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Transit's Growing Financial Crisis

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THE U.S. General Accounting Office (GAO) is an arm of the Congress that reviews federal policies and programs and makes recommendations for improvements. The GAO recently reported on the federal transit operating assistance program and the growing transit financial crisis.¹ The purpose of this article is to summarize the results of GAO's review and suggest some actions that need to be taken if transit is to avoid serious financial problems.

SOARING TRANSIT DEFICITS POSE SERIOUS FINANCING PROBLEMS

Governments at all levels are facing a growing crisis in financing mass transit. As recently as the mid-1960s, transit systems nationwide were able to recover most of their costs through operating revenues. Since that time, however, the gap between operating costs and revenues has been increasing rapidly, as shown in Figure 1.

Transit systems received over \$3 billion in federal, state and local government operating subsidies in 1980. By 1985, a U.S. Department of Transportation study estimates transit systems may need more than \$6 billion per year in government subsidies.² This projection assumed federal operating assistance would continue.

The Reagan Administration has proposed phasing out federal operating assistance, which amounted to about \$1.5 billion in fiscal

1. This article is drawn primarily from GAO's report, "Soaring Transit Subsidies Must Be Controlled," CED-81-28, February 26, 1981, and testimony presented by Henry Eschwege, Director, GAO's Community and Economic Development Division before the Subcommittee on Investigations and Oversight, Committee on Public Works and Transportation, U.S. House of Representatives on June 23, 1981 during hearings on the financial and productivity problems of urban transportation.

2. U.S. Department of Transportation report, "An Evaluation of The Section 5 Program," December 1979.

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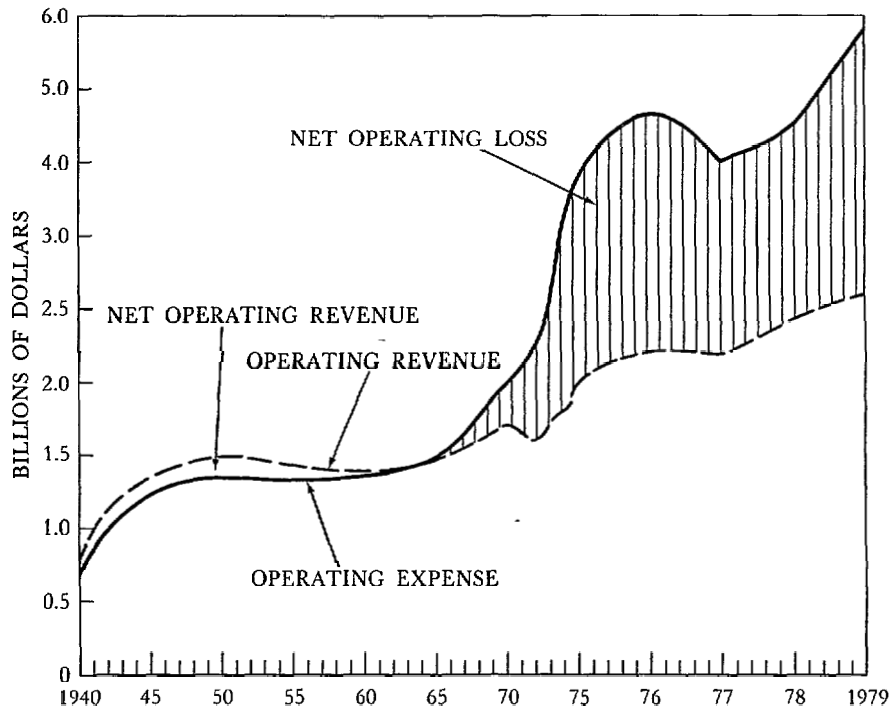


Figure 1. Average US transit system operation, cost and revenue trend
 Source: "Transit Fact Book," 1978-79 edition, published by the American Public Transit Association and preliminary 1979-80 edition.

year 1980. About 15 percent of transit's operating costs are financed with federal subsidies.³

Faced with the prospects of losing federal assistance and the difficulties of state and local governments in raising tax revenues, transit is in a serious financial situation. The seriousness of transit's financial problems was illustrated by the 1-day shutdown of Boston's transit operations. On December 6, 1980 Boston's transit system, the Massachusetts Bay Transit Authority, shut down because it ran out of operating funds. The state passed emergency legislation the following day to provide the system \$41 million in additional subsidies to keep it running through the end of the year. More recently, the Birmingham, Alabama transit system shut down for lack of funds on February 28, 1981, and did not resume limited service until June 1, 1981.

3. American Public Transit Association (APTA) data.

GAO identified two main reasons for growing subsidy demands.

1. Rapidly rising transit operating costs are not being offset by productivity improvements.

2. Transit systems have adopted and maintained unrealistically low fares even though operating costs are increasing. These are discussed in the following sections.

RAPIDLY RISING TRANSIT COSTS ARE NOT BEING OFFSET BY
PRODUCTIVITY IMPROVEMENTS

Transit operating costs, which increased from \$2.5 billion in 1973 to \$5.8 billion in 1979 (22 percent annually), are not being offset by productivity improvements.

Measurement of transit productivity is difficult, but existing data suggests that productivity in the 1970s has been declining. For example, if the effects of inflation are eliminated, from 1973 to 1979 the costs per vehicle mile in constant 1972 dollars grew from \$1.31 to \$1.74 (5.5 percent annually) and the cost per passenger increased from \$0.45 to \$0.55 (3.7 percent annually) as shown in Table I.

Measuring transit productivity at the aggregate national level

TABLE I—AVERAGE TRANSIT COST PER VEHICLE MILE IN CONSTANT
1972 DOLLARS

Year	Operating Costs ^a			
	Per Vehicle Mile		Per Linked Transit Passenger ^b	
	Current \$	Constant 1972 \$	Current \$	Constant 1972 \$
1973	1.38	1.31	0.48	0.45
1974	1.70	1.46	0.58	0.50
1975	1.89	1.48	0.66	0.52
1976	2.01	1.51	0.72	0.54
1977	2.16	1.52	0.76	0.54
1978	2.36	1.55	0.80	0.53
1979	2.88	1.74	0.92	0.55

^aAPTA's 1979-80 Transit Fact Book, scheduled for publication in 1981, adjusts previously reported operating costs for 1975 through 1978. This schedule reflects the APTA adjustments.

^bLinked passenger trips reported by APTA for 1977 through 1979 represent transit trips taken by originating transit riders paying a full fare, a reduced fare, or no fare and excludes transfer and charter rides. However, APTA's passenger trip data reported before 1977 excludes free-fare passengers. Thus, productivity measures based on passenger trips would show an improvement in 1977 through 1979 because free-fare passengers were included.

Source: American Public Transit Association's "Transit Fact Book," 1978-79 edition and preliminary 1979-80 edition, and U.S. Department of Commerce's GNP Implicit Price Deflator.

does provide a rough picture. But nationwide averages mask the bright as well as the trouble spots of individual transit systems because they often obscure variations in transit performance due to local differences, such as policy imposed service and fare requirements. Presently, the lack of reliable, comparable transit data prevents productivity measurement of individual transit systems. However, transit systems receiving federal funds were required to adopt a uniform reporting requirement by July 1978, and the first publication of the data was in June 1981. It will probably require 3 years before the data can be used with any degree of confidence to measure productivity.

The causes of transit operating costs and productivity problems are complex. GAO found that transit systems have problems: (1) using their labor force efficiently; (2) maintaining their bus and railcar fleets; and (3) expanding cost effectively into suburban areas, which are more costly to serve than dense urban areas.

Labor Problems

Although labor frequently accounts for 70 to 80 percent of total expenses, transit has difficulty using labor efficiently because: (1) transit systems must have enough vehicles and people to handle the peak morning and evening rush hours (however, much of the labor force may not be needed during the rest of the day) and (2) many transit systems are limited from adopting possible solutions to the peaking problem by labor agreements, such as hiring part-time labor.

The peaking problem appears to be worsening. One estimate indicated that the peak/base service ratio (the number of vehicles required to service the peak demand divided by the number required for normal service) increased from 1.80 to 2.04 between 1960 and 1974.⁴ In other words, about twice as many vehicles were required for peak-period service as for the rest of the day.

Peak period costs can be considerably higher than off-peak service because of the greater number of vehicles and employees required for the peak period. Labor costs, although paid at a standard hourly rate, effectively vary by the time of day since peak work activities lead to more spread time penalties (premium pay for any work performed

4. Charles A. Lave, "Is Part-time Labor A Cure for Transit Deficits?" *Traffic Quarterly*, Vol. 34, No. 1, January 1980, p. 63.

TABLE II—AVERAGE COST PER PASSENGER
(MIDDAY AND PEAK PERIODS)

	<i>System 1</i>	<i>System 2</i> (cents)	<i>System 3</i>
Midday	79.7	76.2	80.8
Peak	109.3	102.8	110.1

Source: UMTA sponsored study, "Efficiency and Equity Implications of Alternative Transit Fare Policies," September 1980.

beyond a fixed daily time span) and overtime duties, resulting in more pay hours per vehicle hour of operation.⁵

While maintenance costs per vehicle mile are essentially the same for peak and off-peak service, peak period service accounts for proportionally more maintenance costs because of the larger number of vehicle miles, buses entering and leaving garages, and buses in operation during the peak compared to the base period.⁶

The schedule in Table II illustrates the differences in costs between peak and off-peak periods for three California systems.

Many transit systems' labor agreements restrict the use of split shifts and prevent the hiring of part-time employees—two possible ways to reduce the cost of peak-period service. These restrictions can be quite costly.

For example, the Massachusetts Bay Transit Authority's passenger ridership is heaviest during two peak periods—7:00 to 9:00 AM and 4:00 to 6:00 PM. The authority's labor agreements do not allow part-time operators but do allow split shift workers, which the system uses. To meet its peak demand, an operator may start work at 6:30 AM and complete the work day at 7:00 PM, with a 4½ hour midday break—a 12½ hour workday. For the first 10 hours the operator is compensated for only 8 hours since there is a 2-hour unpaid break. After 10 hours, employees receive time-and-a-half pay, and after 11 hours they receive double-time pay. In the spring of 1980, 58 percent of the system's runs exceeded 11 hours. In June 1980, the authority estimated overtime payments were costing it more than \$2.5 million annually.

In every state GAO visited during its review, some transit systems reported that their labor agreements prevented them from using

5. Robert B. Cervero, Martin Wachs, Renee Berlin, and Rex J. Gephart, "Efficiency and Equity Implications of Alternative Transit Fare Policies," September 1980, pp. 61-63, sponsored by UMTA.

6. Ibid.

part-time drivers. These restrictions often make it more costly to provide service. For example, transit demand in Albany, New York, peaks for about 2 hours during the morning and 2 hours during the evening rush hours. Albany transit officials told GAO they believed they could improve their productivity and reduce costs if they could reduce the 60 percent straight 8-hour work shift requirement⁷ and get the union to accept part-time employees. But a local representative said that the union opposes part-time labor because it takes jobs away from full-time employees.

Estimates of the percentage of transit systems using part-time labor vary. One study indicated 11 percent of 85 United States and 7 Canadian transit systems surveyed in 1975 used part-time labor while a 1979 mail questionnaire sent to 230 systems, of which 85 percent responded, found 53 percent used some part-time labor.⁸ According to the American Public Transit Association's Transit Labor Information Service 15 of the nation's 30 largest urbanized areas have won the right to hire part-time drivers since 1977.⁹

A question arises as to what use is made of transit labor during off-peak periods in those systems that do not use part-time labor or split-shifts. For the most part, labor resources not needed during off-peak periods will remain idle. Some systems, however, have added extra runs during the off-peak to utilize some of the idle drivers and buses. For example, one transit system GAO visited guaranteed each bus driver 8 hours of pay regardless of the hours actually worked. The system had two 2-hour peak periods during the day when it had to almost double the number of buses in service. This, in turn, required more drivers who were guaranteed 8 hours of pay, even though some assignments required fewer than 4 hours of work. To avoid paying drivers for not working, this system expanded midday and night service beyond actual demand. However, when faced with financial difficulties, the system decided it had to hold down the rate of increase in operating costs by using part-time drivers, which it got the union to accept.

7. A straight 8-hour work shift requirement means the employee must work a continuous, uninterrupted 8-hour schedule.

8. Robert McGillivray and Michael Beesley, "Urban Bus Transit Costing," October 1979, Working Paper: 1200-72-1, p. 33, The Urban Institute, Washington, D.C., sponsored by UMTA.

9. The percentage of transit systems using part-time labor can be misleading because there may be restrictions imposed by the system's union agreement which severely limit the use of part-time labor. Some of these restrictions are described later in this article.

Maintenance Problems

Transit systems are experiencing serious problems in maintaining their bus and railcar fleets. For example, one east coast transit system had more than 70,000 missed trips in 1979 solely because the maintenance force could not keep its vehicles in service. Another major east coast transit system had each of its buses break down an average of nine times during the last 5 months of 1979.

GAO found the following maintenance problems:

1. Mechanics are not being properly recruited, trained, and promoted.
2. Transit systems do not have adequate preventive maintenance programs.
3. Spare-parts inventories are not properly controlled and maintained.
4. Restrictive work rules prevent using maintenance personnel efficiently.

For example, the Urban Mass Transportation Administration (UMTA) estimates 35 percent of all bus repairs are improperly done and attributes this high rate partly to recruiting, hiring, and training problems. At one large transit system GAO studied virtually no attempt was made to assure that persons hired possessed the necessary aptitude to become mechanics; advancement from a bus cleaner to a mechanic was based primarily on seniority, rather than acquired skill or mechanical aptitude; and promotions through the three levels of mechanic were based almost exclusively on seniority rather than merit.

Some transit systems also lack effective maintenance programs, which are essential to minimize repairs and reduce vehicles out of service. In one large Texas system, for example, about 90 out of 381 buses on a typical weekday broke down causing significant interruption in service. This system did not follow any part of an overall preventive maintenance program. Daily inspections were not made; weekly inspections were being performed every 1½ to 2 weeks; major inspections, which were planned for every 6,000 miles, were done anywhere from 6,000 to 28,000 miles.

Maintenance practices and labor contract provisions also exist that appear to unnecessarily increase costs. GAO found the following practices at one large transit system studied.

1. Two persons must respond to every call for road repair service even though only one may be needed.

2. Several repair facilities are located along a railcar track but certain overtime repair work at any facility must be offered on a seniority basis regardless of the employees' work location. Obviously, this means additional overtime costs if the senior employee has to travel to another repair facility.

3. Employees, when assigned to work locations other than their permanent ones, report at the beginning and end of each day to their permanent station and are compensated for the travel time between work locations.

Service Expansion Problems

Transit systems are expanding into lower density suburban areas that are costly to serve. To be most cost effective, transit generally requires high density areas. However, in response to the postwar move to the suburbs and the decline of the central city as a work place and residency, transit has expanded into suburban areas.

Between 1960 and 1970, the population outside central cities increased by 34 percent as opposed to 1.5 percent in central cities. Urbanized land area nearly tripled between 1950 and 1970—from 12,733 to 35,081 square miles.¹⁰

In trying to provide service to the suburban areas, transit has encountered several problems. First, because these areas are less densely populated, there may be fewer passengers per vehicle. Also, there may be more deadheading (nonrevenue time) because vehicles must start their routes further from the central garage or bus storage area. Because of these factors and the longer distance of suburban routes, costs are much higher for suburban service.

For example, at one transit system GAO visited, the cost per passenger was \$0.94 for local service and \$3.29 for express service to outlying areas. In other words, it cost 250 percent more to provide a passenger with express service than local service. This marked difference in passenger cost was only slightly reflected in increased revenue per passenger—revenue per passenger for local service was \$0.21 compared with \$0.38 for express service. Thus, the subsidy required for a local rider was \$0.73 compared with \$2.91 for the express rider.

Transit services to suburban areas may be required by local

10. Robert B. Cervero, op. cit., p. 5.

public officials to provide social benefits such as energy conservation, improved mobility, and to gain suburban political support for transit. But, it can have a devastating effect on a transit system's financial posture. For example, one transit system GAO visited noted that it received almost \$30 million from the county to expand service in 1973-74. Before the county's financial assistance for expanded coverage, the transit system's revenues covered 53 percent of its expenses, but this figure dropped to 32 percent when the transit system expanded service and simplified its fare structure.

INADEQUATE FARE POLICIES

Government subsidies are replacing passenger fares as transit's major source of revenue. Today, most transit systems are publicly owned and passenger fares cover less than half of transit's operating costs, the remainder must be financed with government subsidies.

Government subsidies are intended to help transit systems pay operating costs that they cannot cover with passenger fares. GAO found that one effect of federal, state, and local subsidies has been to encourage transit systems to deemphasize fares as a source of revenue. Many transit systems have adopted and maintained unrealistically low fares even though operating costs are increasing dramatically. Such fares are frequently inefficient and inequitable, providing more subsidies to some riders than others, and failing to produce as much revenues as they could. The result has been to further widen the gap

TABLE III—STATE, LOCAL, AND FEDERAL OPERATING ASSISTANCE AS A PERCENTAGE OF OPERATING EXPENSES COMPARED WITH PERCENT MET BY TRANSIT FARES FOR SELECTED YEARS

Year	Operating Expenses (millions)	Government Operating Assistance				Transit Fares
		Federal	State	Local (percent)	Total	
1966	\$1,516	—	—	—	—	91
1970	1,996	—	—	12	12	82
1974	3,239	—	12	21	33	56
1975	3,752	8	11	19	38	50
1976	4,083	10	9	21	40	50
1977	4,367	13	11	19	43	49
1978	4,789	14	12	20	46	47
1979	5,835	15	12	26	53	42

Note: The above percentages will not add to 100 percent because a portion of operating costs are financed from nonfare source such as advertising.

Source: APTA's "Transit Fact Book," 1978-79 edition, preliminary 1979-80 edition, and DOT report, "An Evaluation of the Section 5 Program," December 1979.

between farebox revenues and operating costs and increase the need for government subsidies.

Subsidies as the Major Revenue Source Rather than Fares

As recently as the mid-1960s, most of the transit industry's operating costs were covered by revenues from passenger fares. Today, fares cover only about 42 percent of operating costs, and government subsidies are replacing passenger fares as the primary source of transit revenues, as the schedule in Table III illustrates.

While government subsidies have been increasing, transit fare revenue has been declining. Between 1973 and 1979, the average fare increased from 32 cents to 39 cents. This rate of increase amounted to 3.6 percent annually—far less than the inflation rate for the period. The net effect has been a 23.3 percent *decrease* in fares in real terms, as Figure 2 illustrates.

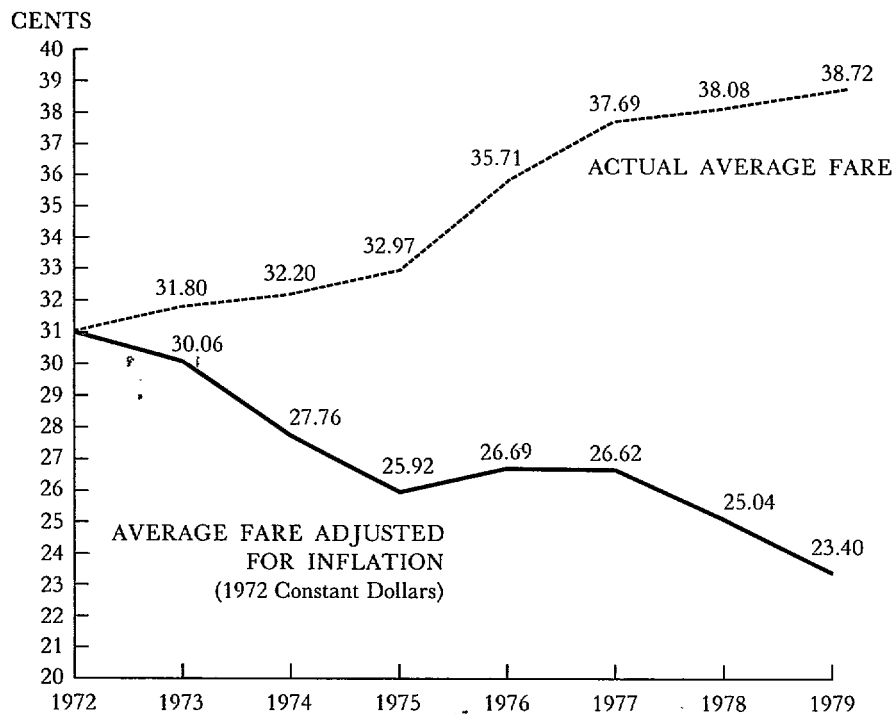


Figure 2. The effect of inflation on transit fares
 Source: APTA's "Transit Fact Book," 1978-79 edition, preliminary 1979-80 edition, and U.S. Department of Commerce's GNP Implicit Price Deflator

Farebox Revenues Are Deemphasized

The availability of federal, state, and local subsidies has enabled many transit systems to deemphasize transit fares as a major source of revenue. Instead, many systems try to keep their fares as low and as simple as possible. These systems are not realizing as much revenue as they could through passenger fares, which increases demand for even more subsidies. In addition, many of the simplified fare structures are inequitable.

Transit systems frequently lack fare policies specifying the percentage of costs that should be met through fare revenues. For example, in GAO's review, only 13 of 26 transit authorities in six states had local fare policies that specified the percentage of expenses that should be met through fare revenues.

Many transit systems GAO contacted did not have policies or goals that clearly indicated the extent to which fares should support their operations. Several of these systems stated that their fare policy is to maintain minimum fares or the lowest fare possible. The most commonly cited reason for this policy was to increase ridership. Other reasons were that transit is a public or municipal service and must serve those who depend on transit, such as the poor.

A survey conducted by Seattle Metro confirmed GAO findings. Of 18 systems responding to Seattle's survey, only six indicated that they had a fare recovery policy and only two others indicated that they were addressing the need to have a policy—leaving 10 systems (56 percent of the respondents) with no fare recovery policy.

The availability of subsidies tends to encourage transit systems to reduce their reliance on fares as a revenue source. For example, several transit officials told GAO that their fare levels are determined by the amount of government subsidies they receive. Officials of a California system explained that their fare structure is developed by first determining the amount of federal, state, and local subsidies available in the coming budget year and then tailoring the level of fares, and if necessary, services to make up the difference between projected expenses and available subsidies.

What is happening to fares in this country as a result of subsidies has occurred in other countries. The European Conference of Ministers of Transport in a 1979 study of transit subsidies in 16 countries, including the United States, found that each 10 percent increase in operating costs covered by subsidies is linked to a 5- to 7-percent fall in fare levels.

Transit systems that try to keep their fares low and simple are not realizing as much revenue as possible through fares. Also, in some cases the fares are inequitable (that is, those who least can afford to, pay disproportionately more per mile than those who can afford to pay more).

Many transit systems have not raised their passenger fares for several years. Seven of 19 systems that provided GAO information, or 37 percent, had not raised their fares within the last 5 years. Twelve had not had a fare increase within the last 3 years.

Trying to keep fare structures as simple as possible can be inefficient and inequitable. For instance, many systems charge flat fares, meaning that the fare is the same regardless of when or how far a passenger travels. The problem with this type of fare is that the transit systems do not collect sufficient revenues from peak-period commuters and long-distance travelers, who impose the greatest costs on transit systems. Transit costs are markedly higher during peak periods and for long trips because additional employees must be hired to accommodate rush hour demands and driver runs must be extended to serve outlying areas.

Simple fare structures can also be inequitable because the short-trip, nonpeak period, inner-city riders, who are generally less well off, pay much more per mile for their trips than the more affluent suburban riders. For example, the midday off-peak rider of a transit system in Albany, New York, pays an average fare per mile of 21.2 cents, while a rider during the more costly evening peak hours pays only 13.8 cents. The rider taking a trip of less than 10 minutes on the system pays an average fare per mile of 32.7 cents, while the rider taking a trip lasting 70 minutes or more pays only 3 cents per mile.¹¹

WHAT NEEDS TO BE DONE?

The problems causing the current transit financial crisis are complex. There are no simple or easy solutions. The following discusses some actions that need to be taken if transit is to avoid a serious financial crisis.

11. Carl B. Leutze and Wayne R. Ugolek, "Who Pays the Highest and Lowest Per-Mile Transit Fares?" February 1978, pp. 9-13, field project report prepared for the State University of New York at Albany. This report is part of the final report "Evaluation of Ridership, Revenue and Equity Implications of Distance-Based Fares for Transit Systems," prepared by Dr. Donald P. Ballou and Dr. Lakshmi Mohan, April 1979.

Devote More Attention to Controlling Costs and Improving Productivity

Faced with the potential loss of federal assistance and the inability (or in some cases unwillingness) of state and local governments to drastically increase their subsidies, transit systems must devote more attention to controlling costs and improving productivity. Obviously, this is easier said than done.

At the federal level, GAO recommended UMTA, which is responsible for administering the federal assistance program, take a more active role in improving transit operations. The agency has followed a "hands off" policy concerning local transit efficiency. GAO recommended UMTA: (1) develop and issue policy guidelines defining UMTA's role and responsibilities in encouraging transit productivity and (2) develop and undertake specific actions to improve transit productivity. These actions could include:

1. Requiring management evaluations for all systems of certain size receiving federal funds.
2. Requiring UMTA regional offices to monitor transit systems' responses to recommendations in management evaluations and consider the findings of such studies when evaluating requests for federal funds.
3. Requiring, as a precondition of approving an application for transit vehicles, that the applicant have an effective preventive maintenance program or implement one before transit vehicles are delivered.
4. Issuing policy guidance to help transit systems assess the cost effectiveness of expanding service in suburban areas.
5. More thoroughly studying, evaluating, and demonstrating the results of using part-time labor to cope with peaking problems.

The primary responsibility for improving transit operations rests with local transit systems and state and local governments. Efforts are beginning to be made at these levels to improve transit operations but much more is needed.

For example, in 1979 California enacted legislation making state funding for mass transit service conditional on transit operators having in their present or future union contracts a provision that does not prevent them from employing part-time drivers.

Of 18 California transit systems that provided GAO information, 15 stated that their union agreements do not prevent them from using

part-time employees. Some of the 15 said, however, that certain restrictions exist. For example, Sacramento Regional Transit District officials said that they can have a maximum of 10 percent part-time employees. Among the restrictions in the Southern California Rapid Transit District's agreement are that (1) part-time operators cannot exceed 10 percent of the total number of operators, (2) part-time operators cannot work assignments of less than 2½ hours, and (3) part-time operators cannot work more than one assignment per day and that assignment cannot be split.

Despite these restrictions, both systems reported savings in wages and benefits by using part-time drivers. Sacramento estimated \$500,000 in yearly savings and the Southern California Rapid Transit District \$2,541,000 in savings.

Recently the Los Angeles County Transportation Commission adopted financial standards for county bus operators that will tie allocation of transit subsidies to measures of efficiency and effectiveness. Beginning in fiscal year 1981, the Commission plans to monitor the performance as measured by specific indicators.

Price Transit Service Realistically

Transit managers must also devote more attention to transit pricing. The availability of subsidies has enabled many transit systems to deemphasize fare revenues. The result has been to further widen the gap between fare box revenues and operating costs and increase the need for government subsidies.

The federal assistance program has helped to encourage low fares. GAO recommended the Congress adopt a goal for the program that promotes efficient and equitable transit pricing. GAO also recommended the Secretary of Transportation take certain steps to have local areas place greater emphasis on the role of passenger fares as a source of transit revenues.

Many transit managers are reluctant to raise fares because of the fear of losing ridership. Also many believe the poor and elderly would be adversely affected by fare increases.

Nevertheless, transit managers must develop realistic, efficient and equitable fare policies particularly in view of limitations on increased government subsidies. Transit systems can no longer afford to maintain unrealistically low fares while operating costs are rapidly increasing.

Since GAO completed its field work, a number of transit systems

have raised their fares. This trend is reflected by the American Public Transit Association's information of adult cash fares for local base period service. This information reported by 159 transit systems for February 1, 1980 and February 1, 1981 discloses: (1) the average February 1, 1980 fare of 38 cents increased by 16 percent to 44 cents on February 1, 1981; (2) 78 of the 159 transit systems (49 percent) had a fare increase during the year; and (3) the average fare increase was 13 cents.

These fare increases still fall far short of the amounts needed to raise fares, in real terms, back to the levels existing in 1973. Fare levels and policies are and should be the responsibility of local transit systems. Systems must begin to establish farebox recovery goals and assess the equity and efficiency of their fare structures.

Better Define Transit's Role

Probably the most important thing that needs to be done is define exactly what it is mass transit should accomplish and direct available resources to accomplishing these objectives in an efficient manner. It became clear during GAO's review that mass transit has been assigned an array of goals to accomplish by federal, state and local governments and that these goals were poorly defined, not prioritized and, in some cases, conflicting. The end result has been confusion as to what mass transit is suppose to do and an inability to determine what mass transit is accomplishing.

At the federal level, for example, there is little agreement over exactly what the federal assistance program goals are. APTA states the goals have been to keep fares stable and low, increase service, and attract riders. A U.S. Department of Transportation study of the program identified the following goals: (1) improve or continue mass transportation services; (2) maintain the financial support provided by state, local governments, and local public bodies; (3) improve the efficiency, effectiveness, and productivity of transit operations and of the transportation system; and (4) maintain low cost to users (especially transit dependents).

The following problems are evident with these goals: they are not well defined (e.g., what does it mean to improve mass transportation service?); they are not prioritized (i.e., which of the four goals is intended to receive the highest priority?); and they are internally inconsistent (e.g. although a transit system may improve its service it may not do so in an efficient manner).

The Congress has also expressed concern about the purpose of the federal program. The Subcommittee on Oversight and Review of the House Committee on Public Works and Transportation in a March 1980 report on UMTA's technology development and equipment programs stated that in the course of examining the program it saw an overall federal transit program in need of better direction and that goal clarification is a vital first step. The Subcommittee further stated that confusion as to purpose is an obvious deficiency in the federal transit program and raised the following questions:

1. Huge sums of money are being distributed, but to what end?
2. Has it been enough merely to keep transit "alive," to arrest the decline of the fifties and sixties that seemed to be carrying urban public transportation toward oblivion in the seventies?
3. Should federal operating and capital assistance be regarded primarily as a method of distributing federal revenues—with little concern about what that money is actually buying?

The lack of well defined goals and objectives also appears to be a problem at the local level. For instance, all eight performance audits GAO reviewed that were conducted by the Institute for Urban Transportation, Indiana University found the systems did not have adequate goals and objectives. Two systems, for example, cited the following as their goals: to keep the cost of transit low or keep the local contribution at or below the current level and keep citizen complaints at a minimum.

In summarizing the results of performance audits of three Ohio systems, the Institute stated the following:¹²

"The governing bodies of three systems do not have well-defined goals for transit service in the community. Without well defined goals, management does not have any direction for the future of the transit system and cannot establish clear objectives. The lack of goals, and therefore objectives, does not given the public a standard by which to measure the transit system. Without direction and without accountability, it is difficult for a transit system to provide efficient/effective service to its community, and to be accountable for its actions."

12. *Ohio Transit Evaluation Program*, August 1979, p. 7, sponsored by Bureau of Public Transportation, Ohio Department of Transportation and UMTA, and performed by the Institute for Urban Transportation, School of Business, Indiana University.