

Overcoming Impediments to Transit Innovation

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Two themes seemed to run through every session. One dealt with the need for innovation and the other with the impediments to innovation. Innovation may be defined essentially as a response to the need for appropriate changes—not particularly something brand new, but a needed change. Impediments include all the reasons we can think of to explain why nothing can change. Innovation and impediments can be put together into solutions, that is, overcoming impediments to permit innovation. Finding solutions was the purpose of this workshop.

Some of the projections that were made indicate the need for change or innovation and the dangers of not changing. One projection was that increases in deficits are likely to keep rising to the breaking point. The breaking point is the point at which service levels must decrease or financial troubles like those in New York will follow. It is what faces us if we project problems and do not do anything about them.

Projections about the future of federal aid were equally gloomy: increasingly onerous conditions on grants, increasing fragmentation of the grant system, and increasing difficulty of the grantees to deal with their problems—to the point that some grantees, particularly the smaller and less capable ones, will have to start turning down the money and offering only minimal service.

A dismal future is also predicted for regional structures in urban areas. Most of them are not very effective now, and it appears that will be so in most cases in the future. There are three or four examples of good cases, but these are a drop in the bucket of the 281 U.S. metropolitan areas; transit will decline in all of them unless there is a major change in the way we are proceeding.

These sessions have provided substantial evidence that innovation and change are needed, but they also have indicated that there are plenty of innovative ideas available. Although low productivity in creative thinking was postulated, the bottleneck is not a lack of ideas but a lack of action on these ideas; it is the action people who are not being productive. Virtually all federal programs in recent years have been based on fostering innovation. Ironically, these programs too often stifle innovation.

The summaries of previous conferences in this series produced many innovative ideas that are worth a try. From the pricing workshop, examples were given of cases in which demands actually were increased, decreased, or shifted by a pricing mechanism. It can work, at least in some situations, at some times.

The workshop on regulation indicated that the regulatory sector is terribly hidebound. Not much is going on. The regulatory process shows little concern for consumers or for broad social benefits. But on the other side of that coin were the great potential benefits of loosening up regulations. It was suggested that experimental activities ought to be exempted from the regulatory situation for a short period of time. Regulation can be useful when you know what you are doing but, when you are experimenting, regulations can be a hindrance.

The labor workshop suggested many potentials in recognizing the special nature of public management in dealing with labor situations; it is not a typical labor-management relationship. There are a lot of third-party operations going on, and the challenge is to recognize and deal with those third-party concerns in a creative way. It may be possible to change the pattern of labor relations in public management from the pattern established in the private sector.

In the marketing workshop, potentials were indicated for innovation through the industrywide exchange of ideas, through much greater use of objective market research, and through ensuring there is a good service to sell.

The present workshop also produced several potentials for innovation. From the session on problem definition came suggestions for productivity analysis in management; system performance measures, reports, and plans; application of the same set of decision rules to all modes (essentially building parity into the competition for public funds); and pooling (or at least inventoring and examining together) all of the public funds that are going for transportation. So far, we have dealt only with the U.S. Department of Transportation, but what about the transportation-related programs of the U.S. Departments of Labor, Health, Education and Welfare, and Housing and Urban Development and the Community Services Administration as well as several others? Each of those departments and agencies has major transportation money that is not integrated in the transportation plan, nor part of our solution. If these were pulled together, maybe we would have part of that missing revenue that we need. Finally, out of that session came an optimistic concept of making automobiles more efficient—ride pooling rather than trying to run the automobiles off the road. This is a significant concept that seems to have potential for innovation.

The panel on reducing costs showed that outside management studies can find numerous opportunities to cut costs and improve productivity. Some of these opportunities may be small, but they are numerous and can add up to significant amounts. As the case of New York illustrates, the worse off your system is, the more potential there is to make improvements. A large number of good management practices were listed that can cut costs and increase productivity in almost any transit property. The Knoxville experience shows how transportation brokerage actually is getting people where they want to go, while avoiding costly expansion of the fixed-route system for peak service and costly expansion of its lines out into low-density areas.

The panel on revenue-raising techniques included reports on a study funded by the Urban Mass Transportation Administration that produced a package of innovative funding sources for fixed-guideway systems—dedicated property taxes, tax-increment financing, the value-capture idea in limited cases, special benefit assessments, lease or sale of air rights, and incentive zoning. This panel also emphasized that supplementary local transportation services are being supplied more and more often by less expensive off-line systems. The big system does not need to do everything; the system can be tailored to use the

modes that can do the best job in given situations.

State and federal aid for transit is a relatively new phenomenon; the reason it has increased so dramatically in percentage terms is that it started at almost zero in 1970. Now, federal and state operating aid together make up half the total and will probably not go much higher. What is new now is municipal taxing authority for transit. Previously this was thought to be impossible, but Chicago, Atlanta, and San Francisco have shown that it can be done. Finding out how it can be done in specific situations is the challenge.

With respect to fare revenues, the suggested innovation involves deciding as a matter of policy what proportion of transit costs should be covered by operating revenues and then keying fare levels into some automatic escalator, such as the cost of living. Under this arrangement, fares would not need to be raised by quantum leaps every 15 to 20 years.

The panel on intergovernmental relations suggested several innovations that can be and, in fact, are being made. Transportation is now being supported by block grants, categorical grants, and general revenue sharing. None of these should be written off as a source of transit funding. Anyone who submits an application, gets a grant dollar, or has any administrative responsibilities for financing realizes that there are many potentials for improving the grant system. Sometimes it is assumed that the system cannot be changed, but many possibilities for improvement were suggested:

1. Administrative simplification (at least reduce the number of pages of red tape),
2. Joint funding (if you cannot get enough from one grant, put three together), and
3. Consolidation of selected categorical grants (maybe it will still be only a categorical grant, but at least it will be a manageable one).

A regional transportation block grant was also proposed as an innovation, as were reasonable modifications in general grant requirements, such as accessibility for the handicapped or section 13c. Overcomplicated rules need not remain as they are written or administered now; those things can change, and the objectives can still be met. If there is flexibility in these programs, such general grant requirements need not be the bane of the operators' existence.

In summary, the workshop sessions amply established that there is no particular lack of innovative ideas. What did the sessions turn up in the way of impediments? Why can transit not innovate? Some of the following reasons were given.

1. Labor will veto it if it makes any sense, or at least labor will make it too expensive to be worthwhile.
2. Management is not smart enough to innovate and, even if it were, it is too much involved with operating problems to bother.
3. Politicians are too dumb, cantankerous, or unfamiliar with transportation problems, or they represent a constituency that has these characteristics, so they are not free to move.
4. The public service commissions would never understand or allow this change—they never have before, so why should they start now?
5. The law or the grant program or the administrative regulations prohibit using money for innovations.
6. Since it cannot be proved that these changes will succeed, let's not try it. What if we fail? What if we learn that this was not the right way to do it instead

of learning that it was?

The list of objections is almost endless and, if you take these as final answers, there is no point to the list of innovations. But transit problems are now so severe that there is little alternative but to develop the power of positive thinking. And that is how solutions come about.

There are reasons for optimism: All of the innovations listed have worked somewhere. The payoff will come from doing them not in one place but in many places. This optimism can suggest some solutions.

1. Labor—One suggestion is to establish the principle of a full day's work for a full day's pay. This could be an equitable, practical solution in an area that dominates operating costs. In the third-party world of public labor-management relations, there is a chance of making sense out of the tensions on both sides.

2. Management—There may be no substitute for good managers, but there is a way of developing them—train them, give them help, replace them, use management-by-objectives techniques but most of all find managers capable of understanding and dealing with the list of innovations.

3. Politics—What is required is a good proposal that is sensitive to the needs of the politicians' constituents, not just to economic theory. If it is sensitive to the constituency, the politicians must understand that. There is also a community-relations process that is important here. The politician does not have time to remold his constituency. The constituency must understand what you are talking about for the vote to come out right. But community relations is a two-way process. Members of the community must feel that transit is listening and responding to them; this is the basis of credibility. Good politics also requires humility on the part of analysts. That means not pushing too hard for a rational process that is not a pragmatic or political process. If this rule is not observed, innovations will never see the light of day.

4. Regulation—Regulative change rests basically on legislative change. Changing regulations therefore requires the same techniques as those outlined for the political sector. The ground rules are that the personal dynamics and the constituency dynamics have to change before the legal and administrative rules can.

5. Innovation—Sometimes better research and learning from foreign experiences, small-scale experiments, and demonstrations can prove the success of a project before it is begun on a full scale. If this is not possible, being very frank in laying out the risks is more likely to pay off in the long run than is a snow job.

6. Grants—It has been said that state and federal programs do not make good things happen; local people do. The grant program may not be all that powerless, however. There may be ways the grant process can spur new solutions. Suppose grant recipients were given more responsibility themselves, along with technical assistance and special training in the techniques of implementing innovative change. Suppose they could hire social scientists, community organizers, legislative draftsmen, or people with whatever skills they need to translate proposals to the politicians. The grant system could provide such conditions, not just as an allowed cost but as a required element. That would create a whole new ball game as far as innovation and research are concerned. If the process of sociopolitical change were supported by federal leadership in the form of research and grants, maybe we would make some progress.