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U.S. DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C. 20590

STATEMENT OF CLAUDE S. BRINEGAR, SECRETARY OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS, SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS, REGARDING S. 386, WEDNESDAY, FEBRUARY 7, 1973.

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today to present the Administration's views on the major issues to be resolved in the development of legislation designed to meet the mass transportation needs of our urban areas. As this marks my first appearance before your Committee, I would like to say that I look forward to working closely with you in attacking the transportation problems of our cities. Also, I appreciate your allowing me to reschedule my testimony from yesterday to today.

Since my confirmation hearing last month I have devoted a great deal of time to studying both the highway program and the urban mass transportation program, reviewing proposals advanced during the last Congress, and working to formulate our current policy. While we haven't completed the details of our own legislative proposal in time for my appearance here today, we have formulated views on a number of the leading issues raised by S. 386, and I would like to address myself to them at this time. We expect to submit our detailed bill to you very shortly.

The most significant provision of S. 386 is the creation of a new class of categorical grant programs to assist "any mass transportation system which maintains mass transportation service in an urban area to pay operating expenses incurred as a result of providing such service". The Secretary of Transportation would be empowered to make these grants or loans--totalling $400 million a year for two years--"on such terms and conditions as he may prescribe" provided three conditions are met:

1. The services being provided by the system meet specific program objectives.

2. The applicant has submitted and has had approved a comprehensive mass transportation service improvement plan.

3. The services being provided meet a test of "efficiency".

The plight of the nation's urban transportation systems as they struggle to cope with rising operating costs, falling ridership, and other ills is a serious one--one that even in the brief time I have had to study the situation I can realize is most serious. Yet, I cannot believe that the approach proposed in S. 386 is the proper one for these reasons:

1. While most of the nation's urban transit systems appear to be sustaining operating losses in varying degrees, it is by no means clear that either the causes or the solutions are simple enough to be addressed by such a subsidy grant program as here proposed. Assuming comparable accounting data (a big "if"), just five of the systems--New York, Boston, Chicago, Philadelphia, and Los Angeles--appear to be responsible for

some 70% of the reported national operating deficit, which is some $500 million. New York alone contributes nearly half. Other big systems, on the other hand, appear to be reporting only moderate deficits and I suppose there still are a few that earn a profit. Why the differences? Are different objectives being sought by different systems? Shouldn't problems of such variability be attacked locally rather than by a massive new Federal program?

2. Pressures to work out proper local fares, routes, manpower levels, and wage rates--to name just a few of the variables--can only properly be dealt with at the local level where the real knowledge and responsibility exists, and where ultimately the tough decisions have to be made. To relieve this local pressure by offering an option of taking the "easy way out" and passing the higher costs and inefficiences upward to the federal level is to invite an accelerating subsidy program. The kind of concerns we feel can be seen in the reported deficits for the New York system, which went from a $77 million operating deficit in 1968 to a $179 million deficit in 1972; or in the Boston system, which went from a $42 million operating deficit in 1968 to a $71 million deficit in 1972; or in the Chicago system, which went from a $3 million operating deficit in 1968 to a $44 million deficit in 1972. Simply offering to divide up $400 million a year amongst the nation's transit systems certainly will not arrest galloping deficits such as these. Moreover, we should remember that these deficits, large as they

are, in fact, are being financed by local and state governments. So when we talk about transit deficits in reality we are talking about pressures on, and priorities chosen by, local governments in allocating their local tax resources and the funds they receive under general revenue sharing.

3. The American Transit Association identifies over 1,000 separate transit systems in the United States, of which at least 300 serve metropolitan areas of 50,000 and over. Depending upon our definition of urban, it thus seems likely that at least 500 would manage to qualify under the subsidy provisions of S. 386. The administrative problems of properly judging the needs, the plans, and the efficiency of each of these systems would be most serious, not to say costly and time-consuming. Some systems, for example, have labor costs that are 60% of revenues, while others are 80%. Should we insist that labor costs--or even particular labor rates--go down in the high ones, or revenues up, or a little of both, or what?

At this point I'd like to pause and say that I must admit that I am troubled by the negative aspect of my above comments. Please don't misunderstand me. I am not denying the seriousness of the operating loss problem. What I am saying is that this problem, like many in our country, cannot be best handled by yet another federal grant program. Real solutions can only come from local initiatives, local pressures, and local trade-offs. They include the use of traffic regulation to affect the choice of modes, land use control authority to affect development patterns which would better support transit, the pricing and supply of parking facilities, coordinating the uses of various modes of public transportation including taxi service, and the formation of institutions able to deal with such subjects effectively at the metropolitan scale. Such efforts--which are uniquely within the purview of state and local governments--coupled with a few broad-guage federal programs, seems to us to offer the most effective way of dealing with the root of the problem.

The federal programs that impact most directly on this effort are:

1. The present Urban Mass Transportation capital grant program, which is directed at modernizing and restructuring urban transit systems so that efficient and effective operations can be achieved. We support the provisions of S. 386 which would increase the contract authority available for such capital grants and planning assistance from $3.1 billion to $6.1 billion to retain a five-year forward program through 1977. This is consistent with a position the Department has taken previously before this Committee, and the increased amounts were recommended by the President in his 1974 budget. I would like to single out the role of the UMTA planning grants in helping find the proper solutions. With these grants the local authorities

can hopefully identify the key changes that are needed--in terms of traffic regulation, fare structures, route structures, kinds of service, land uses, etc.--in order to reverse the operating deficit trend.

2. The newly-proposed $800 million flexible urban fund which would be allocated to cities and states from a portion of the highway trust fund. These monies would supplement the specific UMTA grants, which are directed more at major projects, in a way that local authorities can more easily select the proper trade-offs between a wide variety of urban highway and other urban transportation capital projects in order to increase the effectiveness of the overall urban system.

3. The federal general revenue sharing program, which is returning at least $6 billion a year to states and cities for a very broad array of local uses, depending upon local priorities. These funds could be used for operating subsidies and, I would suspect, are being so used in some areas. Of course, as in the case of the other two programs, the infusion of federal dollars at the local level also frees-up local dollars for alternative uses, even though the direct route to operating assistance may be a little hard to trace.

As you can see, I believe operating assistance, despite an obvious need, can only be properly handled at the local level. Also, I believe the present federal programs which provide funds for related capital uses, plus very broad revenue sharing dollars, correctly define the proper federal role.

My final word on this subject is to offer a general comment on the financial resources of the federal sector as opposed to the state and local government sector. Interestingly enough, in just the past two years a trend has emerged which suggests that the overall financial health of the state and local governments may be relatively better than that of the Federal Government. This is not to say that there are not local areas which are having real problems, but overall the situation does appear to be improving.

Causes of this improvement include a lessening of school capital needs, better controls on local welfare programs, expanded local tax systems, a lessening of the rate of inflation, and, of course, increased federal assistance. In 1964, for example, federal grants to local and state governments totaled about $10 billion, compared with about $45 billion in fiscal year 1974. The 1974 federal total has reached the point where it is 21 percent of all local and state expenditures, compared with 15 percent in 1964. In this same area, the recently published Economic Report of the President shows that, in terms of national income accounts, the state and local sector, taken as a class, after several years of running either a slight surplus or deficit, moved into the black in 1970. The positive balance increased further in 1971 to $5 billion and then apparently jumped sharply to $12 billion in 1972. These data, coupled with the recently initiated general revenue sharing program, suggest that state and local governments will be increasingly able to provide the needed operating assistance. We feel quite strongly that only at the local level--and under local pressures, and with local knowledge--can the correct long-term decisions be made.

Finally, I would like to comment briefly on one other aspect of S. 386. We oppose the proposal to shift the federal share from a discretionary maximum of 66-2/3 percent to a mandatory 90 percent. We believe the current flexibility is useful in providing management direction to the program and we do not recommend a change to the flat 90 percent. We do favor shifting the maximum percentage to 70, to provide a level that makes it equal with highway funds, other than interstate, and with the proposed flexible funds from the Highway Fund.

We also oppose the proposed change in the federal share for the technical studies grant program from 66-2/3 percent to 90 percent. We favor changing the federal share to 70 percent to correspond with that for the highway program. And we support the proposed expanded uses of the program to permit evaluation studies contracted by the Federal Government.

I appreciate the opportunity to offer these comments. I wish our suggestions could be more positive, but we simply do not believe the situation calls for it. Now, either I or my associates will attempt to answer your questions.