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REMARKS PREPARED FOR DELIVERY BY U.S. SECRETARY OF TRANSPORTATION
NEIL GOLDSCHMIDT, AMERICAN PUBLIC TRANSIT ASSOCIATION LEGISLATIVE
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Last September, shortly after becoming Secretary of Transportation, I had the opportunity to address the APTA convention in New York City. My message at that time was simple and straightforward: the combined impact of the sustained energy crisis and the attendant economic pressures created by it were putting our country to the test --a test that I compared then to that faced forty years ago before our entry into World War II, when the question was one of industrialization, preparedness, political will and productivity.

Nothing that has occurred since September has changed my view of the seriousness of this situation or the significance of this test.

Energy availability and energy cost continue to be the driving factors in our economy and in the shape of the world.

And transit continues to stand at the top of this Administration's list of solutions to this most pressing national problem.

But I believe there has been one fundamentally important new development. For if the twin issues of energy and the economy represent a cross-roads for the country, now they also represent a cross-roads for transit.

For 30 years, from the mid-40s to the mid-70s, transit in this country was a second class citizen in a transportation system dominated by the auto.

For 30 years, our national assumptions were that oil would always be cheap and plentiful, that cities would always be expendible, that air could be polluted and land gobbled up by sprawl, and that our capital resources were as unlimited as oil and capable of buying us out of any problem.

Today this entire set of assumptions is open to question.

And as a result, transit's future is on the line.

In the decade ahead, transit -- and those who operate our systems -- can lead our nation into a new era where new, workable assumptions dominate -- new assumptions regarding energy conservation, urban conservation, capital conservation. Transit can be the cutting edge of change in our era of increased efficiency in the use of all our resources -- whether energy or dollars.

But transit cannot play this role if we adopt a 'business as usual' attitude.

We cannot create new transportation habits in our people if we cling to old service habits in the operation of our systems.

We cannot create new political constituencies for expanded transit programs in the future if we cling to the old formulations of the past.

And we cannot make a convincing case to anyone about a new set of working assumptions for our nation if we are unwilling to embody those assumptions in our own operations.

Simply stated, that means this:

- * If we believe in the need to conserve energy, transit must act to demonstrate its capacity to deliver service and savings.
- * If we believe in the need to guarantee American mobility, regardless of the cost or availability of foreign oil, transit must be prepared for any eventuality.
- * If we believe in the importance of productivity for the economy, transit must demonstrate how to achieve it in the transportation sector.
- * If we believe in the value of local initiative and local effort, transit must demonstrate its willingness to work on its own behalf in communities all over the country, facing up to all kinds of issues that cannot be passed over any longer.
- * And if we believe in the importance of efficiency in the use of our resources, then transit must take the lead in stressing efficiency in the design and operation of what has become a basic element of our national transportation system.

That is the crossroads.

As we embark on an effort to achieve new transit legislation in this session of Congress, transit itself must be prepared to choose: Will we settle for more of the same, business as usual? Or is this the time for transit to take the lead in defining both a new era for transit and a new direction and new assumptions for the country?

Clearly, part of the answer will come from additional resources. When I spoke to you in September, the enactment of a windfall profits tax with substantial new money for transit was a key legislative priority. Today, thanks to your hard work, we are close to achieving that objective. I firmly believe that Congressional action will see to it that the \$16.5 billion proposed by the President for transportation energy initiatives will be a reality.

Based on this expectation, we are proposing significantly increased Federal support for transit between 1980-85: We would greatly increase authorization levels for the UMTA section 3 discretionary capital program, section 5 formula capital and operating assistance program, and the section 18 program for capital and operating assistance to non-urbanized areas.

But the challenge for transit is not solely one based on the amount of resources available. It is, as well, a matter of the use of the resources in efficient and effective ways to contribute to the solution of our energy and economic problems and the development of a more conserving and productive direction for the country.

For the fact of the matter is that the demands on transit have changed significantly in the past seven years -- but the approach to Federal assistance has not kept pace with that change. Now we are proposing several key changes to re-shape Federal assistance -- to bring that assistance into conformance with the new realities of our time.

Specifically, we want to solve the bus procurement hassle with direct Federal intervention; and we want to re-structure the distribution of section 5 funds to support our national transit goals of increased service, increased attention to farebox effort and increased efficiency in the operation of transit systems.

First, let me spell out in some greater detail what our bill proposes in the way of additional resources. This bill was developed as part of a 10-year program that will result in \$53 billion of Federal and local investment in transit capital projects over the decade. Our proposed funding levels assume the Windfall Profits Tax revenues, which we fully expect.

Our bill increases the authorization levels for the UMTA section 3 program by an average of more than \$1 billion per year over currently authorized levels for fiscal years 1980 through 1983. In addition, it extends the authorizations into fiscal years 1984 and 1985 at approximately \$3 billion per year. Our total increase would add \$10 billion to the current authorization levels for a total program of over \$16 billion through fiscal year 1985.

For the section 5 program, we would add approximately \$6 billion in authorizations for a total program of over \$11 billion through fiscal year 1985.

For the section 18 program, we would add authorizations for an additional \$420 million extended through fiscal year 1985.

The significantly higher funding levels and extended time frame should mean increased service and improved reliability for our nation's transit systems -- and their riders. But just as important as the increased funding and increased stability is our new approach to distributing the section 5 funds. Here, we believe it is vitally important that the distribution of those funds should reinforce and advance our objectives for transit service around the country, and send a clear message regarding the rules for support of that service in the decade ahead.

Those objectives can be stated quite simply. We seek:

- to get the greatest return on Federal operating assistance funds by relating those dollars to transit service levels;
- to provide incentives for good transit system management and increased fare box revenues by establishing limits for operating assistance in terms of operating costs rather than operating deficits;
- to provide incentives for transit to achieve key national goals in energy conservation and cost control by linking the operating assistance formula to improved efficiency and increased ridership and revenues;
- to increase the equity of the allocation in terms of the proportions of operating expenses covered by Federal assistance.

As you examine our proposals for the allocation of section 5 funds, you will see the connection between these objectives and our proposed re-shaping of the program.

We want to encourage the expansion and improvement of transit services and we want to reward such changes through the section 5 program. Under the current formula for distribution of section 5 funds, most of the money is allocated on the basis of population and population density, which has little relationship to transit service in an area.

This formula delivers an ambiguous signal about local responsibility and offers no reward where exceptional effort is made. We want to change this to provide a clear signal of what the Federal role is, so that local transit authorities can plan and develop their own level of financial assistance.

Therefore, we would change the basic formula for apportioning operating and capital assistance to one based 50 percent on population and 50 percent on the number of revenue miles traveled by transit vehicles. With vehicle miles included, the formula reflects the level of transit service that is offered and provides incentives to expand that service. Similarly, our proposal would revise the formula for distributing funds reserved for bus capital purposes to base it on bus revenue vehicle miles. The current formula for allocating funds to commuter rail and other fixed guideway systems would not be changed since it already is based on factors which reflect service levels - train miles and other fixed guideway miles. Our proposal, which would take effect at the start of fiscal year 1982, includes a "hold harmless" provision for operating assistance for localities that may not initially benefit from the change.

A second major change we propose concerns the operating assistance aspect of the section 5 program. We are concerned that, under the current program, local areas have no incentive to devise and implement realistic fare policies and indeed have a disincentive to raise fares.

I do not believe that it is realistic to expect farebox revenues to cover all transit operating expenses. At the same time, we cannot expect that fare levels will stay low while operating costs go up and the cost of auto travel rises rapidly. We must encourage realistic fare policies; otherwise, with local and Federal subsidies constrained by fiscal realities, the only alternative would be to cut back on service.

Therefore, we propose to base Federal operating assistance on the total operating expenses of a transit system, rather than on operating deficit as under current law. With this change, areas can move forward in the development of their own fare policies to meet their own local situations without facing the prospect that increases in fares will lead to decreased Federal assistance.

In tandem with this proposal, we believe that the level of the Federal share for operating assistance needs to be adjusted. Under current law, Federal funds can provide up to 50 percent of the operating deficit. In a few areas, the available Federal funds do represent 50 percent of the deficit. In others, particularly the larger, more transit intensive areas, a much smaller percentage of the deficit is covered by the Federal assistance. We do not believe this is equitable. Therefore, we are proposing that the limit on the Federal share be reduced gradually at a rate of 3 percent per year over the life of this bill, starting with a limit of 43 percent for fiscal year 1982. This phased reduction is designed to minimize dislocations in transit management decisions and operations, while increasing the equity of Federal participation in the operating expenses of various areas. This limit would not affect the total local apportionment, since funds that would not be used for operating expenses could be used for capital purposes.

Finally, I believe that there should be incentives within the structure of the section 5 program, for transit systems to increase ridership and to improve the ratio of operating revenues to total operating costs. We need to have a direct link between this program and our national efforts to reduce energy use, achieve more cost efficient movement of people and increase transit ridership and revenues. Therefore, we propose to authorize separate incentive funds in section 5, which would be awarded to areas in which transit ridership increases by 5 percent or more over the previous year, or in which the ratio of operating revenues to total operating costs exceeds the national media. An area meeting one of these criteria would receive an amount equal to an additional 7.5 percent of its section 5 apportionment - other than the bus capital tier. If the area met both of these criteria, its incentive grant would be 10 percent. This new part of the section 5 program would be separately authorized and begin in fiscal year 1983. It would, I believe, be a major impetus for developing a stronger revenue base for transit operations and for systematic local efforts to attract more people to transit systems.

With the changes that I have outlined, I believe section 5 will become an even more important agent for the improvement and expansion of transit operations.

A vital concomitant to the expansion of transit service is a workable solution to the equipment procurement hassle. The current situation -- characterized by undue delay, inadequate competition, excessive customizing, and, I believe, dangerous exposure to mobility loss in the event of an energy emergency -- must be changed if transit is to perform up to the level that is being expected of it. In September I offered to APTA the suggestion of a Federal strategic bus reserve, created by authorizing UMTA to buy transit equipment directly from manufacturers for subsequent transfer to transit systems for their use.

The legislation we have proposed contains just such a provision. After analyzing the concept since September, we are convinced that the advantages of this approach for the bus industry are substantial and compelling: it would deliver a message to the market about the true national demand for transit equipment; increase competition in the industry and perhaps stimulate new entries into the business; reduce the excessive delay in obtaining equipment which plagues systems today; and create a strategic bus reserve capable of protecting us from any possible mobility crisis that could result from an interruption in oil supplies.

This innovative direct purchase authority offers the bus manufacturers the assurance of a reliable and steady flow of orders, rather than being subject to the start-again, stop-again pattern of orders from individual areas. This pattern has been a serious detriment to the continued economic health of our domestic bus industry. With the proposed authority, the manufacturers will be able to plan and use their facilities more productively. Indeed, this suggestion, coupled with increasing demand for equipment, has already helped to stimulate Flexible and General Motors to go to two shifts and increase production by four buses per day. Moreover, we anticipate greater opportunity for standardization through the Federal purchase mechanism. In addition to improving the financial health and stability of the manufacturers, we would hope that this would lead to a lower per unit cost for the buses than would otherwise be the case.

As you know too well, the current lag time between deciding to order a bus and actually taking delivery of the equipment is 12 to 18 months. We expect that this proposal will cut that time by one third, possibly even one half. Those areas which choose to make use of this new program and have had their applications approved by UMTA will enjoy the prospect of immediate delivery of their buses rather than the continuing process of bid, award, manufacture and then final delivery. Smaller areas will particularly benefit from this program, since they will not need to develop or contract for the special technical and financial expertise that is needed for the actual procurement process.

This new authority thus offers a regular market to bus manufacturers, more employment opportunities, an efficient delivery system to local areas, a strategic bus reserve in the case of a serious energy emergency, the economies of scale and standardization, and - in the last analysis -- more transit provided more quickly to the American people. It is one element of our efforts to increase the amount of equipment available to transit systems. We are concentrating, as well, on efforts to enhance vehicle maintenance for greater use of equipment once purchased

and the creation of a stockpile of used buses as a further reserve. If we have reached an end to the era of throw-away cities, we have as well arrived at an end to the era of throw-away buses. Last month we issued a proposed policy and procedures for Federal participation in bus rehabilitation. Your comments would be most welcome.

Finally, I would suggest that this new procurement authority may be used as another tool to encourage U.S. manufacturing and the jobs provided thereby. I am convinced that our economy is not well-served by substituting the export of jobs and dollars to buy transit equipment abroad as a replacement for our current export of dollars to buy foreign oil. I expect that this procurement authority can be an instrument to encourage foreign manufacturers to establish production facilities in the United States.

Before closing, I would like to mention the section 18 small urban and rural assistance program. I believe firmly in this program. It is an essential part of the President's small community and rural development policy. While my own background is as a mayor of a metropolitan area, I am well aware of and excited by the prospects and potential of public transportation service in non-urbanized areas. I would be less than candid not to acknowledge that the section 18 program has had start up problems. I hope and believe that many of those problems are now behind us. The question of the impact of the section 13(c) labor protection requirement is something that we need to examine carefully, in cooperation with the Labor Department and the affected State and local government officials, but we do not propose any statutory change at this time.

Our bill would provide additional authorizations for the rural and small urban program, and would also ensure that each state would receive at least one percent of the section 18 apportionment. This minimum apportionment would enable every state to plan and implement a meaningful public transportation program for non-urbanized areas, whereas the present apportionment received by some states is so small that it is not practical for them to try to make use of it. I am determined to make this program a success, and I think these amendments are essential.

Finally, I believe we get back to the fundamental question of our vision for transit in the decades ahead. Let me describe my vision:

I see transit as a basic component in the daily lives of more and more Americans.

I see it as a tool, not only for community development in the physical sense, but for development of a sense of community in human terms.

I see transit as a positive force for conservation, and as an expression of our understanding of the need to use our resources more wisely.

I see transit as an instrument -- yes, an insurance policy -- for economic growth, for increased productivity and efficiency in our economy.

And I see transit as an integrating thread -- weaving together mobility, energy, community development, environmental quality, and more.

If we are to achieve this vision -- or another, even more ambitious one -- it will be as a result of your efforts and your belief that there will be no barrier of old reasons or old habits, which can keep us from working this out together. And it will be because, at the Federal level, the transit legislation on the books offers a coherent, workable and supportive approach to meeting these goals. It will be because our vision and our public policies are working together, rather than at cross purposes.

We can choose the path that will place transit in the leadership role in this country; the time is short, but the nation's needs compell our cooperation and our success.

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