

have the DART Potential with the station that would be involved in it.

We have in place millions of square feet, both retail, office facilities, and others, and we have new development area. So, the point we are trying to make in the research that we are doing is how does one connect all of this? How does one make the DART station, whenever it comes to pass, that meaningful in relationship to a connection system for the whole community? What does that mean to the amount of parking that we have? What incentives can be used in making this thing work? What do we do before DART is in place? We currently have our own bus system which connects two segments of the system. We have created a van pool system, bus system, and car pool system which is serving about 60 percent of the office space of that development.

We are thinking about such things as ground traffic control. It seems to me, both in Houston and Dallas, where we have these major developments that we should think of the mobility of traffic on the ground as one does with air traffic control as one goes through the air. There is really no reason why we cannot through helicopters and other devices that relate to our computers and other systems, develop a means of routing our transportation in ways so that the congestion and the other things that relate to the needs of our people and their mobility movement systems can be changed. We are trying to in some way figure out the way one can make a flexible mobility system work through different means. One has to use all the things that you know about, including those which are in place, and we have to think about innovative approaches which have to be tried, and there have to be true partnerships with the city and the state, which is deeply involved in these exercises. The Federal government should be. Whether they will be or not is another question. And, of course DART must be part of the partnership. There should be total cooperation and an attempt to innovate. We are willing to put our bucks and our resources and our minds together with those of the community to try what is necessary to make these things work.

What I am saying is, from a private sector point of view, we have learned a great deal during this experience of being involved in failures and problems that relate to trying to create a growth pattern for our country. We have been involved in conventional developments. We have created a part of suburbia. We have been involved in profiting from the totality of the system that has been developed within the country. We feel we have to work now toward improving the quality of life, improving urban mobility by innovation, by cooperative funding, by attempting and researching and actually using our developments as laboratories in order to try to improve our systems and to make them more meaningful. If we can be a catalyst in regard to this type of thing, then others will be involved in it.

A very good friend of mine is Norman Cousins. He, of course, for years edited the Saturday Review of Literature, and is one of the great men. He has had a severe attack, and has written a new book on the medical system, as you know. He is the guy that said if you have hope, and if you smile, and if you can care for yourself in a very optimistic way, you can overcome most things. When Norman was 65 a couple of years ago, someone said, "What have you learned in the 65 years that you have been involved in this country and this world?" He said, "What have I learned? The most important thing I have learned is human capacity is infinite, that no challenge is beyond comprehension and useful

response. I have learned that the uniqueness of human beings is represented by the absence of any ceiling over intellectual or moral development." I really think that is the hope that all of us should relate to because there is no challenge too great, it seems to me, for the experts who are in this room and who are dedicated and mandated toward bringing urban mobility to our people.

CORPORATE RESPONSIBILITY AND PUBLIC TRANSPORTATION

Rodney W. Rood, Atlantic Richfield Company

It is a real pleasure for me to be with you today in Dallas, one of ARCO's headquarters cities. I could say the same about Houston, Denver, Philadelphia and Anchorage -- all of which are major centers for our company, and all of which have transportation problems.

I listened with great interest to the reports from Dallas, Houston, Hartford, and Charlotte, and wish to congratulate these cities on their partnership approach to public transportation. As a representative of Atlantic Richfield, I hope you all achieve your goals.

Today, I will be speaking about another city, our corporate headquarters, Los Angeles. We have been trying to cope in Los Angeles with problems and challenges similar to those we have heard described today. Now, you may be mentally asking yourselves just what is it that a person from Los Angeles could know about public transportation. Does Los Angeles have a public transportation system? Isn't the supreme cultural achievement of Los Angeles, as Woody Allen put it, the ability to turn right on red? If that is your impression of Los Angeles, I welcome this chance to set the record straight on a few points.

The first is that we do not live life exclusively in the fast lane, or the slow lane, or the one in the middle. In fact, a lot of Angelenos never get into cars at all -- at least not to commute to and from work or school or even to shop. Quite a few people, about one and a half million in fact, take public transportation in Los Angeles every day. Only one or two cities in the country -- New York and Chicago probably -- carry more passengers on public conveyances, and we are closing the gap fast. To get really outrageous, I will go further and make point number two, that Los Angeles not only has a major public transportation system but that trends in our city could well offer a pattern to be emulated by other urban centers, particularly in the area of public/private partnership.

Now I will stop being defensive for a minute and admit that Los Angeles is hardly a transportation mecca. Indeed, we have miles to go before we can even lay a claim to controlling our present transportation problems let alone moving smartly into the future. Much of what America reads about Los Angeles is absolutely correct. The traffic is bad and getting worse. The fumes from all those cars are noxious. Commuting by car is exasperating now and could get worse as the downtown influx grows. In fact we could be headed for a bad case of gridlock, a kind of civic lockjaw, unless we do something about it now.

Fortunately, we are doing something about it, for both short- and longer-range. Despite what Bob Hope says, the Olympic sprints this summer will not be run on the roofs of cars. We are expecting a lot of traffic during the games, but we have got

a good plan to work things out. I will describe it later in my talk.

But what about the future? After the games have come and gone? People in Los Angeles have always talked about putting together a good rail transportation system. Right now, for example, we are planning for a subway -- the Los Angeles Metro Rail. We were doing the same thing, I am told, as far back as 1911. Is there any reason to hope the talk will finally amount to something? In a word, yes, and the reason for my optimism can be stated in another word -- partnership.

I will describe the partnership approach to the subject, but first let me explain why we need a subway in Los Angeles. The simplest explanation is that we are growing, and there does not seem to be any other solution to the congestion. Within two years downtown commercial office space will grow by 12 million square feet or more. The city's Department of Transportation estimates that to move the extra people in and out, we will need either 25 new street lanes, or eight new freeway lanes -- or improved transit capacity. The Metro Rail is the clear choice.

That is the opinion of the Los Angeles Transportation Task Force, a group created by the Central City Association and the Los Angeles Area Chamber of Commerce to review all possible answers to the problem. The Task Force is a good example of public/private partnership, representing business plus the public agencies involved in transit planning and development. The Task Force set two objectives: first, to develop a transportation strategy that would encourage, not frustrate, economic growth; the second, to examine and recommend on all proposed transit projects for downtown and the greater Los Angeles area, including Metro Rail. Beyond that, the Task Force is an active lobbyist in Sacramento and Washington and also helped to develop the transportation plan I mentioned to ease traffic during the Olympics.

My point is that transportation in Los Angeles is no longer a debate topic only. We do continue to talk. But we are also acting. And, of greatest importance, we -- both public and private -- are talking and acting together. The conversation now includes everyone, from public officials to the business community to the private citizen, because building a subway demands a full consensus of community opinion -- and that, to me, is the best evidence that the partnership concept is alive and well in Los Angeles today. It has been a long time coming.

You can really break Los Angeles' search for mass transit into three periods, from private to public to public/private. The first, or private era, began roughly 75 years ago when Henry E. Huntington, a private entrepreneur, built his famous Red Car Line. At 1,184 miles, the Red Car Line was the most extensive interurban light rail system in the world. In those days the shortest distance between two points in Los Angeles was Henry's trolley. Sadly, it was gone by 1961, shoved into extinction by the burgeoning freeway system. Angelenos have always had a love affair with the automobile, and saw no further need for rail.

The birth and growth of the freeways was Los Angeles' second, or public transportation era, which was publicly sponsored and financed entirely by the gasoline tax. Despite what you hear, the system works and people like it.

Everything considered, it does seem clear that private autos will always be the preferred means of transportation in Los Angeles. Even when we get the Metro Rail, autos will continue to be habitual and

needed. No subway that I can conceive would be extensive enough or popular enough to take care of everyone, even if we could find the megabucks to build it. But if cars will always be with us, we can make them more acceptable by more efficient use of high-occupancy lanes on our streets and highways and by ridersharing, for starters.

Phase three of Los Angeles transportation evolution is just forming. For want of a better name, I will call it the public/private era. I think it is the most promising of all because we have finally agreed that there is no one answer to transportation in Los Angeles. Cars, subways, light rail, buses, helicopters, downtown people movers, even feet -- we need them all, but fitted together into a useful and coherent system. And that is the point I have really come here to make: it is simply that cooperation between the public, private, and nonprofit sectors can make a terrific difference in our cities.

In the past few years the Atlantic Richfield Company (ARCO) has worked very hard at the partnership idea. We have sponsored several meetings across the country that have drawn together mayors, business heads and foundation representatives, on the theory that talking to one another is the first step to rescue of the American city.

So we come to this conference on improving urban mobility through public-private cooperation in a thoroughly convinced frame of mind. We have experienced the partnership idea in action. We have seen the future and we think it works well -- though not without a struggle and certainly not without a glitch here and there. ARCO's encounter with the Los Angeles voter a few years back is a case in point.

By way of background, ARCO was the first oil company to favor use of highway tax funds for public transportation purposes. This, of course, is now policy at both the state and federal levels. ARCO also used the transportation theme in a national ad campaign, inviting the public's ideas on improving mobility. Since moving from New York in 1972, ARCO management has tried to sell the people of Los Angeles on mass transportation. To be convincing, we knew we had to heed our own sermon. So we lured our people out of their cars. We subsidized parking for car pools, offered cutrate subscription buses and organized van pools. Today, better than 65 percent of our downtown employees use one of these systems.

Fresh from the triumph, we joined with Mayor Bradley and Los Angeles business leaders in a 1974 effort to persuade the voters to increase sales tax a penny on the dollar for a rail system and more buses. We failed. Perhaps we were rushing in where Angelenos feared to tread -- or ride. In any case we took our lumps with the transit initiatives that went down to defeat in Los Angeles County in the mid 1970s. But we stuck with it and got some satisfaction from the passage by the voters of Proposition A in 1980, authorizing a half-cent sales tax for transportation purposes. To us, that seemed a clear signal that Los Angeles was coming to appreciate a basic fact of life in the 1980s, that the future, as so many soothsayers never tire of telling us, lies with the efficient.

Well, after twelve years ARCO and the rest of the business leadership in our city are still at it, still pushing for public transit, still urging the people in Los Angeles to opt for reduced smog, reduced energy consumption, greater efficiency, improved mobility and greater speed that mass transportation can mean -- particularly in a metropolitan area that is growing as fast as ours.

Today, 200,000 daily commuters pour into downtown Los Angeles; within ten years it will be 300,000. The Los Angeles metropolitan area contains nearly half of California's population, generates nearly half of its total personal income, provides half of its nonfarm employment, 60 percent of its manufacturing, and 62 percent of its international trade. All of these figures will grow. This amazing complex is exceeded -- numerically at least -- only by the New York metropolitan area. Those of us who live there, and operate businesses there, recognize that transportation is the key to keeping that mushrooming growth under control and channeling it into useful and acceptable patterns.

We know that transit provides accessibility for people -- our workers and our customers. We know that a developed transit system stabilizes and improves the existing downtown area and makes it grow. We know that better transit brings new investments, that new investments increase property values and jobs, and that those things lead directly to a broadened tax base and greater revenues for the community.

Can such convictions produce results? We think so but, as the man said, it isn't easy. You have got to have intestinal fortitude -- guts -- if you are going to accept the short-term disappointments in order finally to achieve the kind of transportation system Los Angeles must have if it is going to fulfill its destiny as the great international city of the Pacific Rim.

What have been the disappointments? The Downtown People Mover, for one. Back in the mid-1970s it seemed a certainty, but Federal funding was essential and it never materialized. The Downtown People Mover is on the shelf.

There there is the elusive Los Angeles subway -- Metro Rail. This project has probably been studied more than any other rail system in the country, over \$90 million worth so far. It has had more ups and downs than a roller coaster, yet we think there is reason for optimism. Why? Because just last year President Reagan signed Federal legislation providing \$117 million to begin construction of Metro Rail.

Metro Rail is very definitely a long-term proposition. It will take at least eight years just to complete the first 18-mile stretch between downtown and the San Fernando Valley. But this is an important start. Eventually, Metro will become an integral part of a 150-mile rail system that will cover much of the Los Angeles Basin.

Despite some temporary setbacks I think we are going to win the transportation battle in Los Angeles. Let me give you a few reasons why. First, and most important, we have developed a reliable way of funding transit development in Los Angeles. The private sector can always contribute financially to the construction and operation of existing or new transit systems, but long-term public funding is critical. Recognizing this, the private sector was a strong advocate of a half-cent sales tax earmarked for transportation purposes. This is the Proposition A I mentioned a moment ago. The money -- approximately \$250 million a year -- will be used to improve local transit projects, reduce operating deficits and support new system development. This is a permanent source of money and it dovetails nicely with the five-cents-a-gallon increase in the Federal gasoline tax. One penny of that is for transit. We lobbied hard for its passage in Congress.

Next, we have launched two private-sector activities aimed at a better commute for downtown workers -- an expanded number of privately operated

commuter buses, and more ridersharing, both van and carpooling. Fourteen private commuter bus companies, operating over 132 routes, have created a distinct "market niche", with 140 vehicles carrying more than 5,000 people a day. Those lines are heavily patronized and cheap -- in some cases operating for half the cost of the public system.

The private sector also has close involvement with Commuter Computer, Inc., the largest ride-sharing organization in the country. Commuter Computer, Inc. matches riders with rides, 45,000 at latest count, and superlatively well. Next, the private sector has helped Los Angeles replace some of its older buses with new ones. We did this by participating in the "safe harbor leasing" program under the Economic Recovery Tax Act of 1981. What it means is that transit properties can "sell" depreciation on their buses to a tax-paying corporation. Using this mechanism, over the past two years the private sector participated in a leasing program with the transit district that allowed for the purchase of over 160 new buses.

Next, business worked with the authorities to reform the city's parking policy. The new parking management program gives downtown developers flexibility in meeting city requirements. Ridesharing, for example, can be used to reduce the amount of space that must be set aside for parking under the existing code. This reduces the developer's cost and the number of cars on the road at the same time. Fifth, business continues to work intimately with local officials on Metro Rail, and continues to put its money where its convictions are. The Metro Rail funding package assumes a 62 percent Federal - 38 percent local split. Five percent of the local share, or \$170 million, has been committed by the private sector -- the largest private sector commitment for any new rail in the history of this country. These funds will be generated from a series of benefit assessment districts around the Metro Rail stations. The districts are designed to capture the economic benefits generated by the construction and operation of this major public works project.

I think the project is also remarkable for the amount of joint development that is taking place. At one projected Metro Rail station, for example, a department store has bought access to the subway from its new store location -- at a cost of more than \$30 million.

Sixth, and finally, creation of the Los Angeles Transportation Task Force was a way to formalize a working partnership between the public and private sectors and enable them to address jointly the wide-ranging transportation challenges facing our community.

Recently we developed a new entity, the Greater Los Angeles Transportation Coalition, to mobilize community support and political action. The Coalition's exclusive priority is the funding and construction of the Metro Rail. To assure permanency, the Coalition has been incorporated in the State of California as a public corporation. I think it will help greatly in making an impact in Congress and with the Administration.

I hope I have made clear my basic point, that the public/private partnership is alive and well in Los Angeles -- and thinking hard about the future. Let me conclude with these thoughts:

First, it seems to me that the Federal government can encourage partnerships by exploring the reduction of regulatory barriers that may hinder broader entry of the private sector into the transportation marketplace. Federal law could also be changed to encourage ridersharing by excluding

transit passes and other incentives from taxable income. Further, I would suggest that Federal transit dollars be spent on new rail systems only if they are matched to some degree by private participants.

I believe that state and local governments are also in a strong position to encourage innovative solutions to transportation problems. One possibility might be to take steps to permit and encourage private sponsorship of new transportation services. Or businesses might be encouraged to support their local transportation by subsidizing passes for employees. ARCO does and it works well.

Next, I would venture to suggest that, at the municipal level, transit agencies might be a little more flexible about competition from private entrepreneurs, such as commuter operators, or be willing to contract with private companies who can offer bargain transportation.

As for our side of the public/private partnership, I think that every business leader should examine possibilities for active involvement in the transportation issue. ARCO looked and then leaped, and I think we can say we have helped.

Before I close, just a brief comment on the Olympics. We know we are going to have a problem. Events will be scattered all over the Los Angeles basin, though congestion will doubtless be greatest downtown as spectators move between the Coliseum and the Sports Arena in Exposition Park, the Swim Stadium on the University of Southern California campus, the Dodger Stadium to the north, with several major hotels and the Convention Center (which is media headquarters for 8,000 accredited new media) in between. At the same time, of course, the banks, office buildings, and stores will be open for business as usual. How bad will it be? Some expect that conditions during those 16 days may be a snapshot of the year 2000 -- with over five million additional trips prior to, and during the Games.

As for myself, I think the Games will be a great success and that we are going to handle the transportation in our stride. My confidence is based on a program that has been developed jointly between the public and private sectors -- perhaps the earliest and best example of the kind of collaborative action this conference is trying to encourage. For example, we have developed and distributed commuter handbooks to help employers with information about expected congestion spots and available options. And the transit district is adding 500 new buses that will carry nearly half the spectators who will be going to the Games. There are no taxpayer dollars involved. We have asked employers to examine a variety of options: review vacation and leave policies; institute carpooling and vanpooling, examine work schedules for flex-time and staggered shifts; consider offering their own park-and-ride lots. Businesses are responding to these suggestions with enthusiasm, and working hard to identify transportation initiatives they can take during the Games. The benefits to the city will last long after the Olympic event has been run.

I think the same will be true of this conference and the ideas generated here, ideas that will endure and bear fruit long after we return to our respective cities. I congratulate those who have put the meeting together as well as all of you who have taken the trouble to come here to share experience and hopes and expectations. Your time will be well spent if the conference sponsors follow up on the ideas generated during the last day and a half.

Thanks again for inviting me. I am delighted to have been part of a wonderful partnership experience.

PRIVATIZING TRANSPORTATION INFRASTRUCTURE
Robert W. Poole, Jr., The Reason
Foundation

The problems of America's transportation infrastructure have been very much in the news this past year. Consider the following news items:

- * A bridge on I-95 in Connecticut collapsed into the Mianus River and three people lost their lives. Subsequent investigations raised serious questions about the adequacy of bridge inspections.
- * During 1983 the New York subway system suffered 20 derailments. An outside investigation traced the cause to the complete absence of inspections that were supposedly being made.
- * A joint Economic Committee study estimated that between now and the year 2000 infrastructure spending needs will total 55 percent more than the funds that seem available, based on present programs. The single most important need -- \$720 billion -- is for roads and bridges, which is \$265 more than is likely to be available.
- * According to a California legislative research body, deferred maintenance of that state's public infrastructure totals over \$20 billion. County roads in California are being resurfaced on a 175-year cycle, rather than every 15 years.
- * Some \$5.4 billion in Interstate highway funds was held in limbo for five months by House Speaker Tip O'Neill, in order to obtain two major projects for Boston.

It is my thesis that there is a common thread linking all of these infrastructure problems. That common aspect is the substitution of political management for economic (businesslike) management. If this thesis is correct, it suggests that privatization of transportation infrastructure may offer significant benefits, not simply in lower costs but in providing incentives for much sounder management practices.

Whence the Problem?

Before examining privatization in detail, it is important to understand why so much of our transportation infrastructure is in bad repair. The short answer is deferred maintenance -- i.e., adequate funds have not been spent on routine, preventive maintenance over the years. But the interesting question is why this is the case. It certainly cannot be because government has difficulty raising money. Over the thirty years, from 1950 to 1980, total government spending in this country increased from being 24.4 percent of gross national product to 36.5 percent. Nor is it due to lack of competence on the part of state and municipal highway and transit agencies; they are generally run by competent, well-educated people.

The basic reason for the deferred-maintenance problem lies in the political process itself. For the most part, the budget of a highway department or a transit agency is determined by the interest group battles that dominate the legislative process. In general, the political appeal of all sorts of interest-group programs -- ranging from day-care to low-