expect user charges, or fares, to be the principal source of support for transit. This argues for performance standards, like Cincinnati's, that vary within a single system. Business district service could be subsidized more heavily, while service along radial corridors or in low-density areas could rely more on the fare box.

Session 6

Where Does All This Lead?

The purpose of the final workshop session was to summarize and synthesize the presentations and discussions of the various topics the workshop had addressed. The moderator of each workshop session reviewed its proceedings and abstracted its findings and conclusions. The moderator closed the final session with a summation of the workshop's contribution to finding solutions to the problems of urban transportation.

Transit Deficits and Public Policy

Robert P. Aex, City of Knoxville

The upward trend of transit deficits in the 6-year period beginning in 1970 amounted to a nationwide increase of more than 800 percent. In contrast, the deficit for last year was only 9 percent. The responsibility for transit deficits cannot be laid at the doorstep of federal, state, or local governments but at that of public policy as it relates to fares, levels of service, and taxing.

Six categories of expenses caused transit costs to double from 1970 to 1976—inflation, labor, additional employment, increased service, higher fuel prices, and miscellaneous costs, such as insurance and electricity. The higher wage bill due to additional service, inflation, and increased wage rates accounted for about $1.5 billion of the almost $2 billion increase in the cost of providing transit service. During the same 6-year period, labor productivity, measured in terms of vehicle-kilometers per employee, decreased 10 percent.

The rate of increase in revenues has been only about one-fourth the rate of increase in operating costs. To fill this gap between costs and revenues, federal, state, and local governments now provide nine times more operating assistance than they did in 1970. The increase in local assistance has not kept pace with that of other sources. Although local funding rose substantially from 1970 to 1976, it is nevertheless a declining relative share of the funding for transit deficits.

This broad survey of the deficit situation leads to three conclusions.

1. The transit deficits reflect public-policy choices that fares should not bear the full burden of transit costs, that levels of service should be maintained or raised, and that transit is a public service that should be supported through taxes rather than user charges alone.

2. Given certain assumptions about the course of inflation and other factors, transit deficits will probably rise about 15 percent/year in the next few years.

3. The cities have a continuing commitment to public transportation and to improved transportation service. In spite of the financial pressure this commitment implies, government initiatives to encourage innovative services and controls on efficiency will probably reduce transit deficits.

Problems of urban transit deficits persistently dominated the discussion. Now and then, transit alternatives were considered, but generally this area did not receive the attention that it deserves on the basis of its potential contribution to public transportation.

Against the somber backdrop of the transit deficit, panelists discussed a number of current and impending issues.

1. The president's balanced-budget policy may dampen the federal government's willingness to subsidize operating deficits at a higher level, and large-scale capital programs, such as building rail systems, may be questioned more closely.

2. It is far from proven that the social benefits of transit systems are high enough to justify the present ratio of taxes to fares. Further, subsidizing rail systems may have the effect of redistributing income in favor of higher income groups.
3. The local share of transit deficits has got to be increased. Although this puts local politicians in the difficult position of having to find additional local revenue sources, they can and do bite the bullet, even though this may shorten their political careers.

4. Political leaders must have an active role in making public transportation decisions; doing the right thing must be combined with political realism, because inevitably there will be more fiscal restraints on transit in the future than there have been in the past few years. Innovative ideas are needed to provide the kind of transportation urban society needs at a lower cost to the general public.

5. Money does not solve all problems. In fact, the foremost problem of transit may be poor basic design. Transit must be effective in order to survive. If current trends continue, there may be no alternative to cutting back service levels; in the immediate future, the amount of money that is available is going to determine the transportation that is available.

Reducing Transit Costs

Joseph C. Smith, Finance Division, New York State Department of Transportation, Albany

The transit industry cannot simply assume that the public will continue to foot the bills without looking at the price tag. Transit itself must try to find ways of controlling its deficits. The most obvious approach is to reduce costs. The problems of the Metropolitan Transportation Authority (MTA) of New York City exemplify the cost-reduction problems faced by transit systems in large metropolitan areas. MTA's deficits are approaching $500 million/year; they are projected to reach $842 million by 1982. It is impossible to come up with enough money to fill a hole of that size every year. The governor of New York ordered a management study of MTA because something obviously had to be done if transit services were to continue. Preliminary study data indicate that substantial cost reductions can be made. However, cost reduction is not going to provide the complete answer. There is no way to squeeze that much out of improved efficiency and better management; the gap is too enormous. Some permanent financing mechanisms must be developed to supplement existing federal, state, and local assistance programs.

It is not realistic to think that the kind of money needed to cover New York's annual deficit can be raised at the state and local level. New York for the last couple of years has been using a gimmick to close a large part of the gap between costs and revenues—the transfer of section 3h funds of from $80 million to $120 million/year. But this is only a temporary source of relief. These federal funds are earmarked for approved capital grants, and they are, in effect, borrowed funds that must be repaid as the approved capital project is constructed. Coming up with the other half of the federal share for construction imposes a further drain on already strained state and local finances.

New York needs federal subsidies on a permanent basis to supplement state and local funding. MTA does receive federal operating assistance under section 5 but, from the standpoint of New York City's needs, the population and population-density formulas by which these funds are currently distributed are not realistic. New York receives a much smaller percentage of section 5 funds than it would if the distribution formula were based on ridership, deficits, or service and costs. The current formula may be realistic in terms of future capital investment in areas in which transit systems should be developed, but it does not provide funds where transit systems are in place now, doing the job of moving people and incurring sizable deficits.

The maintenance-of-effort requirement for section 5 funds is also a very real problem; if MTA is successful in reducing costs, it will automatically disqualify itself for any section 5 money in future years.

In the context of cities smaller than New York, a list was presented of about 30 areas for potential cost reductions in medium-sized transit systems. These ideas were drawn from actual experience in dealing with transit operations throughout the country, and they represent opportunities that have been found to exist in many properties. This should provide a useful checklist for operators involved in cost-reduction programs or deficit-improvement programs.

In line with the idea that transit's ultimate problem is poor basic design, the use of complementary systems to provide for public transportation needs is proving to be a successful cost-saving innovation in some areas. The system developed in Knoxville serves more people in a broader area at a much lower cost than could be done by extending the conventional fixed-route system. Knoxville has taken a straightforward, down-to-earth approach to get the job done. Transit is surrounded by many institutional constraints, which seem to multiply with the size of the system, but the Knoxville experience implies that there can be substantial payoffs if these constraints can be overcome.