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TRANSIT COSTS GOING DOWN DUE TO REDUCED INFLATION

President Reagan's economic policies have reduced the transit industry's costs of doing business, allowing more to be accomplished with limited federal and local financial resources, according to the Department of Transportation's Urban Mass Transportation Administration (UMTA).

Secretary of Transportation Elizabeth Dole said, "Principal among the benefits of reduced inflation is that transit projects, whether public or private, are more cost-effective than they otherwise would have been. While transit projects used to suffer frequent cost-overruns, numerous projects are now being completed below estimate.

"We at the Department of Transportation are very encouraged by this trend and are working to see that it continues," Dole said.

UMTA Deputy Administrator Alfred A. DelliBovi said the agency has identified major savings in a number of recent new construction and procurement projects across the country.

New Jersey Transit, for example, saw a savings of almost 33 percent when a bid on 110 articulated buses came in \$10.8 million below the estimated cost.

In Massachusetts, signal work at Needham for the Massachusetts Bay Transportation Authority was estimated at \$6 million, but the bid actually came in at \$4.2 million for a savings of 30 percent.

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A bus garage in East St. Louis with an estimated cost of \$21.9 million actually cost \$18.5 million for a savings of \$3.4 million.

Railcars for the Bay Area Rapid Transit in California estimated to cost \$168.6 million actually cost \$146.8 million, for a savings of \$22 million or about 13 percent.

Planning costs for the Banfield light rail project in Portland were developed assuming a 12 percent inflation rate. Despite a number of design changes, the project is expected to cost at least \$7 million below estimate.

"My observation is that the administration's success in bringing down inflation has delivered notable benefits to the transit industry," DelliBovi said. "This makes the value of the total UMTA program far greater than it would have been under the old inflation rates."

The cost of the most common transit vehicle, the advanced design bus, ranged from \$90,000 to \$100,000 in 1978, and increased to as much as \$150,000 in 1980. Current procurements suggest that the cost of such vehicles is declining to the \$140,000 to \$145,000 range, he said.

UMTA assisted in the purchase of more than 2,500 standard coaches in fiscal year 1986, DelliBovi said. Assuming a savings of \$50,000 per bus from reduced inflation, the total amount saved by the transit industry equalled more than \$125 million, enough to purchase 850 additional buses.

Inflation as measured by the Consumer Price Index has dropped from an annual rate of 11.7 percent when President Reagan took office in 1981 to just 3.7 percent in June, 1987. More importantly, an index which traces cost inflation in the construction industry is down from 9.1 percent in 1981 to 1.7 percent in 1987.

Consequently, construction costs are 38 percent lower today than they would have been if the 9.1 percent rate had continued. "Viewed another way, for every three miles of subway we could have built under the old inflation rate, we can now build four," DelliBovi said.

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