

to spend any time developing that round table for everyone to have a voice at. We were already sitting around the table doing the same things anyway. But, there are going to be people who, for very limited-scope reasons, are going to be coming back at that whole issue during the reauthorization hearings, saying, "This didn't work." I would only suggest that you keep your ears open today, and not wait until next year's hearings for who those groups are and what their arguments are. I would not be surprised that some of their arguments are based on misinformation.

CHALLENGES IN SALT LAKE CITY

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Introduction

I look at myself as a general manager, as a person who tries to keep up with the great people of our organization that make the difference in our community. I had come through the traditional idea that managers are in the business of planning, motivating, and directing. So much time is blocked off here, another block is here, and it is all very organized.

Then I thought of my own managerial life, and it was not that way at all. I would go into work and someone would walk in and lay a problem on my desk. Then I would quickly try to get the monkey off my back and put it on theirs. I would ask them what they would do about solving the problem. Then someone else would come in with an entirely different thing and then I would get a call from a board member. I found out my days were really almost totally out of my control. The only way I could get anything done was to tell my secretary to shut the door and do not let anybody come in. That was hard because the phone would ring, and my curiosity would get to me about who could be on the other end of the phone and what I might have to deal with them about.

Insights from UTA Experiences

I would like to present seven areas that offer a challenge to us as an industry. More particularly, I will refer to the Utah Transit Authority (UTA) for examples.

The Changing Political Environment: During my 18 year tenure at UTA, I do not think we have ever

operated at a time when people have not said, "This is going to be the toughest year. This is the year when there's just no money. This is the year when everybody is going to be coming at you and you have to do more for less." They say those things, yet nothing had changed. It has always been that way.

Now, things coming from Washington indicate that transit really is going to be working in a different environment. As an industry, we previously put all of our political investment in the Democrats in Congress, and now the Republicans are running the show and they are not very friendly. In fact, their agenda is a lot different than what our present agenda is. If their actions hurt people in urban centers, that is not a big deal to them because that is not where their votes come from. The way I see it, if they hurt public transit and put money into highways, which is basically what happened with House Resolution 2002, that does not hurt their support. Having been a traditional Republican, I am now converted, but it is tough to face the fact that, to a large extent, the friends of the transit industry are no longer in influential positions in Congress.

Funding: One of the biggest challenges facing our organization is funding. At the UTA, we have three sources for funding: the farebox, federally funded operating assistance, and locally generated sales tax.

I came from the private sector where we had a lot of tools in our box, so to speak, that we could use to raise revenues. In transit I do not have any tools. I have three funding components, and two of them are out of my control. The sales tax comes in whether you do a great or lousy job, and the federal operating assistance looks like will be cut by at least 40 percent.

So, what do you do to keep your organization viable? Our challenge today is to provide stable employment to our employees. We do not want to be going through reductions in force (RIFs). Our management/labor contract has always been such that we will not go through RIFs. We may not pay highest wages, but we will give stability. Can we really continue we will guarantee to keep that contract as an organization? That is a question we currently face.

In 1992 UTA lost a sales tax election to expand our system with light rail transit (LRT). The scenario then was 50-50 federal and local funding, but we could not provide the local share without a sales tax increase. We got a resounding, "No," from our community.

“Don’t tax us more for transit. We like what you do. We’ll give you high marks for the kind of things you’re doing in the community. But don’t ask for more money.”

We have been beat up consistently since that time for continuing to push light rail transit in our community, because now we think maybe we can get 80-20 funding. In fact, we are very close to a full-funding grant agreement for 80-20 and still the community, or rather, the negatives in the community, come back to us and say, “You were told in the election of ’92 that we don’t want light rail so why do you keep pushing it?”

It would have been better, in hindsight, not to have gone through that election, but to try to have moved slowly through a process and to build an LRT system, which is what has happened in most communities with LRT. They have built a core system and shown how effective it can be and then obtained community support with additional sales tax dollars or some other funding source.

Market Share: As hard as we try in our community, which is the metropolitan area of Salt Lake, we are losing in terms of market share. We are growing in terms of numbers of public transit riders, but we are losing in terms of market share. We are down, and yet we are providing more service and have more people riding because we are in a growing community. So we are losing the battle of being more effective and being significant mobility providers in our community. We have had some remarkable changes in our organization since we have done the community outreach; nevertheless, we’re still losing in terms of the fight for how much of the community mobility we are going to provide. The automobile is still winning the battle.

Employee Relations: The third area that UTA struggles with is attracting, retaining, and motivating employees. We spend a lot of money in our organization on training. We believe that training is the key to helping our employees get a lot out of their job and see other opportunities in the organization. We have, for example, an educational reimbursement program. The board said to me, “How much did you spend on that last year?” We spent about \$20,000 in subsidizing people, helping them get additional education. A third of those people left us. We educated them to the point where they could go out and get a better job, and the board said to me, “Why

are you spending all this money to send people off somewhere else to get a better job?” Sometimes it is not easy to defend such a program when they come at you that way, but we still continue it because we believe it is the right thing to do. We believe that people will always act in their best interest, and they should. So when they have a better opportunity because they are better educated as a result of a program that we run, so be it. They are usually going to leave, which then provides opportunity for movement in the organization so that other people can move ahead.

Last year, for the first time, we were able to institute a program of incentive pay and we are pushing it to every level in the organization. We have gotten it down to the operators and mechanics with a Christmas bonus of about \$100 if we reach certain ridership objectives. We distributed almost \$350,000 in incentives last year. That’s not typical for a public organization. We find that the bonus incentive really does work and as we gave some of our division managers a check for \$6000, you could see what was going through their minds about what would happen next year. The board has set as criteria ridership, reliability, cost containment, and miles between road calls. The fifth criterion is number of service complaints.

Cost Containment: Another area that is a big challenge is cost containment. As a transit system, money is the gasoline (or the diesel fuel) that we run on. It is becoming more precious. As I have mentioned, we cannot completely control our revenues, so we must be relentless in cutting costs. The biggest opportunity for that is in labor; 77 percent of our costs are for labor. We are now preparing to go into labor negotiations. I sat in a session about five months ago put on by the Amalgamated Transit Union (ATU). ATU, in anticipation of the Republican Congress and the thought that Section 13c might be taken away from them, was looking for ways of doing mutual gain-sharing. We had our union president in the same meeting and we agreed that we needed to become involved in joint gain sharing or win-win. He went back to his executive committee and they turned the concept down. Thus, we will not see any immediate change in our labor relations. The basic obstacle is *trust*. That is, trust for both sides.

Trust labor? That is tough to do. In our labor negotiations we go in with a list that is every bit as long as their list. We expect to come out with as many

gains as they expect to come out with. We do not go in with the idea that it is going to be a one-way street. As a result, we have aggressively fought for benefits that management can use to be more cost effective. Wages have gone up every year that we have negotiated, but we have been able to wring efficiencies out of the organization that have been very effective for us. Right now, for every dollar we pay out, about 90 cents is wheel time. If you look into that factor for most transit organizations it is in the 70 percent range.

Purchasing is another place we have found that we can be very aggressive in going after cost savings. We have found our inventories growing out of control. Often times we had the same part with four different part numbers. We now aggressively go out to bid after deciding which bus we want. We write a specification around the desire to maintain consistent parts and identification numbers.

We have worked very hard to institute the idea that we have only so many bucks and, if we waste them, we don't get them into high priority items like wages, so let's not waste them. We then get good support.

We also have had to cut service. We go through a process at every board meeting where we consider both service additions and deletions. The last three years we have tried to follow the philosophy that we do not add service unless we also cut service. We are cutting less efficient service and adding more efficient service. I must say though, we do fall into the political process. So, sometimes we cannot always provide efficient service. Sometimes you cannot always be what you want to be when you have to work in an environment where there are political challenges.

The Planning Process: Back in 1982-83, UTA was reluctantly pulled into what I call strategic planning. It was in the Reagan era, and President Reagan was to be the savior of public transit by taking money away and helping us with better management techniques. Our federal government representative for Region 8 said, "I've got a great idea: strategic planning." And I said, "I don't need that. I've got enough problems." And he said, "Well, we're going to give you a grant to do strategic planning. You're a mid-size transit organization and wouldn't it be wonderful for you to do the planning, then you can be the model for everybody else." We got pushed into this, but I need to tell you it was one of the best things we ever did, because it forced us to look to the future and determine what is critical to us as an organization and where we

were going. We laid out some things through the strategic planning process that have had profound impact on our organization. It got all of us running in the same race, because we pulled many of our people into the process and asked them what they wanted to do and where did they think we should be going.

We said that we will expand into communities that invite us in and try to help them have public transit. As we went through this planning process, we envisioned and saw strategically that, if we were going to be successful in our community, we needed to be a service provider to the *entire* area, what we call the Wasatch front. We started working with communities that invited us in. We have now expanded into five different areas with public transit service. And this growth has gone well. Today we are an organization with a \$50 million budget and 500 buses. Before we were at about 350. Each area had to vote for the tax. We usually had about a 60 percent plurality in each of those elections.

The strategic planning process has been very helpful and even today, three times a year, we report on all of the objectives to our board. We report numerically. It is not a lot of fluff, but good hard numbers about how we are doing. We do well in some things and we do poorly in other things. It gives us a status as to where we are. As an organization, we need that report card telling us where we are and what we are doing. That is what the strategic plan does with its goals and objectives, quantitatively measured. Since 1983, we have been doing it regularly and we have gotten better as a result. When you keep track of data and your mistakes, you get better. It is just a natural occurrence.

Regulation: We struggle with the triennial audit. We happen to be an organization that is high profile in our state, so everybody wants to audit us. Even the state legislature comes down and regularly does management audits. We have had only good reports. The strategic plan has helped us to respond favorably to the audit process of regulation. We have goals and objectives, together with measures that give us direction, which is appealing in the audit process.

We struggle with the issues of minority business enterprises (MBE). We have the federal mandate to increase our commitment for more MBE participation. Our objective is 13 percent, we have consistently hit 19 percent to 20 percent when we were doing construction. Other than construction, it is very hard to hit 13 percent. Our ongoing type of processes and

purchasing certainly does not give us the opportunity to support an objective of 19 percent to 20 percent.

We also struggle with affirmative action. We are not able to get enough women. The person running our operations is a woman. We have tried as hard as we can to promote, but we just have not had the opportunity. We do not have a lot of turnover in our organization. We struggle with those kinds of issues and do not seem to resolve them.

The Americans with Disabilities Act (ADA) program has been a wonderful opportunity to serve the community, but it has been a black hole for costs. We started out with a program that had a flex point so we could share rides. We were carrying program participants at about \$5.80 a ride. We felt very good as we looked around and saw what it cost other cities. We have blown the costs up to about \$9.30 a ride now. There is more demand than supply. Over the last three years, most of our growth and opportunities have gone into meeting the needs of people with disabilities. As we have been willing to pick up paratransit demand, agencies who were providing the services have pulled back. We are left trying to provide still more services. Thus, we keep putting more of our resources into these ADA mandated services, which makes it very difficult.

A further area of regulation is clean air requirements. If you look at the B.t.u. (British thermal unit) content of a gallon of diesel, it is very hard to beat in terms of basic efficiency, moving a 23,000-pound coach around. Clean air has some real opportunities for us in forcing people out of cars, but it has some real costs for us in terms of looking at alternative fuels.

There are other areas where we see these hidden costs associated with environmental issues. Ten years ago we thought we were doing the right thing by sending our spent oil to the reclaimer who was going to turn it into virgin oil again and sell it. Ten years later we find out they were not doing that. We did not keep a very good genealogy on that oil, in fact, we did not know where it went after it went to them. Of course, there was no reason to keep track of it then. Now we are looking at a \$700,000 bill to pay for the clean up of an Environmental Protection Agency cleanup site. The reclaimer polluted the site but is bankrupt. The area is now one of the Super Fund sites. And when the primary organization cannot pay, then the originator of the waste products is responsible. They are now coming back to us to pay for about our 90,000 gallons of oil that we sent. They have suggested to us that we

will have to pay \$7 a gallon to clean up the site, and we are now fighting this. We are trying to reduce the liability. This is a hidden risk we never thought we would have ten years ago. Today we burn the oil rather than send it out. We burn it in waste oil heaters. That has cut our cost for heating our buildings by about \$120,000 a year. We find we get very creative when we have these challenges.

Political Issues: I never thought that the election of one representative to Congress would make such a difference for our community. We have the distinction of having elected one of the Republican freshmen, Representative Enid Greene-Waldholz. She was elected on a plank of trying to kill light rail transit, and she is doing a good job at it. She is the person in Congress who was able to take transit funds out of Section 3 and convert them to highway uses. She was able to take \$5 million and convert it into high occupancy vehicle facilities for highways. The highway folks did not want it. They feel they cannot offend her by saying they do not want it, however five million does not do much for them. So, when it comes to Congress, one person has made a big difference.

The Democrats have been our traditional allies. The Republicans now are in control in Congress. Our big challenge is how to develop the relationships on both sides of the aisle so that nationally we are not going to get decimated when it comes time for funding if the Republicans are in power. For example, under the guise of balancing the budget they take \$600,000 away from transit and put \$500,000 into highways. That is neither leveling the playing field nor balancing the budget.

Then we have an administration whose idea for cutting costs is to put all the surface transportation organizations together. You've all heard the joke, "What do you get when you marry up the Federal Highway Administration (FHWA), the Federal Railroad Administration, the Federal Transit Administration, and the Coast Guard? You get the FHWA." That's what we're going to end up with, more of FHWA and no one to really carry our cause and fight for our needs as far as public transit is concerned.

As an industry, we will soon see a change at the head of the American Public Transit Association (APTA), the industry's main lobby arm. Jack Gilstrap, Executive Vice President of APTA, has announced he is going to retire. We have had his leadership for 16

years, a consistent leader in the national organization. What kind of a leader is going to step into that position at a very challenging time, a time when we need to have very consistent and experienced leadership in terms of the Intermodal Surface Transportation Efficiency Act (ISTEA)? The ISTEA is up for reauthorization and our main lobby group is changing leadership. Who is the new leader going to be? This has some challenges for us as an industry.

I do not mean to lay out just problems. I think the times also present great opportunities. I think that we are heading in the right direction. I feel morally committed that the things we do in public transit are good for our community; they will make our community a better place and increase the quality of life. So while we have challenges, we are on the moral high ground in this pursuit. There are new models out there, wonderful opportunities to grow and develop. And the things we stand for, I think, are right, and with that moral high ground we will eventually prevail, but we are going to go through some tough times doing it.