARTA executives, if they hoped to maintain the schedule and budget, to avoid adverse second-guessing by UMTA, and to obtain the confidence of contractors. An equitable, inexpensive and expeditious means of resolving contract disputes was needed.

This case study describes the effort to defuse the destructive potential for conflict among MARTA, UMTA, and contractors over the handling of contract disputes. Three MARTA strategies aimed to limit conflict -- assuming part of the risk of performance, using federal contract language and legal precedent, and providing absolute limits for work-stoppages due to contractual disputes. These alone, however, could not prevent some inevitable disagreements over contracts. After much effort and several dead-ends, MARTA executives found their stopper. They settled on a method for resolving contractual disputes unique in public transportation contracting -- arbitration. It generated confidence among all parties that any disputes involving contract performance would be treated fairly, quickly, and cheaply.

How Contract Disputes Can Occur

MARTA's concern about resolving contract disputes was well-founded. Consider the ubiquitous conditions out of which contract disputes arise: when the contract or the design fails to show contractors clearly what work to do and how it should be done. At best, construction plans often require later engineering or design changes which force "change-orders." Change-orders vary in their impact on the contract to which both engineer and contractor initially agreed. The contractee will tend to seek up-dates of plans and designs, to benefit from hindsight, new experience, or more mature reflection. And contractors especially fear that change-orders will result in added work without additional or adequate compensation. Disputes occur when a contractor disagrees with the engineer's interpretation of the work required in a construction contract with payment above that agreed to in the original contract. Major potential for such disputes exists, because MARTA will revise contracts for five general types of changes.

Changes Deriving from "Value Engineering"

With the least potential for conflict, the contractor may suggest a change, based on "value engineering." By allowing the contractor to initiate, MARTA encourages the contractor to think of better ways to accomplish the work. If the contractor can alternatively meet or improve on specifications and also can prove that there is no sacrifice in quality, he can share in any savings.

Unexpected Field Conditions

A second kind of change results from field conditions which differ from initial expectations or assumptions, a common situation that provides ample potential for honest differences, not to mention sharp-dealing. For example, plans may require a contractor to compact ground to a certain density. However, the ground might cover a long-forgotten garbage site, limiting the degree of compaction possible. The standard density set in the contract would be impossible to achieve, and the contract must be changed, but the extent of such change can be a sticky issue.

Engineering Errors in Original Plans

A third kind of change occurs when a contractor finds that engineering plans contain mistakes. The sources can be legion. The language in the specifications may be incorrect; field conditions may differ; or there may be an error in the drawings.

Changes of Mind or Will

MARTA also may decide to change plans or engineering concepts for approaching a project. These changes often result from the efforts of outside interests -- especially railroads, telephone, electric, gas, and other utilities, as well as the city, county, and state governments with which MARTA works. For example, railroads are sensitive to any potential impact on their tracks. If MARTA needs to impose on their right-of-way, railroads may require MARTA to work with the former's specifications. Also, the Georgia State Department of Transportation controls interstate highways, and must approve plans which call for altering routes or controlling traffic. Similarly, the cities control changes affecting sewer and water lines. Many lines were built around the time of the Civil War and -- since they would disintegrate if in the path of construction -- MARTA by agreement must replace them to present standards. In the case of city sewer and water lines, their disturbance by MARTA may be unanticipated, requiring a change in a contract to replace them. The cities or counties may also ask for changes after city planners have approved the original design plans. One MARTA staff member states: "We're in a hurry with the building program, and no one else is. They were here before MARTA construction and will be here afterwards." Many local agencies are chronically understaffed, and cannot deal in timely ways with the volume of plans which MARTA produces. Some government agencies sign-off on drawings and then later may require changes, as field conditions become clearer or after they have been able to really review the plans.

New Ways Bring Changes

The final type of change-order occurs when, after contracts have been let, MARTA engineers find a better way of doing things. In other words, as technology or experience advances, MARTA takes advantage and changes contracts accordingly.

Why Contract Documents Can at Best Reduce the Chance of Disputes

The inevitability of change requires special attention in MARTA contracts, which have two basic parts. The first part -- the general contract -- specifies general conditions under which work is to be done. A second "special conditions" section is tailored to the particular construction project. A change can occur in either. Although the special conditions section seeks to anticipate problems, some always resist prediction. One MARTA staff member explains: "We try to anticipate everything and provide for it. We never really quite think of everything. . . . There is no such thing as a perfect contract. Construction contracts by the nature of the beast will require changes."

Special Stresses on the MARTA Contracting Process

In addition to the nature of the beast, contracting in MARTA had additional potential for frustrating the construction schedule and budget. Basically, construction contracts do not cheaply provide leisure to solve problems. Construction is dynamic, and changes must be made quickly to keep the project going. To exacerbate this already-dominant tendency, MARTA's construction schedule was quite tight. Thus one close MARTA observer concludes that the schedule may have been "overly optimistic. It did not leave enough room for mistakes or contingencies for bad weather, labor problems, natural disasters, and so forth, which in fact, did occur in many contracts." Further reducing the ability of the contract to anticipate and thus avoid disputes, a large number of MARTA contracts were bid in depressed economic circumstances. The recession of the mid-1970's initially favored MARTA, and resulted in lower bids. Assume that contractors made bids on contracts only high enough to keep their firms going. Thus MARTA's initial advantage might fade as the Atlanta economy improved, and the inevitable change-orders would give contractors opportunities and motivation to reopen the bargaining on contracts. MARTA executives wanted desperately to maintain schedule, while also realizing this left them far more vulnerable in negotiating about the costs of any changes than they had been under competitive bidding. In other words, keen competition in a tight economy often had kept bids unexpectedly low, but there would be no competition among contractors when changes occurred. Well-placed observers feared that contractors might bludgeon MARTA at the negotiating table. Also, the changed bargaining relationship forced MARTA engineers to evaluate very critically the need for every change. One observer noted this ever-present question in the minds of construction project managers: Do we want the change very badly?

The impact of contract documents on the change process also was affected by the funding formula. The contract with MARTA included a face amount and a contingency fund. The contingency was generally 10 per cent, and provided an obvious target for increasing the amount a contractor could get paid as a result of contract changes. For awhile, street talk also proposed that MARTA would retain a substantial "surplus" because of its favorable bidding experience, and MARTA executives were concerned that this erroneous but oft-repeated rumor might encourage contractors to aggressively seek hefty settlements for change-orders.

Contractors Lack Knowledge re Bidding

The efficacy of contract documents also would be sorely tested because contractors necessarily lacked intelligence crucial to bidding. Contractors analyze past agency contract management in bidding on a new project. The contractor looks at the track record of the buyer and determines how conflicts were resolved in the past. If its record reflects arbitrariness or delay, the agency may receive bids with large "slack" as the contractor increases his bid to compensate for anticipated problems involving agency interpretations of the contract. Given MARTA's newness, all contractors suffered in their ability to estimate with sophistication. This lack of knowledge acted as a counter-weight to economic conditions and strong competition, Authority executives realized, and increased the possibility of stickiness in negotiations about change-orders.

MARTA Seeks Strategies to Reduce the Chance of Contract Disputes

Although inevitable, MARTA executives believed that contract disputes could be prevented in some instances, and that they could be restricted to reasonable boundaries in almost all cases. The first-cut at appropriate strategies sought ways to eliminate some of the more obvious potential for contractual disputes.

As a first strategy, MARTA chose to assume the liability for contractor accidents, both those involving construction workers and those between contractors and third-parties not connected with the work. For example, MARTA would pay claims for workmen's compensation, as well as claims resulting from accidents between an Atlanta resident and a contractor's vehicle while the driver was at work.

A second strategy involved the decision to use federal contract language, a decision influenced by two factors. First, in the development of the contract documents for the MARTA construction program, Authority executives gave greatest consideration to UMTA's reserved right to approve various contract actions, either prospectively or through the audit process, based on federal regulations. This fact urged as much certainty as possible in contract documents. A common source of legal knowledge and experience would lessen the likelihood of divergent opinions regarding the propriety of various actions MARTA might take in administering contracts. Second, MARTA executives also attached considerable importance to the size, scope, and experience of would-be contractors, and consequently most construction and equipment companies bidding on MARTA projects would be national firms rather than local ones. Contractors might not be familiar with Georgia Law or Georgia contracting practices, but they would more-than-likely be familiar with practices used by federal agencies. Many contractors would be afforded a certain degree of comfort if MARTA contract language and practices -- the "boilerplate" -- were rooted in federal rather than state law.

These two factors convinced MARTA staff members to model MARTA's contract documents -- especially as to general conditions -- after federal contract documents, as far as practicable. This key decision sought to maximize stability. In addition, federal contracting processes and regulations were the most sophisticated and extensive available.

MARTA executives also chose a third strategy to avoid construction delays. Once a change was decided on, MARTA wanted it implemented whether the contractor agreed or disagreed. MARTA executives thus inserted clauses in contracts requiring work to proceed while the contract dispute worked its way to resolution. Therefore, with or without agreement over changes, the schedule would not be impacted by contract disputes. The contractor had the option of filing a claim for payment, of course, but could not stop work, and no claims would result from schedule slippages occurring over disputed changes.

MARTA Evaluates Strategies to Resolve Contract Disputes

While some disputes could be nipped in the bud -- as by MARTA's assumption of risk, using federal contract language in documents, and by contract clauses preventing delays due to changes -- disputes could arise over many other issues, some of them involving big dollars. MARTA executives searched for a method to handle those disputes that could not be avoided or finessed -- a method that was inexpensive, expeditious, and fair.

Three important legal considerations influenced the decision as to how best to handle those unavoidable contract disputes. Paramountly, federal agency oversight muddled the legal basis for dispute-handling. Although state law normally governed contract administration, the heavy infusion of federal dollars and the potential for UMTA second-guessing warned MARTA executives that federal law and regulations would govern the project as much as state law, if not more so. In handling disputes, one eye had to focus on Washington. Relatedly, no settled body of state law existed which related to sophisticated construction contract disputes. An existing but relatively undeveloped body of Georgia law might not suffice. Finally, most parties sought to keep disputes away from relatively unsophisticated judges and juries whose inexperience might jeopardize prompt fairness, and also cost both MARTA and contractors dearly in time and money.

An aggressive search resulted for strategies to deal with the unavoidable or unmanageable residuum of contractual disputes, within the three major constraints just detailed. In preview, MARTA executives evaluated informal methods of dispute-handling, reevaluated judicial methods, investigated administrative models, and finally concluded that an independent panel could best settle disputes through arbitration.

In-House, Informal Approaches

The legal problems in dispute-handling initially led MARTA executives to consider non-legal or informal methods, specifically handling the disputes within-house. MARTA's general engineering consultant -- Parsons-Brinckerhoff, Tudor, and Bechtel (PBTB) -- had supervised disputes during Bay Area Rapid Transit construction. Not surprisingly, then, MARTA executives early investigated the utility of a similar arrangement in Atlanta.

The BART-PBTB model had definite advantages. It kept disputes out of the courts and sidestepped the federal-local law problem. Moreover, the general engineering consultant not only had experience in handling contract disputes but also was familiar with the MARTA contracts and contractors. In addition, PBTB had sufficient staff to deal with contract disputes, while MARTA would have to hire additional staff if it took on the job. At least, then, adopting the BART/PBTB model could save valuable time and capitalize on existing experience.

However, this first approach also had severe disadvantages which could threaten the budget and the quality of contractor work. Consider only three points. First, the approach lacked built-in safeguards to cut costs. To avoid litigation, PBTB might be encouraged to settle disputes through bargaining with contractors who wanted to increase their pay-out. PBTB had few bargaining chips, and might be exposed to allegations that they had to "buy their way out of disputes." Second, PBTB's contract with MARTA was a cost-plus-percentage arrangement based on the overall cost of the project. Third, PBTB's additional design role -- the design of stations and rail lines for MARTA -- might conflict with the dispute-settlement role. For example, PBTB engineers and architects might be accused of concealing initial design mistakes in a flurry of change-orders.

Jeffrey Trattner, MARTA Staff Counsel, concluded that the disadvantages of the BART-PBTB model outweighed the advantages. Dispute settlement, he felt, had to be handled outside MARTA to avoid conflicts and additional costs. Furthermore, to control change-orders, he suggested and got approval for locating authorization of change-orders within MARTA proper rather than PBTB.

Reevaluating the Courts

MARTA executives next reevaluated the courts for handling contract disputes, but the constraints proved overwhelming. State courts would prove unworkable due to the complexity of contract cases, and the possible bias of those who would hear the case. Basically, complicated contract documents could overwhelm the already-burdened courts, with consequent time-lags and contractor motivation to protect self against delays in judgment. In addition to the detailed and specialized language of the contract, complex drawings and charts can swamp courts with information. To really get down to the dispute before a jury requires an education about basic elements of contracts, as well as their application in the particular case. This takes a great deal of money and time. With an educated audience, or one having a degree of familiarity with construction, parties can rely on a certain level of assumed knowledge. Both parties get more meaningful discussion, and resolution of the dispute more likely will rest on informed discussion of the merits of the case. In addition, a jury is disadvantageous because its decisions can be made as a result of ephemeral considerations. Overloaded with information, a jury may make decisions on factors other than the merits of the case. Persuasive arguments aside, for example, the lawyer's personality might become a large issue in and of itself. Also, according to Trattner, "No one in Atlanta is neutral on the subject of MARTA." The climate of opinion may work for or against MARTA; but the contractor may be cautious because "most are outsiders, not Atlanta natives, who might be viewed as carpetbaggers by a jury." Finally, local courts might invite UMTA suspicion. Since granting more than 800 million dollars to MARTA encouraged close oversight, the inexperienced local courts could reinforce UMTA's motivation to exert tight control.

So the MARTA decision was not difficult. Local courts -- lacking the necessary training and experience -- might yield decisions that would cost MARTA exorbitantly in dollars and time. In addition, reliance on local courts also might encourage more detailed pre- and post-decision review by UMTA. Consequently, MARTA executives doubted the wisdom of using state courts as dispute-handlers.

The WMATA Model

MARTA staff members next looked toward the Washington Metropolitan Area Transporation Authority. WMATA used the U.S. Army Corps of Engineers Board of Contract Appeals (ABCA), on an ad hoc basis, contracting with the Army Board to hear contract disputes when necessary.

Trattner found that this arrangement had drawbacks in MARTA's case. First, ABCA has limited experience with many of the types of contract disputes MARTA would encounter. Second, MARTA executives disliked the tentativeness of ABCA's decisions. Under the law which gives jurisdiction to ABCA, its decisions would <u>not</u> be final and binding on the MARTA Board of Directors, who could reject the decisions of the Army panel. In practice, this has never occurred but, according to a MARTA observer, the threat remains and works to undermine confidence in the process. Third, MARTA bears the entire cost of using the Engineer Board to hear its disputes. The ABCA performs the service on a cost-reimbursable basis, at an estimated rate of approximately $50,000 a year. Fourth, the U.S. District Court reviews ABCA decisions, but that court has little expertise in disputes arising under federal contracts. Put otherwise, the U.S. Court of Claims hears federal contract disputes, with limited exceptions. MARTA's problem with state courts might reappear in federal guise, if the WMATA model were followed.

In sum, following the WMATA model promised a less-than-ideal solution to MARTA executives.

Board of Contract Appeals at DOT

MARTA executives also investigated other federal agency methods, and looked in detail at the Board of Contract Appeals in the U.S. Department of Transportation.

Several advantages of that approach seemed obvious. Basically, since MARTA would be dealing with UMTA in the administration of the capital grant, some Authority staff members felt that the Department of Transportation Board of Contract Appeals (TBCA) might prevent some UMTA second-guessing. TBCA would fit MARTA's situation well for two other reasons. Thus the Board reputedly had high competence. Many federal procurement specialists rated the DOT Board as excellent in overall ability and professionalism. Moreover, the Board had wide-ranging expertise. Due to the many different transportation specialties among DOT agencies using TBCA, the Board had achieved sophistication in dealing with an array of construction contract claims.

As a result of procurement specialists' ratings and his own analysis of the cases facing the DOT Board, Trattner moved to solicit DOT interest. The move met with both agreement and opposition. Some DOT staff members regarded the use of TBCA as innovative and managerially advantageous. Simply, TBCA participation in MARTA contract claims settlement would encourage uniformity and reduce duplication in UMTA audits/reviews. Simplification of audits and oversight also might decrease the need for interference or overcontrol by UMTA in local decision-making. However, other DOT administrators opposed TBCA participation for two reasons. First, they believed that TBCA had no legislative authority to review MARTA contract disputes. In fact, a DOT order stated that specific legal authority would be necessary to enter into an agreement with a local government. Second, DOT officials expressed concern that the TBCA would have to apply Georgia law to many of the contract disputes, a condition DOT officials felt that TBCA was not competent to satisfy.

MARTA's Staff Counsel argued that specific DOT orders and regulations did allow TBCA participation. Trattner's assistant Bruce Bromberg urged that these rules even encouraged TBCA intergovernmental agreements. Moreover, Trattner explained that federal contract language would remedy the state-law problem. Contractors and MARTA, as a result of federal contract language, would agree to use federal procurement law to govern the handling of disputes. Although he offered rebuttals to UMTA officials' argument, Trattner failed to convert the DOT opposition, who prevailed over the DOT pro-innovation group.

The attempt to involve DOT -- although superficially simple -- actually covered six months, from May to October 1975. During this time, MARTA awarded two contracts without any clause specifying ways of settling disputes over claims. Other contracts would be awarded shortly, also without such a clause. Without a method to which the contractor and MARTA were bound by contract, both parties might have to deal with the issue of how to settle a contract dispute as well as with settling the dispute.

Arbitration

After receiving DOT's final decision, Trattner began looking at other alternatives. "Fortuitously," he recalls, "someone suggested or I had it in the back of my mind the possibility of using arbitration. I had gotten some literature which related to the American Arbitration Association (AAA) and described what they called construction industry panels -- for arbitration." Trattner found that AAA had only recently set up specialized panels to deal with construction disputes. The panel concept, AAA style, already had gained wide support from major associations in the construction industry such as the American Institute of Architects and the Construction Specifications Institute.

Wide endorsement stoked Trattner's interest. He and Bruce Bromberg, his Senior Associate Counsel, met for initial discussions with AAA's General Counsel, Gerald Aksen, to explore the possibility of using AAA for dispute settlement. In the first meeting, Trattner examined the AAA processes and experiences with construction contract litigation. To ascertain AAA arbitrators' expertise in construction, Trattner searched the files of available AAA arbitrators at random to ascertain their qualifications and background. He found that AAA had numerous qualified people available to hear disputes, and that their track record was good.

Trattner also expressed concern about state legal barriers to arbitration. Could state law hinder reliance on arbitration? Trattner reviewed his research on state arbitration law and found that some states have enacted arbitration legislation, while others have not. Georgia was in-between -- "a kind of gray state" where there appeared to be a conflict as to whether courts could compel arbitration without a state statute. That is, where two parties agree initially to arbitrate a dispute, but one of the parties refuses later, could the other party go to court to order arbitration? Trattner found one "oddball decision" which seemed to say courts could not compel arbitration, while another opinion stated the opposite.

Acknowledging the conflict, AAA's Aksen suggested another approach. He observed that federal arbitration law applied when the parties engaged in interstate commerce. The interstate commerce provision would apply in MARTA's case because most Authority contractors are out-of-state contractors and because MARTA builds with 80% federal money. Aksen argued that constituted enough of an interstate connection to apply federal rather than state law.

The first meeting with Aksen convinced Trattner. He drafted a contract clause prescribing arbitration and negotiated some details of an agreement with AAA. For details of MARTA contract features related to arbitration, consult Appendix 1.

Gaining the Approval for Arbitration at MARTA

Trattner had to get approval for this approach from both MARTA General Manager Alan Kiepper and the MARTA Board of Directors. Trattner developed his strategy around two major points -- the probable lower cost of arbitration as opposed to other methods, and the favorable opinion of MARTA construction staff about arbitration.

A very compelling argument in favor of arbitration, Trattner felt, would be the money saved. "In the long run, arbitration might turn out to be the least costly alternative. For example, using TBCA, we would have to enter into a contract to bear the expenses of all sides." With AAA arbitration, in contrast, a minimal registration fee would be paid. In addition, who pays additional costs would be decided by arbitrators assigned to a specific case, based on a fee schedule.

No less important an argument, MARTA staff members -- especially including Assistant General Manager for Transit System Development William Alexander -- favored arbitration. Past experiences with arbitrating disputes convinced construction managers that it could work at MARTA. Staff members' reactions reflected general favor in the construction industry, as Trattner found. Almost unanimously, moreover, construction staff wanted to avoid the courts.

Following the talks with Aksen at AAA, Trattner met with MARTA GM Alan Kiepper. Trattner explained the arbitration process, reported the reasons why he thought it would work, and also recommended that MARTA use AAA. GM Kiepper approved Trattner's request to propose arbitration to the Development Committee of the Board of Directors.

Trattner did some pre-presentation visiting, and talked with three Board members to explain the situation. His first stop was Lyndon Wade, chairman of the Development Committee. Wade reacted positively, and encouraged Trattner. The Chief Staff Counsel then talked with Harold Sheats, a new Board member and also Development Committeeman. Sheats had been a lawyer and Fulton County Attorney for 25 years, in and around public construction for much of that period. He expressed no feeling about AAA arbitration, either way. However, Sheats was concerned about another related issue, the size of legal services fees and billings from law firms outside MARTA. Arbitration would use in-house staff -- Trattner's Office of Staff Counsel -- to handle all arbitration. The reduced costs promised by Trattner attracted Sheats, who became an advocate for AAA arbitration.

Trattner's visits to Board members were not all positive, but all proved informative. The third Development Committee member Trattner talked to was Fred P. Meyer, also an attorney. Meyer opposed arbitration because it generally limited the flexibility of the trial lawyer, and because he supported reliance on outside counsel in the present particular. Two aspects of Meyer's position proved most revealing. First, Meyer's opposition to the process of arbitration developed from his experience as a practitioner-lawyer, Trattner concluded. Trattner observes:

> A private practitioner doesn't like arbitration, as a general rule. He would rather handle the case in court than arbitrate. Arbitration, generally speaking, among practitioners does not have a particularly good name, due to misinformation and a lack of recent information about the process and how it developed over the years. In Georgia, particularly, arbitration has gotten some bad press because of the conflicting court decisions and the uncertainty which unsettled law produces. Also, practitioners point out that arbitration is always final and conclusive with no right of appeal except in very rare instances. Most attorneys by nature don't ever like anything that has no right of appeal. They don't particularly care to put all their eggs in one basket.

Trattner also found that Meyer opposed arbitration for three additional reasons: the lack of valuable court rules such as discovery; use of affidavits rather than actual testimony; and its common inapplicability to subcontractors as well as prime contractors. Consider the usual failure to use rules of discovery, a legal term referring to counsel's right to look at the opponent's case before the hearing to avoid surprises. Under arbitration, discovery does not usually apply, while courts apply it quite liberally. Attorneys proceed blindly under arbitration, only guessing the strategy and evidence that will be used by the other side. Moreover, arbitration usually allows ex parte affidavits rather than the presence and live testimony of witnesses. Affidavits might limit cross-examination and consequently the full development of the issues-in-dispute. Finally, Meyer objected to the limited applicability of arbitration, that is, to prime contractors only. Since prime contractors typically subcontract to many other firms, limiting arbitration to the primes reduces its potential for problem resolution, perhaps severely. In fact, many disputes occur between the buyer (such as MARTA) and a sub-contractor, leaving the buyer to deal with the sub-contractor through court proceedings and the prime contractor through arbitration. The complexity of the process increases costs and neutralizes the prime contractor's ability to deal with change.

Trattner made mental notes to tailor MARTA's use of arbitration to respond to most of Meyer's concerns, but Counsel was not persuaded about reliance on outside lawyers, for two basic reasons. First, in-house counsel had more familiarity with the problem to be arbitrated. "One of the advantages of arbitration was keeping it in-house because our attorneys have been with the contract from its inception through all the problems." Second, Trattner argues that the Office of Staff Counsel was organized to handle contracts, so involvement in arbitration would represent only an extension of the Office's principal purpose. Given this background, according to Trattner, "It would have been extremely costly to turn a /partially-developed arbitration/ package over to an outside attorney who was not working in construction at all, and say 'OK, here it is.' Even with our background we still spend many, many hours preparing when we go to arbitration."

Trattner's next stop was the full Development Committee. Because initial reaction among construction staff members had been good, Trattner asked TSD's head Alexander to accompany him before the Committee. Trattner explained the pros and cons of arbitration; Meyer raised questions about in-house or outside counsel responsibility for arbitration, but the issue failed to excite other members; and Alexander expressed satisfaction with the proposal. After discussion, the Committee voted to approve the use of arbitration.

The Development Committee reported the proposal favorably to the full Board of Directors on December 8. The Board routinely passed a resolution approving arbitration.

Implementing Arbitration at MARTA

Having secured Board approval, Trattner began implementing arbitration by adopting procedures to meet complaints raised earlier by Board member Meyer. In addition, Trattner installed three other mechanisms for solving key problems: guaranteeing a legal presence in arbitration cases, resolving the conflict in federal and state law, and preventing a premature resort to arbitration.

Trattner immediately dealt with practitioner-lawyer objections in a new contract clause. The basic arbitration clause was written so as to allow use of federal rules of discovery, by which parties to a contract dispute could examine each other's evidence before the arbitration hearing. Moreover, the clause prohibited <u>ex parte</u> affidavits. According to Trattner: "We wanted witnesses for cross-examination at the hearing." Finally, the arbitration clause became mandatory in all subcontracts. When a dispute arose, all parties would get involved. With the clause in all subcontracts, Trattner observes: "All of us will be in the same arbitration forum. We may all say that the other guy is at fault, but we are at least convinced that the guilty party is in the room."

In addition to meeting practitioner-lawyer objections, Trattner acted on three other potential problems. First, the new contract clause provided that at least one member of the arbitration panel must be an attorney, in part to ensure that the panel enforced rules of discovery. Trattner felt that only an attorney could adequately deal with each side's desire for fairness in applying federal rules for reciprocity in revealing evidence. To further ensure the essential attorney presence, the clause required a one-man panel -- a lawyer -- for disputes under $25,000. Disputes involving more than $25,000 would be heard by a three-man panel, one of whose members would be a lawyer.

To prevent the uncertainty resulting from unsettled state law, a second potential problem, the arbitration clause provided that all questions arising under contracts must be governed by and decided according to the law applicable to U.S. Government procurement contracts. This linked MARTA disputes with the thirty years of federal precedent. In addition, the link allowed for introduction of evidence, representation by counsel, and other normal federal requirements of due process.

Trattner also set up a triggering procedure for arbitration which prevented a third problem, the premature resort to the process. Under this process, a contractor cannot resort to arbitration until he receives a Final Decision from MARTA denying a contract claim. In effect, MARTA executives must state: "Our decision is final, except insofar as you have a right to demand arbitration." Trattner observes: "What we intended was to make sure that the contractor didn't go off half-cocked on a preliminary denial of a claim," thus precluding close scrutiny of all factors involved.

MARTA's Arbitration Model in Action

How does the MARTA arbitration model work in practice? To illustrate, we will first sketch the change-notice/change-order process, the series of events out of which disputes arise. Next, we will briefly illustrate how disputes get handled through arbitration.

The Change Process: The Setting for Disputes

The process of changing the work outlined in engineering designs and undertaken by a contractor who wins an award begins when one of five conditions obtains. The contractor may find a better way of doing work. Or field conditions may differ from those assumed in engineers' plans. Alternately, the contractor may find mistakes in original designs or plans. MARTA engineers also may decide to change plans as a result of input or demand from some other agency such as railroads or the state, counties, or cities. Finally, MARTA engineers may change plans to take advantage of new technology or experience.

1. <u>The Initiating Change-Notice</u>. A change-notice based on one of the five conditions initiates the process of changing work. A change-notice essentially outlines the change needed, and provides for review by MARTA staff members and negotiation with the contractor.

2. From Change-Notice to Change-Order. A typical facilities contract change-notice -- based on a request originating either with the contractor, MARTA, or the Authority's general engineering consultants (now Parsons, Brinckerhoff and Tudor, or PBT) -- starts with the Resident Engineer, RE, who prepares the notice with a justification and preliminary cost estimate. The notice goes up the MARTA's TSD chain of command for approval.

Three factors guide TSD officials' review of a change-notice. First, these officials want to create and maintain a reputation for fairness and flexibility in dealing with contractors. According to AGM/TSD William Alexander, MARTA reviewers have the power to break contractors through inflexibility in administering changes. The injudicious use of such power backfires, however, and results in higher bids as word gets around in the contracting community. Second, TSD officials want to motivate contractors to finish work quickly. Inflexible change-notice reviews could provoke contractors to resist time-saving measures for which they might go unrewarded. Third, smooth day-to-day operating relations between MARTA construction managers and contractors are at a premium. Inflexibility and unfairness in handling changes would create adversaries out of parties who could cooperate. Thus, the TSD approach to change-notice review gets based on the goals of expediting work and maintaining cooperation with contractors. "After all," says Alexander, "we have to live with /the contractors/ every day."

The change notice also goes to the Office of Staff Counsel for review as it goes up the TSD hierarchy. Two basic reasons explain the involvement of Staff Counsel. First, UMTA reserves the right in all prime and subcontracts to audit under certain conditions for a period up to three years following payment. The potential costs to MARTA are great. As Trattner explains: "If we process a change-order, and we take a position, settle it, and pay a claim resulting from the change-order, the federal government can come back a year later, review the paperwork and say that we have not justified this change-order. They will, therefore, declare this change-order ineligible for federal participation or for 80% payment. You can't stand too many of those." Hence MARTA's concern about legal and contractual scrupulosity; and hence also the involvement of the Office of the Staff Counsel.

Second, Staff Counsel provides an independent review by in-house resources with no direct involvement in construction, who are beyond subtle conflicts-of-interest. MARTA negotiators should ask themselves: "Are we enforcing our contract rights; are we paying for things that we otherwise should not be paying for?" The Office of Staff Counsel acts as objective reviewer, analyzing contract documents for both legal and engineering implications. To handle both substantive and legal aspects, Office of Staff Counsel includes a civil engineer/lawyer. This ambidexterity "makes us both useful and potentially troublesome," Trattner feels. "From the engineering standpoint, there is not much that we can't understand. No matter how complex the change-order, we can usually decipher what they are talking about. /We can/ read the drawings and the technical specifications and decide whether or not it makes sense."

Both UMTA second-guessing and the necessity of an overall view explain the pivotal role the Staff Counsel's office assumes in contract matters. According to Trattner:

> /Staff Counsel/ is the one point within the Authority where all the pieces come together, short of the GM. We are independent of everybody else. We are the only office that has an overview of the whole program. Most important, if there is a problem with UMTA auditors, we wind up defending the matter. If something goes to arbitration, we wind up handling the arbitration. It is only right that we should know what is happening in advance and concur in it.

Staff Counsel reviews the change-notice initially to determine whether the contractor is entitled to extra payment or whether he is already obligated under the terms of the contract to perform the change. In addition, Counsel analyzes the notice for form and substance. This involves answering questions such as: Is the language clear? Are the references accurate? Are we citing the right authority for proceeding with the change? The initial review by Staff Counsel also points out other implications of the change, such as the effect on any impacted or associated contracts. Finally, counsel determines whether authority exists to issue the change-notice as such -- whether funds exist.

After the Staff Counsel review, the notice goes to the contractor. The contractor replies with a proposal, which returns to Staff Counsel for review. Counsel then provides engineers with an opinion on the allowability of the cost, including both cost of any additions as well as (in Trattner's words) "if we are deleting an item to make sure we get the kind of credit we should be getting."

The engineers then negotiate with the contractor. If the two parties agree, a change-order is drafted. At this point, Staff Counsel again reviews to assure that the negotiated position is consistent with prior reviews. After this review, the order goes to the AGM/TSD for final approval.

3. Handling Disputes. The change process may provoke disputes between contractors and MARTA engineers not amenable to negotiation, of course. For instance, based on a legal position taken by Staff Counsel, the MARTA negotiator may not accept the contractor's cost estimate for a change and the contractor may refuse to sign the change-order without the price concession. MARTA engineers then issue a unilateral change-order which directs the contractor to perform, giving him 30 days to protest the order by submitting a claim. In another instance, MARTA engineers may issue a letter change-order, directing the contractor to perform. If the contractor feels entitled to additional funds for this work, he may then submit a proposal for negotiation. If after negotiation the contractor disagrees with MARTA's position, he is directed to perform the change and file a claim.

The process for attempting to resolve any disputes involves a number of steps, of which arbitration is the last and final one. For details about the procedures by which contractors make a claim against MARTA, consult Appendix 2.

As a first step toward that final resolution, the Resident Engineer examines the contractor's claim. RE -- the TSD representative at the worksite -- provides a factual analysis of the contractor's claim. He presents the circumstances objectively in a report to his superior -- in this instance, the Project Engineer. After developing the facts, the Resident Engineer may deny the claim. Otherwise, he remains silent. The contractor, in either case, then submits the claim through the Resident Engineer to TSD's Division of Construction. The Division evaluates the claim, along with TSD's Division of Engineering and Staff Counsel. If all three groups recommend the contractor's position, the AGM/TSD signs approval. If one recommends denial, the claim goes back down the chain of command to the RE who informs the contractor that the claim is denied, and the contractor has a right to request a Final Decision.

The Final Decision constitutes the unsatisfied contractor's last step before arbitration. This triggers a process set up as MARTA's fail-safe mechanism, one in which more MARTA staff members get involved in the decision-making process. When the contractor requests a Final Decision, the RE reviews the claim again and adds any additional information found since the original analysis. From the RE, the request goes to the Project Engineer, and then to Staff Counsel. The attorney in Staff Counsel who originally reviewed and denied the claim prepares another analysis and reviews his work. If he reaches the same conclusion, Staff Counsel requests the AGM/TSD to convene MARTA's whimsically-named Gray-Haired Council. Consistent with the felt-need for timely decisions, Final Decisions are to be rendered within two weeks after the contractor's request.

The Gray-Haired Council consists of a group of senior MARTA employees who act as advisors to AGM/TSD Alexander in making the final decision on the contractor's request. The tongue-in-cheek appellation was inspired by AGM/TSD William Alexander who observed that in such disputes MARTA "needed some gray hair, some wisdom of the ages." The Council's formal membership includes MARTA's Director of Construction and Director of Engineering, the PBT Project Director, the PBT Director of Construction, and Trattner as Staff Counsel. Other PBT engineering staff members may take part, depending on the subject matter. In addition to the usual members, the Gray Hairs convene with the attorney who did the research, the TSD Project Engineer, and the Resident Engineer. The Council examines the drawings and the contract documents; the attorney presents the case and his recommendation; and then the floor opens for discussion. According to one member:

> It is pretty free-wheeling discussion. It tries to introduce the practical considerations. For example, while we may think we may have a good legal position, we start to get into the practicalities of who is going to be the expert witness. What kind of witness would the Resident Engineer make? What kind of documentation do we have to support our position? From the standpoint of the arbitration panel, how reasonable a case does the contractor have? Is there more than one reasonable interpretation? What's the industry practice? Are we stipulating something that is out of the ordinary?
>
> We throw all of these things out for discussion. We call for more information such as whether we have interpreted this particular clause differently on other contracts. The discussion ranges from ten minutes to two hours. At the end of it, I think we hash out almost everything.

Then we say: "Let's go around the table and see where we stand." The Council's Final Decisions to date have been unanimous, but variable in direction -- sometimes in favor of the original Staff Counsel decision, other times agreeing with the contractor's request, or even some middle position for negotiating a settlement.

The Council serves three major purposes in maintaining the integrity and momentum of the MARTA rail construction program. First, the Council brings over 100 years of construction-contract expertise to bear on a particular problem. Second, it brings together people who had nothing to do with the original decision directly, and who can provide a fresh approach to the problem. Third, the Council provides high-level flexibility in dealing with contractors. The group may meet some of a contractor's objections while dismissing others.

A short case illustrates the timely flexibility the Council can provide. The Council dealt with a contractor's claim for relief from "liquidated damages." MARTA contracts charge contractors liquidated damages of so many hundreds or thousands of dollars for every day the contractor delays finishing work beyond the stipulated completion date. The penalty ends when MARTA makes a determination of "substantial completion" -- the building is finished, the lights work, or whatever. Debate or dispute can exist about the date of substantial completion, however. MARTA cannot always rely on the usual litmus test: Is the facility useful for the purpose intended? Normally, that is an easy determination, but MARTA has few normal situations. While a contractor may "substantially complete" a station, contracts often may require other tasks of the contractor. For example, construction may require relocation of water mains, a task for which MARTA is responsible to the City of Atlanta, by agreement. Completing this task is as important as building the station for two reasons. First, if the water main is not relocated, it may impact adjacent and subsequent contractors. Second, the city may stop work at the station or other sites if the contractor fails to fulfill MARTA's responsibility. Thus the contractor has more to do than merely complete the facility for the purpose intended. Establishing and applying legal principles to cover substantial completion on MARTA contracts, likewise, is a very detailed exercise, and decisions vary case-by-case.

In the present case, TSD officials as well as the Resident Engineer held that substantial completion took place much earlier than Staff Counsel felt it did. In round terms, let us say, Counsel's estimate amounted to $250,000 in liquidated damages. TSD staff members proposed that $100,000 was about right.

The opinional differences may reflect differences in experiences and roles, as often happens. TSD and PBT may be less eager to assess liquidated damages, particularly for a "good" contractor who had some "bad luck," but with whom they had a positive work-experience, and perhaps with whom they look forward to working again. But Staff Counsel has no such experiences or expectations. According to Trattner:

> We will fight for every nickel that we think the Authority is entitled to, for two reasons. First, we are in the ivory tower, and we don't have to work with the contractors. It is easy for us to take that position. Second, we fear UMTA auditors. The UMTA folks, if they audit us and disagree on that assessment of liquidated damages, can leave us holding the proverbial bag. If we release $250,000 in liquidated damages, 80% of those dollars are federal dollars. UMTA can say: "If you are so generous, you can use just local funds, and we'll take our 80% out of your hide."
>
> We want to make sure that we can agree with the TSD position and that there is enough paper and justification in the file to provide an audit trail.

The contractor facing a $250,000 assessment submitted a mass of material, letters of communication and excerpts from his diary, through the RE to the Project Engineer as well as to Staff Counsel. A stack of material several inches high accumulated, including the RE's factual analysis. Initially, Staff Counsel's lawyer-engineer reviewed all the material and recommended that AGM/TSD Alexander deny the requested relief. Alexander did so, and the contractor then requested a Final Decision. Trattner observed: "I got into it after that and read all this material, including additional material the contractor had submitted since the denial. After reading it, I became concerned because the contractor had implied but had not stated that MARTA prevented substantial completion." This implication could mean that the contractor was entitled to relief from some or all of the liquidated damages.

Therefore, the Gray-Haired Council had several major points to resolve. Did TSD or Staff Counsel take the correct position on liquidated damages? And what of the unraised claim that MARTA could potentially face? Before the Council finally decided the matter, the contractor and his attorney came to see Trattner and shared their general expectations concerning a reasonable settlement of what they admitted was a debatable situation but one in which they should not bear total or even major responsibility. Trattner recalls:

> When we convened the Gray-Haired Council, the Staff Counsel attorney presented the case. Then we discussed the practical consequences of the $250,000 assessment. I gave my opinion. After reviewing all of the paper I concluded that the contractor could probably make a pretty good case for raising a claim against which we might not be able to sustain our positions. We had originally gotten into it because I thought TSD would give away the farm, in releasing liquidated damages. The more we got into it, the more concerned I was that we -- MARTA, TSD, and PBT -- probably had instead been responsible for other actions that had contributed to the contractor being late.

The Council discussed the issue, and concluded that the MARTA negotiators could reduce the liquidated damages from $250,000. They directed the Project Engineer and the RE to go back to the contractor and negotiate a settlement -- "starting high and settling for about $40,000." No Final Decision was rendered. The strategy worked. The Authority got $42,000 from the contractor in negotiations, and the Authority agreed to a complete release of claims.

4. Going into Arbitration. A few disputes reach the final stage of resolution -- arbitration. No ifs, ands, or buts will be appropriate. Both MARTA and the contractor agree in signing the original contract that the decision of the arbitration panel will be final.

The arbitration process gets triggered after an adverse Final Decision from AGM/TSD Alexander, when the contractor may choose to initiate the arbitration process by filing a notice with both MARTA and the American Arbitration Association. The notice spells out the specific issue over which the contractor and MARTA conflict.

AAA then takes over the administrative aspects of the arbitration process. The primary activity involves providing MARTA and the contractor a list of arbitrators -- including in the list the arbitrators' backgrounds and areas of expertise -- from which the parties choose a panel. Identical lists are furnished to all parties. The parties review the lists; strike those who are objectionable to them; and rank all acceptables in order of preference.

The process of striking arbitrators may involve gamemanship, a thrust-and-parry to bargain over who will hear the dispute. The information provided by AAA about the proposed arbitrators' backgrounds is limited, and encourages guessing about their probable inclination. Depending upon the nature of the claim, there are at least five different kinds of backgrounds represented on an AAA list. AAA may propose attorneys who have only general legal expertise and some or no construction background, as well as attorneys with a construction background -- such as a patents attorney who is also a mechanical engineer. Some proposed arbitrators may come from the contractor community, including owners of construction companies, for instance. AAA also may propose academicians, such as a professor of civil or mechanical engineering. Architect-engineers are often included, particularly those who work as consulting engineers for design with no involvement in construction. Finally, there are government employees who would be counsel-equivalents at state, local, or federal levels. Depending on the subject matter of the claim involved, the parties must decide which mix of arbitrators is most acceptable. Trattner observes:

> It's akin to selecting a jury. In one sense, you've got much less information because you can't question these people as you can potential jurymen. In other senses, you have much more information about panel members. You've got a little biographical blurb, and advice solicited from people in MARTA and PBT who have backgrounds in construction and engineering. Those people know something about what backgrounds predict what decisions; and they may even know people on the list. It comes out to be an educated guess.

Limits do get placed on AAA in proposing panel members to encourage objectivity -- a problem usually caused by a conflict of interest. "We have insisted from the beginning," says Trattner, "that we did not want anybody on the list from the Atlanta area, because the odds are that we would have a conflict sooner rather than later. It's inevitable; the project is so large." Trattner related one example. "The certainty of a conflict was proven very dramatically when we recently received an AAA list that included the name of a local attorney. On that same day, he filed a law suit against us."

The striking of names may continue, according to MARTA's arbitration procedure, through two lists of ten names each. If AAA finds agreement impossible, the Association imposes a panel. As yet, AAA has not imposed a panel.

At the same time the parties select panel mambers, they begin the discovery process. The parties interrogate each other in writing to ascertain anything relevant to the claim. If either party fails to provide information the other party or parties finds necessary, the matter gets referred to the attorney member of the panel whose decision is final.

All preliminaries concluded, the parties schedule an arbitration date with AAA and file pre-trial memoranda with the panel members if necessary.

The panel meets with the parties, who can call witnesses and examine and cross-examine them. All witnesses must appear before the panel, as a rule. If attendance is impossible, a witness may be examined at another time and a deposition taken, providing that the party examining the witness gives the other party reasonable notice as to time-and-place.

After hearing the evidence, the panel allows further memoranda from the parties, decides the issue, and assesses costs.

Appendix 1. MARTA CONTRACT CLAUSES RELATING TO ARBITRATION

1. Any dispute concerning or arising out of or in connection with any decision, determination, or other action by the Authority or its duly authorized representatives, or arising otherwise out of or in connection with the performance of the Contract, or arising out of or in connection with the warranty of the Work, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then in effect. For this purpose, arbitrators shall be appointed by the American Arbitration Association in accordance with Section 12 of the said Rules. If the amount in dispute is less than $25,000, one arbitrator, who shall be an attorney, shall be appointed; if the amount in dispute is $25,000 or more, three arbitrators, at least one of whom shall be an attorney, shall be appointed, and all decisions and awards shall be made by a majority of them, as provided in Section 27 of the said Rules. The arbitration proceedings shall be governed by and conducted in accordance with this Article, the said Rules, and Title 9 of the United States Code. The parties stipulate and agree that this Contract evidences a transaction involving commerce within the meaning of Section 2 of the said Title 9 of the United States Code.

2. The Authority will finance the Work in part by means of a grant under the Urban Mass Transportation Act of 1964, as amended, administered by the U.S. Department of Transportation under a capital grant contract between the Authority and the United States. In order to ensure that the Contract is performed in all respects in conformity with the said capital grant contract and with the laws and regulations governing the same, all disputes subject to this Article, and all questions arising in connection therewith, shall be governed by and decided according to the law applicable to U.S. Government contracts.

3. Arbitration in good faith of all disputes subject to this Article shall be a condition precedent to the commencement by either party of any action at law, suit in equity, or other proceeding involving any such dispute, and this Article shall be specifically enforceable under the applicable arbitration law. The arbitrators' award, and their decisions of all questions of law and of fact in connection therewith, shall be final and conclusive, and their awards shall be enforceable as provided in Title 9 of the United States Code.

4. Notice of the demand for arbitration shall be filed in writing with the other party to the Contract and with the American Arbitration Association. In the case of a dispute arising out of or in connection with any decision, determination, or other action by the Authority or its representatives, no demand for arbitration shall be made until the Contractor has received

written notice explicitly stating that the decision, determination, or action involved is final subject only to arbitration in accordance with this Article. In all such cases the Contractor shall file his notice of demand for arbitration within thirty days next after he has received such notice, unless, in the case of the particular decision, determination, or action this Contract prescribes a different time, in which case such different time shall control. In the case of a dispute arising out of or in connection with the warranty of the Work, the notice of demand for arbitration shall be filed within a reasonable time, not in excess of one year, after the dispute has arisen. In the case of all other disputes subject to arbitration under this Article the demand for arbitration shall be filed within a reasonable time after the dispute has arisen, but in no event more than six months after the Authority has formally accepted the Work as provided /elsewhere/. Failure to file a timely notice of demand for arbitration of any dispute subject to arbitration hereunder shall constitute a waiver of all claims and rights in connection with such dispute.

5. The parties mutually promise and agree that after either has filed a notice of demand for arbitration of any dispute subject to arbitration under this Article, they shall, before the hearing thereof, make discovery and disclosure of all matter relevant to the subject matter of such dispute, to the extent and in the manner provided by the Federal Rules of Civil Procedure. All questions that may arise with respect to the fulfillment of or the failure to fulfill this obligation shall be referred to an arbitrator who is an attorney for his determination, which shall be final and conclusive. This obligation shall be specifically enforceable.

6. Arbitration under this Article and all hearings in connection therewith shall be held in Atlanta, Georgia. All witnesses who testify at such hearings shall be sworn and subject to cross-examination by the adverse party; depositions may be used if, in the discretion of the arbitrator or arbitrators, the deponent is not reasonably available to testify thereat, and provided that the deposition offered in lieu of his testimony was taken under oath and after reasonable notice to the adverse party of the time and place thereof; notwithstanding sections 30 and 31 of the aforesaid Rules, an ex parte affidavit shall in no event be considered over the objection of the party against whom it is offered.

7. The Contractor promises and agrees that the provisions of this clause shall be included in all subcontracts into which he may enter for labor to be performed on, or materials or supplies to be delivered to, used in, or incorporated into the Work, and that if any dispute subject to arbitration under this Article involves labor, materials, or supplies furnished under any such subcontract, the rights and liabilities of the Authority, the Contractor, and all

subcontractors who are or may be involved shall be determined in a single arbitration proceeding.

8. The Contractor shall carry on the work and maintain the progress schedule during any arbitration proceedings.

Appendix 2. MARTA PROCEDURES FOR CONTRACTOR CLAIMS

I. Contractor Claim

1. Immediately after receipt from the Contractor, /Resident Engineer/ prepares a factual analysis, without recommendations, and submits to Construction Division. Negotiations will not be conducted with Contractor, although additional information may be requested.

2. Staff Counsel and Engineering Division advice sought and decision reached. Communicate to Resident Engineer.

3. Proceed as directed by the Authority to:

   a. Initiate change notice, or

   b. Communicate denial to the Contractor indicating right to appeal to the Authority submitting any additional documentation in support of his claim. Resident Engineer's letter to Contractor will not indicate that the decision or determination is "final, subject to arbitration" or words to that effect.

J. Contractor's Request for Final Decisions:

1. Submit to MARTA Construction Division.

2. Directors of Construction and Engineering, MARTA and /PBT/, Project Director, Engineer and Chief Staff Counsel will evaluate basis of dispute and will meet with Assistant General Manager for Transit System Development to provide him with recommendations.

3. If so decided by the Assistant General Manager for Transit System Development, Construction Division in coordination with Staff Counsel shall prepare a Final Decision for the signature of the Assistant General Manager for Transit System Development.

4. Delivers Final Decision to Contractor and records date, time and name of Contractor's representative receiving Final Decision.

5. Foregoing will be accomplished within 2 weeks (where possible) from Construction Division's receipt of Contractor's request for a Final Decision.

K. Contractor's Request for Arbitration:

1. Forward all related documents to MARTA Construction Division. Assist in evaluation and preparation of arbitration package.

2. Coordinate preparation of arbitration package, and provide necessary support of Staff Counsel.

CASE STUDY VI -

MARKETING IN MARTA

John W. Bates

"Marketing" communicates much or little. It is a commonplace term in business, with people relating immediately to the image of salespersons pushing products to make commissions for self and profit for company. The image of marketing in the public sector is frequently a blank screen, in contrast. How could a public agency have anything to sell?

There has been increased interest recently in marketing in the public sector, particularly in public transit with the Urban Mass Transportation Administration (UMTA) funding special efforts in transit marketing, and many transit agencies have created marketing organizations. This case reviews MARTA's marketing efforts.

Some Basic Conceptual Distinctions

This case begins with conceptual basics. One academic group proposes this definition of marketing: ". . . the process in a society by which the demand structure for economic goods and services is anticipated or enlarged and satisfied through the conception, promotion, exchange and physical distribution of such goods and services."[1] A large part of the business marketing literature, explicitly or by implication, adds the words "to achieve a profit."

How does this concept, especially with its emphasis on profit, relate to the business of a governmental or quasi-governmental agency, such as a transit agency? The relationship may be understood with more clarity when additional marketing concepts such as "marketing orientation" and "marketing concept" are considered.

An organization has a marketing orientation when it focuses activities on the types and quantities of products desired by potential consumers of the products, and when the enterprise shapes its production accordingly. This contrasts with a production orientation, where a conveniently or economically produced good is sold to as many consumers as will, or can be persuaded to, buy it. The marketing concept is a philosophy that includes the marketing orientation, where the business is organized and operated with a consumer orientation.

Marketing in the public sector seeks to apply the marketing concept, along with a consumer orientation, to the provision of public goods. Public goods are created when there is a consumer need that cannot, or will not, be met by the private sector, or when a product is necessary to increase or protect public well-being. Note that public sector marketing should not be confused with public relations. Public relations -- both in the public and private sectors -- deals with the image of the organization, not with consumers' needs and desires.

Without doubt, public-sector marketing has been a Johnny-come-lately. For many years the only major literature in transit marketing was Lewis M. Schneider's Marketing Urban Mass Transit.[2] Dr. Schneider analyzed transit marketing from the private-sector viewpoint, and concluded that its marketing strategies were woefully weak, and also that much more effort was required in advertising and in providing air-conditioned vehicles. Most transit companies were broke, or getting there fast, if still privately-owned; or they were already being operated as necessary evils by municipal governments. Hence very little new equipment was bought, and there was no money for advertising. Dr. Schneider's theory was not tested. Transit's orientation remained focused on production efficiency, that is, lower operating costs as contrasted with increasing the market.

The basic trend changed, definitely if not so quickly. Federal funds for transit appeared in the 1970s, and many air-conditioned buses were bought. Still more properties also converted to public ownership, with increasing subsidies to cover operating costs. Since it is difficult to justify expenditure of public funds for advertising a deficit operation, the emphasis remained on holding or reducing costs. Instead of advertising, transit marketing entered an era of merchandising, focusing on the package and its attractiveness. New paint jobs and graphic identifiers appeared; and catchy names came into vogue, such as "Magic Carpet" in Minneapolis, "The Ride" in Denver, and "The Bus" in Honolulu. Minneapolis also painted classic cars on the sides of buses, so people could ride to work in a Cord or a Dusenberg. UMTA contributed "demonstration funds" to try out various other merchandising schemes to improve transit's image with the public, such as fare-free days to encourage people to give mass transit a try.

This approach was sound in principle, but its results were underwhelming in mass transit. Merchandising schemes are basic to private sector marketing to supplement general advertising, or in lieu of it. Two-for-one and one-cent sales and attractive packages are designed to get consumers to try a product. If the product satisfies their needs, they will probably buy again at the higher, profit-making price. If the product does not bring satisfaction, however, the consumer will not make the repeat buy. The basic transit product merchandised in the early 1970's was the same product that had been losing customers for forty years, and the losses continued.

This experience with merchandising encouraged some fundamental rethinking. By the mid-1970's, transit operators and UMTA began to look at their basic product -- its pricing, its competition, and its consumers. A new era began, one of market research and product segmentation -- terms familiar to marketing professionals but new to transit. Transit began to consider the marketing concept, with a look at categories of consumers and their specific travel needs. It is too early to tell if this approach to transit marketing will work, either with the consumers themselves or with the transit industry, which is still basically production-oriented.

From the General Case to the Specific

Some specific experience may be instructive concerning the broader issue of transit properties gearing-up to a full marketing effort. This case describes the growth of the marketing effort within the Metropolitan Atlanta Rapid Transit Authority (MARTA), a growth that parallels that of the industry in many ways. The case provides an opportunity to follow the evolution of one effort in public-sector marketing -- to consider the what and the how, and perhaps to make some guesses as to how the new era of transit marketing will fare. The analysis process focuses successively on:

- MARTA's "position" in the market -- locally as one of the competitors for personal transportation services, as well as an influence on national transportation policy;
- the environmental forces and factors that affect MARTA marketing;
- the broader organization into which MARTA marketing must fit and the perambulations of marketing responsibilities in the organizational structure;
- marketing functions and responsibilities within MARTA, including the coordination of activities, as well as the lack thereof;
- MARTA's "marketing mix" -- the product, price, and promotion of transit in Atlanta; and
- methods and procedures used by MARTA to market its product, some successes and failures, and plans for the future.

MARTA's Position in the Market

Although MARTA has a monopoly in metro public mass transit, the Authority still faces stiff competition. Primarily, MARTA competes with private autos; and it also secondarily competes with other modes of transport, such as taxicabs, walking, or bicycles. Discounting the secondary modes, which account for a negligible proportion of "productive" as opposed to recreational or pleasure travel, MARTA accounts for about five to six per cent of total regional travel, up from four per cent in 1970-1972. About 80 per cent of all personal travel in the region is made by automobile drivers, and about 14 per cent by automobile passengers. There are about 4,000,000 daily person-trips made in the Atlanta region, with more than 200,000 made on MARTA. MARTA's share of total travel has increased by 20 per cent over the last six years. Revenue ridership increased 30 per cent and total ridership, including transfers, increased 35 per cent. Historical data on transit ridership, levels of service provided, fleet size, and route mileage are given in Table 1.

Appearances are substantially deceiving in this case. MARTA's "small" share of the total personal travel market is much "larger" than it might seem. That is, only a certain proportion of total trips are candidates either for transit or for any mode that does not provide extreme flexibility in destinations served and in time and duration of travel. MARTA carries 30 to 35 per cent of all CBD (Central Business District) work trips, and about 10 per cent of all regional work trips. Over the next several years, as rail transit services are implemented, MARTA's share of CBD work trips will increase to about 40 per cent, and the share of all work trips will increase to about 20 per cent. Projected levels of patronage and operations are presented in Table 2.

TABLE 1

TRANSIT OPERATING STATISTICS
FISCAL YEARS 1972-1977
(Vehicle Miles and Passengers are given in thousands)

	1972	1973	1974	1975	1976	1977	1978 (Projected)
For 12 Months Ending June 10:							
Revenue Passengers	45,810	51,681	56,357	57,984	59,504	59,782	61,037
Transfer Passengers	12,816	14,475	15,953	16,303	17,855	19,234	19,414
Total Passengers	58,626	66,156	72,310	74,287	77,359	79,016	80,451
Vehicle Miles Operated	19,236	22,419	24,637	26,985	27,203	27,507	28,234
As of June 30:							
Vehicles in Service	534	603	689	715	735	765	783
Route Miles	1,137	1,367	1,527	1,587	1,670	1,812	1,878
Annualized Vehicle Miles of Service	20,767	24,955	26,380	26,922	27,308	27,519	28,426

TABLE 2

OPERATING SUMMARY PROJECTION

	1978	1979	1980	1981	1982	1983
For 12-Month Period Ending June 30						
Bus Vehicle Miles[1] (000 omitted)	27,850	29,700	30,500	31,000	31,000	31,000
Rail Car Miles	--	720	2,630	3,930	4,300	6,500
Revenue Passengers (000 omitted)	61,750[2]	64,350	69,500	73,800	78,500	88,000
As of June 30						
Bus						
Vehicles in Service	804	841	841	851	861	861
Route Miles	1,920	2,000				
Vehicle Miles of Service (000 omitted)	29,250	30,200	30,800	31,000	31,000	31,000
Rail						
Cars in Service	--	81	100	120	120	150
System Miles	--	7[3]	12[4]	14[5]	15[6]	19[7]
Car Miles of Service	--	1,440	3,820	4,260	4,700	6,500

[1] Does not include special service operations

[2] 1978 total passenger boardings of 81.5 million includes 20 million transferring passengers

[3] Avondale to Georgia State

[4] Avondale to Hightower

[5] Avondale to Hightower: Garnett to North Avenue

[6] Avondale to Hightower: Garnett to Arts Center

[7] Avondale to Hightower: Lakewood to Arts Center

Patronage levels not adjusted for possible fare changes.

MARTA's activities are important not only to the Atlanta region in providing expanded capabilities for personal transportation, but they are also important nationally. To risk a bad pun, there is a lot riding on MARTA, in multiple senses. Only seven U.S. cities currently have rail transit systems (New York, Boston, Chicago, Philadelphia, San Francisco, Cleveland, and Washington); and two of these systems have been built in the post-war era (San Francisco's BART in 1972 and Washington's METRO in 1975). The Lindenwold Line of the Port Authority Transit Corporation in Philadelphia is also new, and very successful, but it is a single-line commuter service feeding into the older Philadelphia SEPTA system. Two other cities besides Atlanta are actively constructing rail transit systems (Miami and Baltimore), and a new high standard trolley system (called light rail) is underway in Buffalo. Both the Washington and BART systems have been plagued with mechanical and operating problems after extensive overruns in costs and schedules. Both of these transit programs have been criticized, with some people pointing to them as proof of the inappropriateness of major transit programs.

In this context, MARTA's prominence came early and the Authority may constitute <u>the</u> test case for public mass transit. MARTA attracted major national attention in 1972 when -- after an earlier and successful public referendum -- a sales tax was levied to help fund an integrated system of bus and rail transit, the bus fare was lowered, and the low fare generated a major (and unexpected) dramatic increase in ridership. MARTA's early success may even have contributed to the success of transit in general in gaining larger amounts of federal support. If MARTA's rail transit program is also successful, then the critics of major transit programs may be refuted. If the MARTA program is plagued by problems similar to those of BART and METRO, then increased or even continued federal support may be difficult to obtain.

This emphasis on short-term success is unfortunate, because changes in urban structure and major changes in travel patterns take many years to develop. Recall that the major changes which followed major freeway and highway developments took several years. The fact remains, however, that MARTA will be expected to attract large numbers of passengers quickly, and this implies a major role for marketing in MARTA, patently.

The Environment for Transit Growth

A major role in the development of MARTA's marketing program will be played by the environmental forces and factors working in the region. These forces -- cultural and social, political and legal, and economic -- relate to each other and to MARTA in complex ways.

1. <u>Cultural and Social Environment.</u> At least until the late 1960's, owning and using an automobile was a social activity as well as a means of mobility. As one consequence, the use of public transit became associated with lower social status. Part of this was generated by psychological factors related to a desire for release from shortages and unavailability of luxuries caused by the depression and war years. Public policy also contributed to the decline in transit by fostering suburban low-density housing far removed from transit services, as well as by providing modern expressways to meet the new travel patterns. So people with higher incomes and cars moved to the suburbs; and people with lower incomes stayed in the central city, still served by transit. This reinforced the class stigma associated with transit. Transit properties did not have the capital or operating funds to extend services to the suburbs, moreover, particularly services good enough to compete with publicly-funded automobile support-systems like expressways.

These powerful trends have been buffered some, if they have not been reversed. During the 1960's concern about the environmental impacts deriving from suburban sprawl and still-more intensive development of auto-oriented facilities tended to increase interest in transit as an alternative. Some people moved back to the city, some bought non-luxury cars, and some sought out transit as a means of social protest. The promotion of transit by interest groups generated some public support that allowed transit operators to increase their competitive position, if only slightly. And transit properties gave new attention to service, comfort, and availability that helped make public transit more acceptable to middle- and higher-income people.

2. <u>Political and Legal Environment.</u> In some urban areas, political decisions encouraged transit use by directly inhibiting or even prohibiting automobile travel in portions of the city, or during certain times of day. In other places, priority rights-of-way on streets and highways have been given to transit. None of these special treatments are available to MARTA, although MARTA continues to propose special bus lanes and similar features. National policies require local areas to achieve maximum use of existing facilities, but these Transportation System Management (TSM) efforts in Atlanta have so far given little attention to direct pro-transit projects.

The primary political and legal advantage for MARTA derives from the dedicated one per cent sales tax in Fulton and DeKalb Counties, and that blessing is limited in significant senses. After MARTA was approved by referendum, the General Assembly limited the proportion of sales tax to be used for operating expenses. The tax itself is to continue at one per cent only until April 1982, moreover, and then will be reduced to one-half per cent. Efforts to extend the duration of the full tax have been unsuccessful, although elected officials have used the tax extension as a bargaining tool to force the MARTA Board of Directors to adopt specific fare and service priorities.

The positions adopted by suburban and central city officials are in direct conflict, and neither side appears ready to compromise, or to accept compromises adopted by the Board of Directors. One such compromise was adopted in January 1978, when the Board committed to hold the fifteen-cent fare level until March 1979 as well as to expand service during fiscal years 1978 and 1979 by at least two million annual vehicle miles, or about seven per cent over then-current levels. Roughly, the 15-cent fare sought to gain support from central-city interests, and the new routes would meet suburban needs. The mayor of Atlanta characterized these efforts as a betrayal of trust, because the compromise also provided that the fare after March 1979 would rise to 25 to 35 cents, and thereafter would be set at whatever level it would take to meet the legal requirement that no more than half the tax receipts go to operations. The 1971 financial plan called for the fare to increase only five cents per year from 1979 through 1982. When the preliminary budget for fiscal year 1979 was presented to the Board of Directors, it projected an increase to 35 cents to meet expected operating costs. The Board of Directors responded by freezing MARTA hiring. A powerful urban legislator -- also chairman of MARTOC, or the Metropolitan Atlanta Rapid Transit Overview Committee, the state legislative committee overseeing the Authority -- countered by threatening to have the legislature set the fare at 25 cents. In contrast, the vice-chairman of that committee comes from a suburban county. He continually advocates increasing the fare so as to give his county its "fair share" of transit service, while refusing to accept MARTA staff analyses maintaining that service is equitably distributed within the service area.

Nationally, the political and legal environment for transit remains cloudy. The President's 1977 energy message contains almost no reference to public transportation, although the urban policy message does include some transit considerations. The 1979 budget proposal includes a hold-the-line level of transit funding. Both the House and Senate propose substantially higher levels of funding, but the Administration talks about an anti-inflation veto if the appropriations are not brought into line. The Administration proposal reprioritizes existing funding levels to the detriment of areas with aggressive and/or capital-intensive programs. "Friends of transit" on the national level have to work very hard to overcome anti-transit groups. The latter are influenced by academic critics who maintain that transit -- especially rail transit -- is uneconomical, ineffective, undesired, and energy-hungry. The pending transit appropriations bills include some highway spending to placate some of the opposition.

The pro-transit forces could use more and bigger successes by public transit on the local level as their prime arguing point. Hence, again, the importance of effective marketing efforts at transit properties like MARTA.

3. Economic Environment. The present economic environment both helps and hurts transit. The cost of owning and operating an automobile has increased steadily over the past few years, although some of these costs such as gasoline have increased in carefully-managed and small increments. The cost advantages of transit have become more obvious as a consequence, especially in places like Atlanta where the fare is very low. At the same time, however, operating and capital costs of transit properties have increased drastically. For example, the relative cost of diesel fuel for buses has increased more than gasoline. Labor costs also have increased substantially since transit has been taken over by public agencies, similarly, and labor accounts for about 80 per cent of transit operating costs. Some adjustments in labor rates were probably necessary, since the poor financial situation of many properties had held wages down.

Increased costs have also affected capital development programs. The purchase price of a bus more than doubled from 1973 to 1978. In Atlanta the cost of the rail transit system -- estimated at $1.3 billion for a seven to eight year construction period -- officially reached $2.3 billion as of the last estimate, and MARTA refuses to make a new total cost estimate because of inflation costs and an uncertain construction schedule.

Overall economic conditions within Atlanta also affect MARTA, although sometimes in opposite directions. The 1973-74 recession did not impact Atlanta's real estate-oriented growth rate until later than the rest of the country, for example. When the slow-down in construction did appear, it hurt economically. At the same time, however, MARTA began its heavy construction activity, and this helped the Atlanta economy and gave MARTA the benefit of lower bids from hungrier contractors. But low employment hurts MARTA by impacting the number of work trips, which comprise about two-thirds of all transit trips; and higher unemployment among central city blacks also impacts a large proportion of MARTA's captive riders.

Marketing Role in MARTA

The marketing function must fit into the overall organization, obviously. In a marketing-oriented organization, marketing concepts permeate the entire organization, regardless of the location of the unit carrying the marketing label. In a production-oriented organization, the unit with the marketing label is frequently found off to one side, with little influence on organization policy and practice.

MARTA's overall organization in 1978 is shown in Figure 1. There are four major units in the organization, or departments, each headed by an Assistant General Manager. The General Manager receives staff support from several assistants, four of whom manage the major departments of the Authority:

1. Department of Transit System Development (TSD): Responsible for design, construction, land acquisition and all other actions necessary for implementation of the rail transit system, including, in coordination with the Department of Transit Operations, preparation for the initiation of rail service operations.

2. Department of Transit Operations (DTO): Responsible for all service operations, including rail services when begun. This encompasses provision of line operating functions and supervision, dispatching, maintenance of vehicles and facilities, scheduling, route definition, operating standards and monitoring, patron and facilities security and definition of bus capital programs and schedules.

3. Department of Finance and Administration: Responsible for all administrative and housekeeping support functions, including personnel, accounting, treasury, investment management, computer services, internal audit, contract management, procurement, and administrative services.

4. Department of Planning and Public Affairs: Responsible for all externally-oriented activities, including community relations, local government and local agency coordination; coordination of all activities relating to the Urban Mass Transportation Administration (UMTA) of the U.S. Department of Transportation; public information, customer services, media relations, marketing; and for all long-range, systemwide program and service planning.

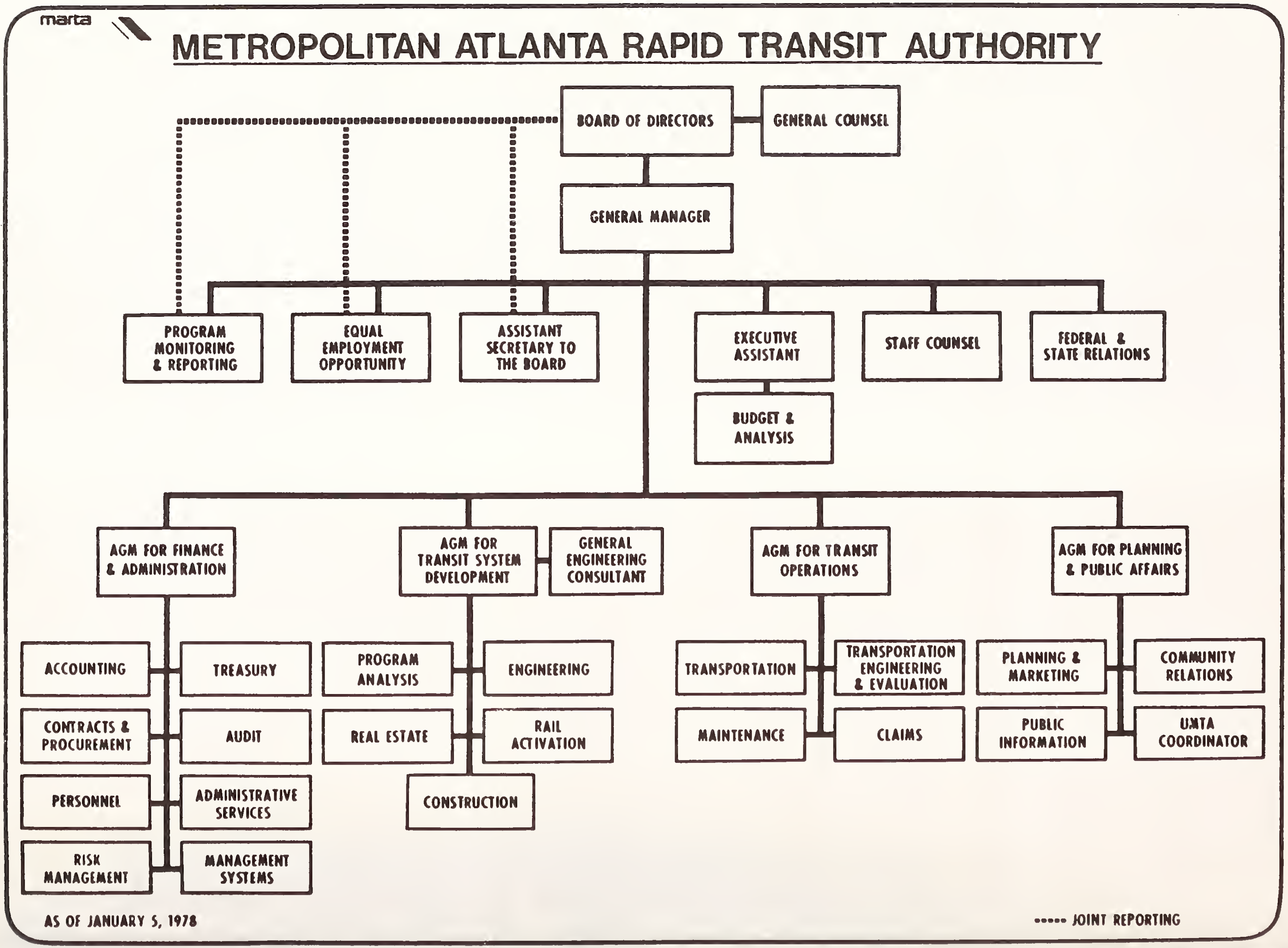
Three standing committees of the Board of Directors -- Development, Operations, and Finance -- each monitor one of the first three departments, in order. The Staff Committee, a fourth unit of the Board, has overall responsibility for personnel and equal employment opportunity, as well as for monitoring the Department of Planning and Public Affairs.

1. MARTA's Orientations. From the time of its organization in 1966 until the successful referendum in 1971, MARTA was definitely a marketing-oriented organization. All efforts were directed to research and planning to devise a program which would meet the needs of existing transit consumers and stimulate additional demand for transit services. The program had to be packaged, priced and promoted for existing and potential markets, in such ways that voters -- both users and those who might never use the product -- would approve it. The first proposal was rejected in 1968. A new plan, with a different product -- integrated bus and rail system with short-range bus transit improvements instead of a new rail system and continuation of the existing, separate bus system -- was devised. Moreover, a new pricing policy provided for a sales tax and low fare, with taxes going to capital and operating costs. This contrasted with property tax with capital costs and fares to cover operations.

After a 1971 referendum approved the new approach to pricing, MARTA's orientation changed. Three priorities emerged: improving the bus system; holding the fare constant, regardless of inflation and costs of additional services needed but not included in the plan; and building the rail system. Bus services were expanded, both to meet the commitments of the plan and to meet the largely-unexpected increase in ridership. Even more new services were requested by previously-unserved areas, and had to be provided when feasible. The original plan called for 106 bus-service improvements, but through January 1978, a grand total of 286 service improvements were implemented. Operating costs increased substantially during that period and, for a time, total

FIGURE 1.

MARTA's STRUCTURE



operating mileage had to be frozen in order to maintain the 15-cent fare. The improvements were made by deleting marginal or little-used service to obtain mileage to be put into new services or into maintenance of service on overloaded routes. The operating orientation was production efficiency. Marketing philosophy during part of this period implied that MARTA had all the riders it could handle, and did not need any more.

By 1975 the growth of ridership generated by the low fare and public awareness carrying over from the referenda campaigns, reinforced by expansion of service levels, began to fade. At the same time that the total service level was frozen, legislators and other public officials began to complain about the rate of expenditure of the sales tax for operations. These complaints were duly reported in the media, along with citizen lawsuits and complaints resulting from the construction program. This generated considerable negative publicity. MARTA management began to realize that a more effective and coordinated response to both the public and private markets was needed, and efforts were directed to incorporating an effective marketing program into the organization.

2. The Perambulation of Marketing Responsibility. The initial post-referenda organization included no unit with a marketing label. However, there was a Division of Communications, which included a Community Relations branch, in the Department of Staff Services along with Planning, Personnel, and General (administrative) Services. Communications would later be home-base for the marketing function.

Despite major reshufflings through 1974, the situation with respect to marketing did not basically change. Community Relations had been upgraded to full division status; and the Division of Communications became part of the General Manager's staff, headed by the Assistant to the General Manager for Communications and Marketing. This office actually did no marketing, however, just communications -- media relations, publications, special tours, and other public relations activities. Customer services and consumer information, such as system maps, route timetables, and telephone information were still handled in the Department of Transit Operations. This was a carryover from the days of the Atlanta Transit System, the privately-owned bus company which MARTA acquired in 1972. The graphics involved in the maps and timetables had been revised, to reflect the new MARTA image, and the telephone information service was significantly expanded, with accompanying promotion.

By 1975, the personnel and general services functions of the Department of Staff Services had been transferred to the Department of Finance and Administration. Staff Services became the Department of Planning and Public Affairs, with coordinating responsibility for two assistants to the General Manager: Communications and Marketing, and Intergovernmental Relations. Marketing continued to be an extension of the usual, external communications functions.

Marketing functions were scattered during this time period. Promotion first was in the Division of Communications, and later in the office of the Assistant General Manager. Customer Relations and information were in the Department of Transit Operations, in the Transportation division, and research and service design were in the Division of Transportation Engineering and Evaluation in DTO. At the same time, the Division of Planning was trying to become more involved in operations planning and research.

Some signs of a marketing consciousness surfaced, but briefly. Early post-referenda efforts of the Division of Planning were devoted to rail system development -- such activities as environmental impact assessment and station area development planning -- as well as to pro-transit aspects of the long-range regional transportation planning process. A major effort in the operations area involved an analysis of the impacts of the fare reduction on ridership patterns. As that effort neared completion in 1973, Planning tried to convert that one-shot effort into an on-going market research activity. The Division of Transportation Engineering and Evaluation decided that they had all the information they needed to manage bus operations, however, and the effort was shelved. Transportation Engineering's information and data-gathering programs focused entirely on ridership counts and utilization, without consideration of rider characteristics or overall trip requirements. They focused on matching supply and utilization -- on production management as contrasted with demand, either existing or potential.

In 1976 Communications and Marketing began to be interested in marketing as well as promotion, and proposed that some market research work be initiated. Planning personnel suggested that they do this work -- based on their experience and capabilities in research -- as an alternative to employing outside research firms. Communications and Marketing also began to attempt to draw customer service and information activities under its umbrella, and discussions about transferring the telephone information service from Transit Operations were initiated. Communications and Marketing also undertook to update and improve the system route map, and proposed that this work be done by an outside firm. Planning submitted a proposal to do the map work as an internal consultant, and was given the job.

Also during 1976, Planning and Transportation Engineering began intensive discussions to resolve conflicts about their assignments of responsibilities. This was precipitated by an overall organizational assessment that noted the similarity of existing assignments for operations planning and service design, and recommended that Planning get all service design, evaluation, and operations planning. The organization recommendation also included assignment of overall marketing responsibility to Planning, including day-to-day operations planning and evaluation. "Final" service design remained in Transportation Engineering, but with Planning serving as an internal consultant, on call. Longer-range operations planning and "preliminary" service design work was assigned to Planning, as was a major role in design of the feeder-bus network for rail services.

Finally, during 1976 Planning completed its part in a major MARTA activity -- development of MARTA's program to serve the elderly and handicapped. This effort had begun in 1972 as the emerging MARTA recognized that such special efforts were going to be required of transit operators. Planning had conducted a special marketing study, with detailed backgrounding in the problem areas, research into the size and needs of the particular market segment, evaluation of alternatives, design of a specific product, and development of an implementation and marketing plan. The program of special transit services for the elderly and handicapped was adopted by the Board of Directors in August 1976, and the first special services were begun in October. When federal regulations on elderly and handicapped public transportation were issued in November 1976, MARTA was already in full compliance.

Out of such activities, the Division of Planning in January 1977 became the Division of Planning and Marketing. This was based in part on organizational recommendations, the seeds of recognition of the need for a coordinated marketing effort, Planning's growing involvement and existing capabilities in marketing-type activities, the successful work on the elderly and handicapped program, and Planning's willingness to take on a job that just was not being done anywhere else. At the same time, Communications and Marketing was redesignated as the Division of Public Information, which was assigned to the Department of Planning and Public Affairs, headed by a Director. The marketing reorganization was completed in July 1977 when the telephone information service, BUSLINE, was transferred to Public Information.

Marketing Functions and Responsibilities

The structure for marketing activities stabilized in 1978 after perambulating through various areas of MARTA, with the unit wearing the marketing label designated as the Division of Planning and Marketing of the Department of Planning and Public Affairs (PPA). Having the label, however, does not mean Planning and Marketing fully controls the marketing function. The overall marketing structure will be outlined briefly in terms of the functions of marketing and their organizational homes, the responsibilities of the Division of Planning and Marketing, and the efforts to coordinate the various functions and organizations to achieve a coordinated marketing program.

Looked at more closely, for MARTA's purposes, marketing has five functional areas: market research, service design, service implementation, promotion, and evaluation. Different organizational units have responsibilities for all or parts of these functions, as summarized below and shown in Figure 2.

1. Market Research. Ongoing data collection and analysis of the supply of transit service and passenger utilization are performed by the Evaluation and Analysis Branch of DTO's Division of Transporation Engineering and Evaluation. Primarily, this activity involves stationing a traffic-checker at a point where one or more routes pass, and the checker estimates the number of people in each bus when it goes by, listing the volumes for each route. The "point checks" are at or near the location where the largest number of riders is usually on the route, as determined from "riding checks" with checkers riding each bus on a route and keeping up with boardings, departures, and net riders on the bus. Since the point checks are made where each bus has its maximum load, they are called "maximum load point" counts. Maximum load point counts are made frequently, but riding checks (where one checker must be assigned to each bus on a route instead of being able to count several routes from one location) are made only when absolutely necessary. Special surveys and market research studies are also performed by the Marketing and Research Branch of the Division of Planning and Marketing in PPA. These special studies are performed irregularly, on an as-needed basis. Ridership surveys by Marketing are more concerned with rider trip-patterns, attitudes, and characteristics than with gross volumes of riders. The data from both ongoing riding counts

and the market research studies are used by both DTO and the marketing unit to draw inferences about ridership so as to modify existing services and project the value of additional services. The data are also used to derive and employ models of transit-user behavior relevant to long-range planning for systemwide or corridor studies

4. Promotion. All public information and customer service functions are assigned to the Division of Public Information of the Department of Planning and Public Affairs. In some cases, for special projects, the Division of Planning and Marketing will design and implement a promotional program in conjunction with Public Information.

FIGURE 2

MARTA's MARKETING FUNCTIONS AND RESPONSIBILITIES

MARKET RESEARCH

Marketing and Research (PPA)
Evaluation and Analysis (DTO)

SERVICE EVALUATION

Evaluation and Analysis (DTO)
Marketing and Research (PPA)

SERVICE DESIGN

Transportation Engineering and Evaluation (DTO)
Transit Systems Planning (PPA)
Marketing and Research (PPA)

PROMOTION

Public Information (PPA)
Marketing and Research (PPA)

SERVICE IMPLEMENTATION

Transportation Engineering and Evaluation (DTO)
Transportation (DTO)

DTO = Department of Transit Operations
PPA = Department of Planning and Public Affairs

2. Service Design. The responsibility and full authority for service design rests with the Division of Transportation Engineering and Evaluation through its Bus Scheduling Branch. Suggestions for routes and services are offered by Planning and Marketing branches, especially for major systemwide or large-area revisions such as the reconfiguration of radial bus routes to serve as feeders to rail stations.

3. Service Implementation. After new services and revisions to existing services are designed and scheduled by Transportation Engineering and Evaluation, they are assigned to the Transportation Division, DTO, which is responsible for scheduling operators, dispatching, and supervision. Public timetables and schedules are printed by Transportation Engineering and Evaluation for distribution by transportation supervisors, or by the Division of Public Information.

5. Evaluation. Evaluation of existing services can be the first, or research, step in the marketing cycle; or it can be the last step if evaluation leads to modification of service. This activity is performed by the same MARTA units that do market research.

Marketing's Organizational Homes in MARTA

The Division of Planning and Marketing wears the label for marketing responsibility, but it has only a limited area of direct authority. Planning and Marketing has three branches -- Urban Design, Transit Systems Planning, and Marketing and Research. Urban Design serves as a bridge between system planning, engineering, and construction. Its marketing function involves translation of community needs and desires about the placement and function of rail transit stations and other major facilities into preliminary designs to be completed by engineers. Transit Systems Planning does long-range systemwide planning and corridor studies, and also is involved in the reconfiguration of existing bus routes into rail-system feeder services, but only as broad-gauge and preliminary work to be made final by Transportation Engineering. Marketing and Research was originally designated as the Research and Development Branch. This branch handled development of the elderly and handicapped program, and the 1972 fare reduction research studies. The staff in this branch turned-over completely during 1977, except for the manager, allowing restaffing with marketing-oriented rather than research-oriented professionals. Marketing and Research does special market-research studies and promotional programs, and has one of three graphic artist positions within MARTA. There are three professional staff, not including the graphics artist and the manager, in the Marketing and Research Branch.

All customer service activities and most promotional efforts are handled by the Division of Public Information. This division has the BUSLINE telephone information service, distributes individual route schedules, has internal publications, media relations and all advertising activities. The more general community contacts are assigned to the Division of Community Relations, which works with citizens' groups and organizations to explain what MARTA is doing, as well as to feed back the concerns of the community.

Coordination of Marketing Functions

When marketing was assigned to the Planning Division, the Director of Planning and Marketing quickly established a coordinating body whose single function was to minimize duplication or neglect of important marketing functions where responsibilities rested in different units. The Marketing Review Group consisted of the Directors (or their delegates) of Planning and Marketing, Community Relations, Public Information, Transportation Engineering and Evaluation, and Transportation. The Manager of Marketing and Research chaired the group as the Director of Planning and Marketing's delegate.

The Marketing Review Group had some initial successes, but its effectiveness waned. Some members began to miss meetings with regularity, while others apparently failed to pass on to their staffs or superiors the results of discussions. In other cases, MR Group members did not know about things that were happening within their own divisions. The Director of Public Information expressed dismay at one meeting when a subject was introduced for discussion that he did not know about beforehand, for example, even though it had been discussed earlier with one of his managers. That director objected about the Marketing Review Group to the Assistant General Manager for Planning and Public Affairs, maintaining that it was ineffective, and actually hindered communication and coordination. If this is not clear to the reader, imagine its impact on the marketing staff.

Effectiveness of the Marketing Review Group (MRG) ended when the Assistant General Manager for Planning and Public Affairs created a special task force, separate from MRG, to plan the information programs for the initiation of rail transit services. The Director of Public Information was named to chair that task force, and its members were drawn from the professional, submanagerial staff of the Marketing and Research Branch and the Division of Community Relations, assisted by a graphics artist from TSD. The task force report, prepared by the chairman, outlined a 12-month information program for rail service initiation, with the task force continuing to coordinate and supervise the program. The Director of Planning and Marketing gave the program itself favorable review. But he pointed out that the task force duplicated the Marketing Review Group, except for leaving out all operating department representation; and he also noted that the task force's members (except for Public Information) could not commit their organizations to implement any decisions. He suggested a merger of the two groups, or a reconstitution of the Marketing Review Group.

The Assistant General Manager for Planning and Public Affairs accepted that recommendation. On March 15, 1978, he abolished the Marketing Review Group and organized the Rail Activation/Bus Realignment Marketing and Information Program Coordination Task Force, with himself as chairman. The task force consists of Division directors, with no delegation permitted. It has the same membership as the Marketing Review Group, except that the Rail Start-up Division of the Department of Transit System Development replaced the Division of Transportation.

The Assistant General Manager for Planning and Public Affairs now had active overall coordination of MARTA's marketing programs. At least within three divisions in his department, coordination is directed through specific project and activities assignments; and voluntary or informal cooperation and coordination are required on an inter-departmental rather than on an inter-divisional level.

What Should Transit Marketing Do?

Marketing does not exist for its own sake, or at least it should not. Marketing should have particular objectives which match the overall objectives of the major organization, and which focus on particular audiences or target markets.

How does MARTA measure up to this obvious but elusive notion? Two points provide some sense of how MARTA's "is" approaches this "should."

Transit Objectives a la UMTA

The Urban Mass Transit Administration defined transit's objectives in general in 1972.[3] Three prime objectives seek to:

1. provide mobility for persons who -- because of age, income, disability or other reasons -- have no alternative travel mode;

2. decrease the relative proportion of urban travel using the private automobile (reduce congestion); and

3. exert a positive force on urban development patterns.

MARTA addresses these objectives through a three-part program. First, the sales tax/low fare method of financing reduces the total cost of transportation for people who need financial assistance. Second, the significant expansion of bus service and soon-to-be-here rail transit service provides more travel opportunities for transit captives and, with the low fare, makes transit much more attractive to the rider who has a choice. To this point, note that a 1977 survey of transit ridership by the Marketing and Research Branch showed more than 40 per cent of transit riders would make their transit trip as an automobile driver if they did not use transit, and more than 20 per cent would ride with an auto driver.[4] Finally, construction and operation of the rail transit system will make key areas more accessible, opening them for more intensive land development. MARTA works closely with local government planners and private developers in designing transit stations to maximize desirable land intensity and use.

Given the political and legal environment, locally and nationally, MARTA must also achieve some more pragmatic objectives. These have not been formally stated, but the objectives might be phrased in such terms:

1. complete and put the rail system into service effectively and with large ridership, on time and within budget.

2. continue to expand bus service into areas not now served, while maintaining and improving the level of service in areas now served;

3. increase both bus and rail ridership enough to hold the line on unit passenger costs, even though operating costs per vehicle mile may be increasing, so that fares can be held at obviously low levels;

4. obtain legislative approval for extension of the sales tax at the one per cent level beyond 1982 in order to increase borrowing power for additional, faster rail system expansion and to continue subsidy funds for fare maintenance; and

5. obtain additional grants of federal capital funds to extend the rail system, or to retire bonds.

This latter set of objectives is not as clean as the first set, and it implies such obvious conflicts as: expand service but hold fare at a low level.

MARTA's Target Markets

One way to work around these conflicts involves targeting the marketing program to certain parts of the population -- putting the effort where it will yield the greatest results. This requires a clear understanding of the target markets so that MARTA can "position" its product and its promotion.

MARTA has not formally declared its target markets. If it did, there might be three: captive riders, choice riders, and the body politic. Captive riders are those people who have no choice but to use transit; choice riders are those people who have the option to use an automobile but -- because of relative costs, service availability, convenience, or social factors -- choose transit for some trips. The body politic encompasses the people in the service area and their representatives -- elected, appointed, and self-designated. These critical persons pay taxes, appoint members of the Board of Directors, elect local and state officials, and variously enhance or limit MARTA's capabilities to serve the other two markets.

Careful attention to these market targets can be rewarding, but that attention can be difficult to sustain. For example, MARTA may dismiss the captive rider market too quickly, on the ground that this market is already well-served. A large proportion of MARTA ridership fits the traditional captive rider image -- lower income, central city resident, minority. A 1972 MARTA study,[5] however, showed that although nearly 75 per cent of lowest income families (less than $5,000 per year) were transit-user families, 25 per cent are not. And half the families with incomes in the $5,000 to $10,000 range were not transit-using households. These households are the most likely users of midday and evening weekday service; significantly, service which can be provided or expanded at low marginal cost.

Choice riders will account for most of MARTA's growth, at least on the weekday, but they constitute a difficult marketing target. Not only must the service be acceptable, but people must become convinced of its value. Choice riders are more expensive to serve because their trips are longer, moreover, and a high level of service is necessary. The captive rider has no choice but to wait, regardless of the headway between buses or trains, but the choice rider can get back in his car and drive. Reaching out to capture suburban choice riders may account for MARTA's decline in the number of revenue passengers per vehicle mile -- from over 2.4 in 1972 to less than 2.2 in 1975, 1976, and 1977, after that ratio had increased from 2.3 in 1971. Choice riders also tend to be peak-hour, work-trip riders, with higher marginal costs than nonpeak, nonwork trips. In addition, they also tend to require service on a full-day basis -- to provide the security of knowing there is a way to get home, or back to the car, during the day, as well as to provide night service for security against being delayed in leaving the office. With the exception of crosstown routes -- some of which are poorly utilized -- MARTA operates no services designed especially for travel patterns of potential suburban choice riders. Existing crosstown routes were designed on the basis of transfer requirements of existing riders, and judgments about the attractiveness of shopping malls and office parks, not on the basis of potential travel patterns of riders-of-choice.

While marketing programs for choice and captive riders can focus on providing direct service, marketing to the body politic cannot. Despite the temptations toward self-serving and "hype" public relations, marketing to the community at large can be truthful and informative. The body politic, transit user or no, must know that transit exists, that it has utility, and that the existence of a viable transit system is of value to them individually, either directly or indirectly.

MARTA's Marketing Mix

Marketing literature frequently refers to the "marketing mix," or the way an enterprise combines its product, price, promotion, and place (or distribution). Place or distribution in public transit is meaningless, since distribution is really part of the product. Pricing, product, and promotion are significant to MARTA and are discussed in detail here.

MARTA's Product

One of the cardinal rules of business, often observed in the breach as much as in performance, prescribes knowing what business you are in. MARTA and the entire community may be somewhat confused about its business, and what its product really is. In some people's minds, MARTA's business is building a rail system. Media and newsmakers, and sometimes even MARTA staff, occasionally refer to "when MARTA is built," skipping over the fact that MARTA has operated an expanding bus transit system since 1972. Others think only of running the expanded "bus company," to which the rail system will be added later. Few view MARTA as being in the business of personal transportation, yet most see MARTA competing with the private automobile.

What is MARTA's business as its users see it? The most important attributes of MARTA's product -- as identified by passengers in the 1977 ridership survey -- include low cost, avoiding traffic and parking problems, and energy conservation. Attributes of lesser importance include reduced pollution and making better use of individual time. Passengers identified these greatest needs for improvement: adding more buses to existing routes, better adherence to published schedules, improving comfort by having more seats available, and improving convenience by having buses available more often and precisely when expected. Interestingly, MARTA operations staff are very proud of their performance in adhering to schedules, a view apparently not totally shared by passengers.

MARTA has a certain flexibility in its product mix, but exploitation of that flexibility has been quite limited. Thus MARTA provides several types of service: full service radial routes, express and limited stop radial routes, crosstown routes, special collector and distributor routes, "reverse commute" routes, as well as special services for the elderly and handicapped. Some routes operate all day, every day; some operate all day on weekdays only; some have Saturday but not Sunday service; and some routes operate during weekday peak periods only. MARTA also operates charter, sightseeing, and special events services. Except for charter and sightseeing, however, all are traditional public transit services operating on a fixed route, fixed schedule, pre-scheduled and group ride basis. State law prohibits MARTA from taxicab operations; labor agreements limit the way buses are scheduled and operated; and federal regulations affect competition with other transportation services. MARTA has not experimented with services other than the traditional ones, except for the elderly and handicapped program, feeling that any other type of service would be inappropriate. Besides, goes the prevailing view, MARTA staff has plenty to do with the services they do provide.

Evidence suggests that the degree of flexibility is decreasing, moreover. Consider only one example. Routes and schedules are established by operating staff who historically enjoyed significant independence in route and schedule design, given the improvements approved by the Board of Directors and included in the referendum program. Recently, the Board of Directors -- which under state law has full powers to establish routes and schedules after public hearings -- has taken a more direct role in route approval, especially as pressure for maintaining the fifteen-cent fare has increased. MARTA has continued as policy the old requirement of specific approval from local governments to operate buses on their streets. Some feel that this approval is no longer necessary, but the question has not been brought to a head even though one route included in the referendum program was rejected by one small city a number of times, in spite of continued requests by area residents for the service.

MARTA's Price

State law gives the MARTA Board of Directors full power to set fares after holding public hearings, with the restriction that at least half of the tax revenues must go to the capital development program. On April 1, 1982, existing law mandates a tax-rate reduction to one-half per cent from the current one per cent, and the required set-aside of revenues for capital purposes will be 40 per cent.

MARTA's low fare/sales tax method of financing was a major breakthrough in transit financing. Before development of that concept, transit programs were traditionally financed by public funds for capital development only, with fares or user fees paying all operating costs. The MARTA method resulted from a political compromise with the low fare offsetting the regressiveness of sales taxes on low income families, which assured MARTA of dedicated funding large enough to proceed with the program. The plan also turned out to be good public economics. The original financial plan, developed in early 1971, anticipated having enough local and federal funds to build the 53-mile rail system, to expand the bus system, and to operate the combined system for seven years with a 15-cent fare. The fare would then increase by five cents each year to the eleventh year, and then it would be set to pay half the operating costs. Delays in starting the rail program, federal funds not available on the hoped-for schedule, and escalating costs of both capital development and operations began to squeeze the fare. MARTA froze the total level of bus operations to avoid going over the 50 per cent tax allocation level until federal operating assistance became available in 1975.

In spite of rising costs of operations, along with rising costs of everything else, political interests in Atlanta have held that the 15-cent fare was a sacred commitment and should change only in the terms prescribed in 1972. In January 1978, the Board of Directors decided the issue by establishing that the 15-cent fare would hold until March 1, 1979, but then would increase as needed to the 25 to 35-cent level. Thereafter, it would be set each year, as part of annual budget approval at whatever level would be necessary to meet the legal limitation of sales tax use.

Whatever else, MARTA has much experience with fares greater than 15 cents. When MARTA acquired the Atlanta Transit System, for example, three routes served areas outside Fulton and DeKalb Counties -- two into Clayton County where the 1971 referendum was rejected, and one into Cobb County which declined to join MARTA in 1965. These routes continued, but with passengers boarding and debarking outside Fulton and DeKalb paying the original fare. A special shuttle to Atlanta-Fulton County Stadium events continued at the 40-cent fare. A new reverse-commute route established into Gwinnett County also has a surcharge for out-of-county passengers. The four out-of-county routes get evaluated periodically, and fares are set for the out-of-county portion to pay full marginal costs. Since June 1975, elderly and handicapped passengers on regular route services during nonpeak operating period pay only one-half fare, or seven cents. The fares on the special elderly and handicapped services are higher, 25 cents for the special elderly service (E-BUS) and $1.00 for the lift-equipped bus service (L-BUS).

And no doubt exists that the 15-cent fare has meant doing more and more for less and less. In fiscal year 1973 the total operating costs per revenue passenger was 51.5 cents; that increased to 71.7 cents for fiscal year 1977, or 39.2 per cent. For the same period, the consumer price index increased 44.9 per cent. With the 15-cent fare, then MARTA's services in the aggregate are severely underpriced, both in terms of the cost of the services provided and in relation to general price levels.

MARTA's Promotion

MARTA's promotional efforts can be classified as both shotgun and rifle, with some activities covering both areas. But those activities are severely constrained, whatever their character. For example, early in MARTA's operating life, a small amount of paid advertising focused on the price and the general expansion of service. Paid advertising did not continue, however, because of the difficulties in justifying any expenditure of public funds for advertising, except for required legal notices.

Instead of paid advertising, MARTA developed an intensive public service announcement program for the electronic media, as well as a comprehensive "news bureau" approach for the print media. MARTA utilizes several channels for continuing promotional efforts, and undertakes special promotions that employ the regular channels as well as "project-specific" channels. These do not provide the combination of control, placement, and focus necessary for effective advertising. However, they are far better than nothing.

The regular channels include the BUSLINE schedule information service, Traffic Watch, the system map and individual route schedules, public service announcements and publications. BUSLINE provides schedule information, and travel counseling over the telephone. BUSLINE operates 16 hours per day, seven days per week. A staff of 19 information clerks and supervisors answers about 150,000 requests each month, compared to about 4,000 for the similar service offered by Atlanta Transit System. In addition, about 30,000 calls are lost each month because of capacity limits. Interestingly, the loss rate remains about the same even when the capacity is expanded. MARTA decided to hold-the-line on expanding BUSLINE, consequently, and emphasizes use of the individual route schedules by regular transit riders.

Schedule Distribution involves the printing of individual route maps and timetables for each route, and then getting them to users. Schedule racks are maintained by MARTA at several locations in the central area, and MARTA's Public Information provides bulk quantities of schedules for distribution by other agencies such as Georgia State University. BUSLINE operators also try to obtain the name and address of the callers in order to mail them copies of the schedule asked about. Schedule request cards are available in pockets in all buses, so patrons may mail in their requests. The request card is postage paid and pre-addressed to MARTA, and it gets major use. About three million schedules are distributed annually.

Despite such prodigious and multi-channelled effort, some little experimentation suggests much can still be done to get information about MARTA services into user's hands. For several years, new MARTA routes and services were promoted by distributing copies of new schedules door-to-door in the area served by the new route. During 1977 some new routes were promoted by sending schedules by mail along with an announcement about the new service. In 1978, Marketing and Research began printing schedules as clip-outs in neighborhood-oriented newspapers which accepted them as commercial advertising.

The SYSTEM MAP is a graphic rendering of all bus routes on an area street map and also includes general service information. the map is distributed by MARTA free on request, and also through banks and other institutions. Several area banks include the system map along with the schedule request card in the kits they provide new customers. Before 1977, only about 12,000 system maps were distributed each year. After the map was enlarged and improved by Planning and Marketing, however, distribution increased to about 60,000 per year.

TRAFFIC WATCH is a program begun by MARTA in 1976, and this issue-specific activity provides great coverage and free exposure for MARTA. All MARTA buses have radios, and operators call in traffic reports at preselected locations during weekday peak periods. They also report any special conditions, such as accidents. A member of the Public Information staff stationed in the radio room collects these reports and prepares a 30 to 45-second summary every ten minutes. The summary is transmitted by wire directly to participating radio stations for their use live, recorded for delayed re-broadcast within five minutes, or as information for their own announcers. Eleven area radio stations participate in TRAFFIC WATCH, and provide almost total market coverage.

MARTA receives several benefits from this service. First, MARTA receives exposure frequently during prime drive-time. Thus the summaries all utilize leads such as: "a MARTA operator reports extreme congestion at . . .". The regular MARTA announcer also has established a persona as "the MARTA Lady." Second, in exchange, each participating station provides two minutes of MARTA public service announcements daily -- 30 seconds each during the morning and afternoon drive-times and one minute during the remainder of the day. T. William Swinford, Assistant to the General Manager for Communications and Marketing when

TRAFFIC WATCH began, estimated that the commercial value of the free air-time MARTA received was at least $200,000 per year.

A spin-off of TRAFFIC WATCH occurred when WGST, the station carrying Atlanta Falcon football, reported traffic conditions for the stadium area as part of the pre-game show for home games. This helped promote the Falcon Flyer, MARTA's special service to the stadium from suburban shopping centers.

Public Service Announcements for radio are prepared monthly by MARTA staff, usually with "MARTA Lady" Beverly Molender as the announcer. A copy of the tape is provided to each of the TRAFFIC WATCH station participants for broadcast during the month. These announcements relate to safety, convenience, the image of bus drivers, MARTA-related street closings and construction activities, and "families" of bus service such as crosstown routes, park/ride lots, and elderly and handicapped services. The focus is on systemwide services and on the MARTA image rather than specific routes and services.

Agency publications are the last major channel of promotion. MARTA has three regular publications: RIDERS' DIGEST, distributed in about 120,000 bi-weekly copies on-board buses; TRANSIT TIMES, which is distributed bi-monthly to employees; and THIRD FRIDAY, which was formerly distributed monthly to all interested parties. THIRD FRIDAY was suspended in late 1977 while the entire publications program undergoes review and modifications. RIDERS' DIGEST includes progress reports on rail system development, announcements of improvements and modifications to bus service, kudos to operators sent in by passengers, and announcements of public interest. TRANSIT TIMES is a traditional internal newspaper with stories of interest to employees, along with service anniversaries, promotions, birthdays, retirements, and so on. THIRD FRIDAY included status reports on operations and rail system development, grant awards, and other "milestone" information.

MARTA also publishes an ANNUAL REPORT, required under law, which includes all of the information and public relations type stories common in corporate annual reports, as well as the financial information mandated by statute. In addition to the ANNUAL REPORT, state law requires another financial responsibility report to be published in the newspapers semi-annually, THE MARTOC REPORT, named after the General Assembly's Metropolitan Atlanta Rapid Transit Overview Committee and originally published as a legal advertisement.

In addition to the regular promotional channels, special promotions are undertaken on a project-by-project basis, and in the ideal case cost/benefit determinations provide a convenient measure of impact. Using direct mail and door-to-door distribution of schedule information for new or modified services was described earlier, as was the trial program of printing schedule information as clip-outs in area newspapers. A special brochure also was distributed by direct mail and as inserts in neighborhood newspapers to promote two of MARTA's Park/Ride lots. These two lots have unused parking capacity, and the brochure detailed routes and schedule information, location and accessibility, and economic advantages of park-and-ride versus driving to work. This program resulted in increases of 19 and 25 per cent in daily lot utilization, or about 40,000 annual passenger trips. The promotion cost about $4,000, not including staff time, and gained ten additional users per dollar expended.

Another special promotion accompanied the initiation of the DOWNTOWN LOOP -- special bus service following a circular route connecting major hotels, exhibition as conference sites, and so on. Marketing and Research developed a special graphic identifier and a schedule that used a color-coded map instead of the tradition listing of schedule times. Downtown businesses gave financial support to the service, and used MARTA-provided graphics as "drop-ins" for their own advertising. MARTA also developed a series of free-standing posters and displays to be exhibited in hotels, stores and hotel rooms, but costs prohibited continuing that effort.

Other targets-of-opportunity have motivated special programs. For example, when scattered federal offices relocated to the 101 Marietta Building downtown, MARTA staff met with move coordinators and groups of employees to explain bus services and to provide materials. The same effort will be expended when the new Russell Building for federal offices is completed in 1978.

Successes and Failures in Transit Marketing

Historical marketing efforts have met with varying degrees of success, and so it is with MARTA. In most cases, evaluation of marketing effectiveness is difficult because information impacts cannot be separated from service impacts. Moreover, some programs might even be too successful, as is the case with BUSLINE, where so many people used the service that it became almost unmanageable. The elderly and handicapped services program satisfied federal requirements and received critical praise. But the services have not attracted significant ridership, especially for the handicapped, and the cost-per-rider may be too high to continue. The Downtown

Loop service received a lot of attention -- a disproportionate amount for a single route -- but the ridership remains very low.

Generally, however, estimates of marketing's impact pose serious problems -- problems in calculating costs/benefits, in distinguishing effects attributable to marketing or promotion, and in allowing time for efforts to mature. The park/ride promotion showed some attributable effects, and the effects of TRAFFIC WATCH are significant although not quantifiable, except for the value of free advertising received as trade-outs. The new bus system map must have been successful, but the only measure lies in the demand for copies.

What Will MARTA Marketing Become?

The advent of rail service will create new challenges for marketing -- not only in the opportunities for information provision and presentation, but in the technical and institutional framework of the entire rail start-up program. The technical marketing challenge encompasses all of the development work remaining before trains run in revenue service: construction project completion, rail car delivery and testing, operating system installation and testing, and, very important, all of the activities necessary to reconfigure bus services to serve as feeders into outlying outer stations and as distributors from downtown. The institutional environment includes all of the decisions on start-up dates, fares, initial operating levels, and whether or not bus reconfiguration occurs similtaneously with rail service.

Bus reconfiguration is very complex, with about one-fourth of MARTA's bus service to be replaced with an entirely new operating concept when the first rail segment goes into operation, all of which will require the active participation of numerous local governments. In effect, MARTA must design an entirely new bus system, prepare new operating instructions for the new routes, prepare and distribute new schedule information to customers, and interface that new bus system with the rail service and the remaining three-fourths of the existing bus system. Ideally, all of this should occur without reducing service, or giving the impression of reducing service to all of the people now using the bus where rail will become available. Then all of these people, plus everybody else who might be attracted to the rail system, must be taught how to use the new package of services. Several primary channels of information are planned. These include:

- o The BUS SYSTEM MAP, updated to include rail lines and with the reconfigured bus routes.
- o Individual SCHEDULES for all of the reconfigured bus routes.
- o A RAIL USERS' MANUAL, explaining how the rail system and reconfigured bus system works and how to use it.
- o A comprehensive SYSTEM DIRECTORY that includes the map, individual schedules for all routes, and the USERS' MANUAL.
- o A short film showing the rail system and how to use it.

These channels will be employed in a variety of modes -- direct mail, handout at neighborhood meetings and at "preview" tours of rail stations, and so on. The objective will be to have the maximum number of people know about the system, how it works, and how to use it effectively before rail service begins.

Advance knowledge is important. The probability that things will go wrong technically during early operations is high enough. Adding to that the congestion and confusion created by passengers who do not know where to go, or when, could cause a nightmare. To this point, one member of the Board of Directors has stated that he believes a major part of the early problems encountered by the Washington METRO resulted from insufficient prior education of passengers.

In fact, it seems that the rail start-up not only poses challenges for MARTA marketing; the quality of that start-up probably also will go far toward determining the future of marketing in MARTA. Which way marketing goes at MARTA, increasing or decreasing in importance, will in large part be determined by how effectively the story of rail start-up is told to the potential passengers, and also by how well the rail system works. Marketing's future at MARTA depends on the overall success of the operating program. If operations succeed, then marketing will probably be allowed to grow and expand. If major problems in operations occur, however, marketing may well be viewed as an expensive luxury that must not be allowed to interfere with the important work of running the system.

NOTES

1. Statement of the Philosophy of Marketing of the Marketing Faculty, the Ohio State University College of Commerce and Administration, as quoted in Stewart H. Rewoldt, James D. Scott, and Martin R. Warshaw, Introduction to Marketing Management (Homewood, Illinois: Richard D. Irwin, Inc., 1977), p. 5.

2. Lewis M. Schneider, Marketing Urban Mass Transit (Boston: Harvard University School of Business Administration, 1965).

3. Guidelines for Applications for Grants for Capital Assistance Projects (Washington: Urban Mass Transportation Administration, U.S. Department of Transportation, 1972).

4. 1977 Bus Passenger Survey Report (Atlanta: Metropolitan Atlanta Rapid Transit Authority, Februay, 1978), Table 8.

5. John W. Bates, "Using Sales Tax to Support Low Fare Pricing of Transit Services in Atlanta," Urban Transportation Economics (Washington: Transportation Research Board National Academy of Sciences Special Report Number 181, 1978), p. 48

APPENDIX

The following is a list of the full series of case studies developed by the University of Georgia on the experiences of the Metropolitan Atlanta Regional Transit Authority (MARTA). All reports are available at cost through the National Technical Information Service, Springfield, Virginia 22161.

1. Developing an Arbitration Procedure for Resolving Contract Disputes: Preparing for the Worst While Hoping for the Best, by J. B. Trattner and G. J. Miller, July 1979. (NTIS Accession Number PB 81-154775, Price Code A02).

2. Assessing Electoral Defeat: New Directions and Values for MARTA, by T. A. Almy, W. B. Hildreth, and R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-154783, Price Code A02).

3. Structuring Intergovernmental Coordination: MARTA and the City of Atlanta, by T. A. Almy, July 1979. (NTIS Accession Number PB 81-154791, Price Code A03).

4. The MARTA Relocation Appeals Panel, by G. J. Miller, July 1979. (NTIS Accession Number PB 81-154809, Price Code A03).

5. Marketing in MARTA: Evolving an Innovative Role in Mass Transit, by J. W. Bates, July 1979. (NTIS Accession Number PB 81-154817, Price Code A02).

6. Designing the West Lake Station Area, by R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-154825, Price Code A03).

7. The MARTA Code of Ethics: "Conflict Between Private Interests and Public Responsibilities ..." by R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-154833, Price Code A03).

8. Reorganizing the General Manager's Office, by R.F. Perkins and R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-154841, Price Code A03).

9. MARTA's EEO Office: Three Complementary/Conflicting Roles, by R. T. Golembiewski and M. J. Anderson, July 1979. (NTIS Accession Number PB 81-157406, Price Code A03).

10. Relocating the Elderly: Six Cases of MARTA's Impact on People, by N. C. Rothman, July 1979. (NTIS Accession Number PB 81-157414, Price Code A02).

11. Whatever Happened to SOS? Community Conflict and Transit Development, by T. A. Almy and C. W. Proehl, Jr., July 1979. (NTIS Accession Number PB 81-157422, Price Code A02).

12. Facilitating Transition to the Several MARTAs, by R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-157430, Price Code A03).

13. Transportation for the Elderly: Happy Faces on a MARTA Bus, by C. W. Proehl, Jr., July 1979. (NTIS Accession Number PB 81-157448, Price Code A02).

14. MARTA and the 15¢ Fare: Keeping Whose Faith Until March 1979? by C. W. Proehl, Jr. and R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-157455, Price Code A02).

15. "You Seem to Have Given Up on Us ..., You Don't Seem to Care for the Authority," by R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-157463, Price Code A03).

16. What's Fair About Low Fare? An Economic Analysis of a Political Decision, by J. Bates, July 1979. (NTIS Accession Number PB 81-157471, Price Code A02).

17. MARTA Acquires the Atlanta Transit System: Who Assimilated Whom, and To What Degree?, by G. J. Miller and R. T. Golembiewski, July 1979. (NTIS Accession Number PB 81-157489, Price Code A03).

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