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REMARKS PREPARED FOR DELIVERY BY
U.S. SECRETARY OF TRANSPORTATION DREW LEWIS
AMERICAN PUBLIC TRANSIT ASSOCIATION CONFERENCE
CHICAGO, ILLINOIS
OCT. 9, 1981

This Administration is fully and firmly committed to the improvement of mass transit for urban America.

We believe in public transit.

We have confidence in its future.

And we recognize our responsibility for upgrading the systems to make transit travel more appealing and enable transit authorities to operate more efficiently.

We want to provide the help you need most.

We want to help buy the new buses, trolleys and rail cars -- all the high ticket items that states and cities, on their own, cannot afford.

We want to help build the car barns, garages and maintenance facilities that will keep transit systems running.

We want to help pay the high costs of buying right-of-way, digging tunnels and renovating elevated systems.

We believe the Federal responsibility in financing these and other capital projects has been well-established, and that's a responsibility we intend to maintain.

We also have another very important commitment. We must turn the nation's economy around. Until we do that -- until we control Federal spending and bring an end to budget overruns -- we won't achieve the bright future for public transit that you and I both envision.

On the issue of economic recovery, we must first support the President. When President Reagan's program is in place and economic recovery is working, I will go back to the Administration and to the Congress, for the increased levels of capital funding needed to accelerate transit improvements. This is important to you and to the welfare of public transit.

The national economy has to take priority because for too many years we have been living beyond our means.

Congress last week voted to extend the national debt limit beyond the one trillion dollar mark. We are now less than $2 billion away from that level. Over the last 30 years the national debt has tripled -- to the point where interest costs alone are over $90 billion a year, almost half of the total credit market in this country.

Deficit financing has become our number one economic problem. The United States has run a deficit in 19 of the last 20 years. The problem has not been government revenues, which have been ample, but government spending --which has consistently grown at rates exceeding the rate of inflation. The only effective way -- the only lasting way -- to attack inflation and bring interest rates down is to prevent the kind of spending overruns that have plagued other administrations. Controlling the deficit is the only way to keep the government moving in the direction of a balanced budget by 1984.

That should be good news -- not bad news -- for public transit. Because inflation is particularly devastating to a labor-intensive industry like transit, where 80 percent of all operating costs are labor costs, and labor costs are so thoroughly indexed. In fact, if we can bring the inflation rate down by five or six percentage points, the savings would offset the loss in Section 5 funds for most of our largest cities.

That's why we must look at the President's budget reduction proposals realistically. Rather than seeking economic immunity for public transit, let's work together to consider what can be done within the Administration, within the Congress and within your industry to structure a budget that will move us toward our objective of a sound economy.

It is not only important but essential that we support the President's program. It will only work if we give it a fair chance. "The only answer to a government that's too big," President Reagan has said, "is to stop feeding its growth."

In that respect, the timing of your annual conference is fortunate because it affords an opportunity for us to deliberate together to carry out the spending program the President has outlined.

Where public transit is concerned, that program calls -- first -- for the phasing out of Federal operating subsidies, beginning in fiscal '83.

If we look at recent transit history we can argue, with some authority, that from its conception Federal operating assistance was a bad idea. Since 1973 transit wages have gone up at rates well above the consumer price index or the wage increases given to policemen, firemen and other transportation and public utilities employees.

As you know, we have no control in Washington over individual transit system routes, service levels, maintenance or management procedures.

We have no say in union contracts. On that score, we believe transit agencies should be free to enter into any kind of collective bargaining they wish -- but they should also be free to pay whatever the cost of that contract might be.

For example, my home city of Philadelphia recently reached a labor agreement that was generous, in my opinion, and probably more generous than it would have been if SEPTA had not been relying on Federal operating funds. Now SEPTA is facing a $15 to $20 million deficit this fiscal year, and the prospect of even larger deficits in the years beyond. We were not consulted on that agreement, and we see no reason why the Federal government should be asked to subsidize the costs of decisions where we have no participation, no control or no responsibility.

When we pay 80 percent of the cost of a new bus, and the state -- typically --pays for another 16 or 16½ percent, then the local community has to put up only three or 3½ percent of its own money to get a new bus. I believe that with that kind of assistance communities should be able to pay their operating expenses from farebox revenues and from local subsidies where necessary.

The President's economic recovery program calls, secondly, for additional across-the-board cuts in Federal spending if we are to stay within the $43½ billion deficit ceiling.

We have not yet determined where those reductions will be applied to the Department of Transportation budget, or what the effect will be on the transit program. We would welcome an expression from your Association in this regard -- perhaps as a product of this Conference.

The Congress, of course, will have a concern in this matter and will seek our advice. I would welcome your comments to guide us, both in our own deliberations and in our discussions with members of Congress. In the meantime, since we are operating under a continuing resolution, we will be funding programs for the time being at fiscal 1981 levels. Those levels are very likely to change when the new appropriations bill is signed into law. You and I must be prepared to use available capital and operating funds in those places where they will do the people of your cities the most good. As we work with the Appropriations committees, over the weeks ahead, we would like to accommodate the states and local communities whose budgets for this year are already set. We hope you will tell us how we can best do that.

Whatever adjustments may be needed in the short term to bring the President's budget in under the wire, public transit is a proven urban asset that can and must be strengthened and improved. Let me suggest just four areas of opportunity.

First, public transit needs continuing capital assistance to keep existing systems from deteriorating. We have to upgrade the maintenance facilities; we have to replace inefficient buses and the overage rail and trolley cars that should be in museums.

That's the proper role for the Federal government and we will continue to assist in those areas.

Secondly, transit needs an established revenue source to meet the operating costs that farebox revenues can't cover.

Transit is the one major industry in our country that has moved from the private to the public sector, but without a corresponding shift in financing. State and local governments must face up to the reality that they need a dedicated source of funding to support transit service.

Transit is still essential, especially for the urban "work" trip. Peak-hour ridership into and out of the central business districts of our major cities is as strong today as it was 50 years ago. On the other hand, per capita transit travel -- as you know -- has declined substantially, along with per capita revenues. In 1930 everyone living in urban areas averaged 203 transit trips a year. Today the average is only 35, and the farebox can't pay the bill. Without a dependable source of local funding, transit will forever be subject to the uncertainties of budgetary and political circumstances.

Third, transit means business for America's urban communities because it creates jobs and adds value to commercial property. Public transportation has been, and will continue to be, an inducement to business and urban development in cities all across the country.

But transit systems have not always been operated on the basis of sound business principles. One important purpose of UMTA's Section 15 data is to provide information that will give local policy makers an opportunity to evaluate the performance of the transit system serving their communities -- to judge where better management might produce real economic benefits.

Fourth, the transit industry must seek out the labor innovations and improvements in productivity needed to trim costs and prevent the transit industry from going the way of the railroad industry.

There are two aspects to the transit labor problem. On the one hand, transit wages are going up while productivity is falling. Ten years ago our transit systems generated 13,500 vehicle miles of service per employee: today, less than 11,500. From the management point of view, declining productivity in an industry that enjoys relatively high wages and fringe benefits should be a clear signal that something is wrong in the workplace.

From the worker's point of view, transit in its present form is an occupation with limited opportunities for career progression and a high index of job dissatisfaction. Absenteeism has reached the point where we now estimate that 25 percent of the entire Federal operating assistance program is needed just to pay for bus drivers who don't show up for work. High labor costs are being made higher by outdated attitudes on the part of both management and labor.

Transit managers and labor leaders need to look carefully and inventively at the entire transit labor picture, to see where innovative actions can be taken to improve both job satisfaction and worker productivity.

In these and other areas, the transit industry today must look to its strengths, and to the potentials for providing better service to its customers and a better quality of life for its workers.

Finally, let me just say a word or two about Art Teele. You've been working with him and you'll be hearing from him later in this conference. I just want you to know that I consider Art an outstanding administrator -- a man who has brought fresh leadership and enthusiasm to UMTA. I have confidence in Art and in his ability to serve our country and the transit industry.

There is a new era of prosperity ahead for all of us with faith in America. Under President Reagan's leadership we are charting a new course -- one that will restore our nation's strength and vitality.

Transit especially will share in the benefits of reduced inflation, greater productivity and increased job opportunities. The little we are being asked to do today will pay big dividends in the years ahead -- both for the transit industry and for the dreams that are still ours in America.

Thank you.

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