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MASS TRANSPORTATION—1970

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

OF THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

S. 676 and S. 3499

BILLS TO PROVIDE FINANCIAL ASSISTANCE TO
MASS TRANSIT SYSTEMS

APRIL 8 AND 9, 1970

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Committee on Banking and Currency



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INTRODUCTION

CHAPTER I

The first chapter discusses the general principles of the subject, and the various methods of investigation which have been employed. It also deals with the history of the subject, and the progress of research up to the present time.

CHAPTER II

The second chapter deals with the experimental methods which have been employed in the study of the subject, and the results which have been obtained.

CHAPTER III

The third chapter discusses the various theories which have been advanced to explain the phenomena which have been observed, and the evidence in support of each of them.

CHAPTER IV

The fourth chapter deals with the various applications of the principles which have been discussed in the preceding chapters, and the progress of research in this field.

MASS TRANSPORTATION—1970

WEDNESDAY, APRIL 8, 1970

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met, at 10:10 a.m., in room 5302, New Senate Office Building, Senator John Sparkman, chairman of the committee, presiding.

Present: Senators Sparkman, Proxmire, and Percy.

The CHAIRMAN. Let the committee come to order, please.

I am hopeful that other Senators will be here, but as you probably know, the Senate is already in session; so we are going to have to get started and move along.

The hearings today are on the subject of extending further Federal assistance to urban mass transit systems to place them on a sound financial basis until more permanent relief can be provided.

We have two bills before the subcommittee—S. 676, introduced by Senator Williams, and S. 3499, introduced by Senator Percy. Although considerably different in their proposed remedies, each would provide Federal assistance to prevent mass transit systems from going out of business.

Senator Williams' bill, S. 676 introduced last year, would provide Federal subsidies to defray operating deficits on an interim basis to enable the systems to continue vital commuter service until such time as a permanent plan can be worked out to place the systems on a firm financial base. The grants would be on a matching basis—two-thirds Federal, and one-third local—and would be made through a State or local public body for the benefit of the mass transit system which could be either public or private. Grants for operating subsidy could be made for a period not exceeding 10 years, except at the discretion of the Secretary of the Department of Transportation, the period could be extended an additional 5 years.

Authorization for appropriations would be approved for amounts not to exceed \$75 million for each of the next 5 years.

Senator Percy's bill, S. 3499, would authorize the Secretary of the Department of Transportation to obligate up to \$250 million in the form of grant agreements to States or local public bodies to provide emergency relief for mass transit systems. Following the funding formula of the Senate-passed 1969 Mass Transportation Act, S. 3154, limitations by individual year would be placed on the appropriation authorization. The grants would be to pay the interest charges or to discharge obligations which have been incurred previously by

the mass transit system to improve facilities to maintain transit services to the community. Under the bill, the grant could be made to (1) prevent the termination of essential commuter services, or (2) prevent the occurrence of serious adverse effects on lower income people depending upon the transportation service of the community.

It is not necessary for me to state the plight of the Nation's transit systems. It is all too well known. From all accounts, the deficits and services for such systems are becoming worse rather than better despite the existing Federal program to help finance capital improvements.

These systems are vital to the sound development and the health and welfare of our society and cannot be abandoned. Local governments are unable to continue financial assistance, and the question before is to what extent should the Federal Government, with all of its financial resources, step in and help out.

I have not studied these bills in detail and certainly have no precise formula on what should be done, but I agree with Senator Percy and Senator Williams that this is a serious matter which we should be looking into.

The mass transit bill passed by the Senate in December is a massive effort on the part of the Federal Government to provide financial assistance for capital improvements. As we all know, this will take time to plan, to acquire land and equipment, and to build new systems. The problem for many systems is what will happen in the meantime.

The hearings today and tomorrow are being held to learn about this problem facing our Nation and to receive testimony on the merits of the bills before us and other suggestions on the proper course of action to remedy this serious matter.

(Copies of the bills and an agency report follow:)

S. 676

IN THE SENATE OF THE UNITED STATES

JANUARY 27 (legislative day, JANUARY 10), 1969

Mr. WILLIAMS of New Jersey introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To amend the Urban Mass Transportation Act of 1964 to authorize certain grants to assure adequate commuter service in urban areas, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Commuter Assistance
4 Act of 1969".

5 SEC. 2. The Congress hereby finds—

6 (1) that over 70 per centum of the Nation's popu-
7 lation lives in urban areas, and it is anticipated that by
8 1986 80 per centum of the population will be concen-
9 trated in such areas;

10 (2) that transportation is the lifeblood of an urban-

1 ized society and the health and welfare of that society
2 depends upon the provisions of efficient, economical, and
3 convenient transportation;

4 (3) that for many years the mass transportation
5 industry served capably and profitably the transporta-
6 tion needs of the urban areas of the country;

7 (4) that in recent years the maintenance of even
8 minimal commuter service in urban areas has become
9 so financially burdensome as to threaten the continuation
10 of this vital service;

11 (5) that some mass transportation companies are
12 now engaged in developing preliminary plans for, or
13 are actually carrying out, comprehensive projects to
14 revitalize their commuter operations; and

15 (6) that immediate substantial Federal assistance is
16 needed on an interim basis to enable many mass trans-
17 portation companies to continue to provide vital com-
18 muter service during the period required to overhaul
19 and revitalize commuter operations and to place such
20 operations on a sound financial basis.

21 SEC. 3. The Urban Mass Transportation Act of 1964
22 is amended by redesignating sections 6 through 15 as sec-
23 tions 7 through 16, respectively, and by adding after section
24 5 a new section as follows:

1 "INTERIM ASSISTANCE TO ASSURE ADEQUATE COMMUTER
2 SERVICE IN URBAN AREAS

3 "SEC. 6. (a) For the purpose of providing interim
4 assistance on an experimental basis to assure adequate com-
5 muter service in urban areas, the Secretary is authorized to
6 make grants to any State or local public body or agency
7 thereof to enable such State or public body or agency thereof
8 to assist any mass transportation company which maintains
9 commuter service in an urban area within the jurisdiction of
10 such State or public body or agency thereof to defray operat-
11 ing deficits incurred as the result of providing such service to
12 such areas. No grants shall be provided under this section to
13 any State or local public body or agency thereof to assist
14 any mass transportation company unless (1) the Secretary
15 determines that the commuter services provided by such
16 company are needed for carrying out a program referred to
17 in section 4 (a), and (2) such State, public body, or agency
18 and such company have jointly submitted to the Secretary
19 a comprehensive commuter service improvement plan which
20 is approved by him and which sets forth a program, meeting
21 criteria established by the Secretary, for capital improve-
22 ments to be undertaken by such company for the purpose of
23 providing more efficient, economical, and convenient com-
24 muter service in an urban area, and for placing the commuter

1 operations of such company on a sound financial basis. No
2 mass transportation company shall be eligible to receive
3 assistance provided under this section for a period in excess
4 of ten years, except that the Secretary may authorize such
5 assistance for an additional period, not exceeding five years,
6 if he determines that an extension is necessary in order to
7 enable such company to carry out its commuter service
8 improvement plan.

9 “(b) Any grant under this section to a State or local
10 public body or agency to defray the operating deficit of any
11 mass transportation company shall not exceed an amount
12 equal to two times the amount of financial assistance pro-
13 vided by such State, public body, or agency to such com-
14 pany to defray such deficit, and any assistance provided
15 under this section shall to the greatest extent practicable be
16 coordinated with other assistance provided under this Act.

17 “(c) To finance grants under this section there is au-
18 thorized to be appropriated not to exceed \$75,000,000 for
19 each of the fiscal years 1970, 1971, 1972, 1973, and 1974.
20 Any amount so appropriated shall remain available until
21 expended; and any amount authorized but not appropriated
22 for any fiscal year may be appropriated for any succeeding
23 fiscal year. The Secretary is authorized, notwithstanding the
24 provisions of section 3648 of the Revised Statutes to make

1 advance or progress payments on account of any grant made
2 pursuant to this section.

3 “(d) The Secretary shall conduct a study of the opera-
4 tion of the subsidy program authorized by this section, as
5 compared with other operating subsidy programs carried out
6 by the Federal Government, with a view to determining the
7 efficacy of such program in assuring adequate commuter
8 service in urban areas. The Secretary shall submit an interim
9 report of his findings and recommendations to the Congress
10 not later than June 30, 1971, and a final report of such
11 findings and recommendations shall be submitted to the
12 Congress not later than June 30, 1973.

13 “(e) No grants shall be made under this section after
14 June 30, 1974, except pursuant to a commitment entered
15 into prior to such date.”

16 SEC. 4. Section 7 (c) of the Urban Mass Transportation
17 Act of 1964 (as redesignated by section 3 of this Act) is
18 amended by striking out the period following “July 1,
19 1968” and inserting in lieu thereof the following: “, \$76.-
20 000,000 on July 1, 1969, and to \$96,000,000 on July 1,
21 1970.”

22 SEC. 5. Section 13 (c) of the Urban Mass Transporta-
23 tion Act of 1964 (as redesignated by section 3 of this Act)
24 is amended—

1 (1) by striking out "and" at the end of clause (4) ;

2 (2) by striking out the period at the end of clause

3 (5) and inserting in lieu thereof the following: "; and

4 the term 'mass transportation company' means any pri-

5 vate company or public authority or agency providing

6 mass transportation service; and"; and

7 (3) by adding at the end thereof a new clause as

8 follows:

9 " (6) the term 'annual net operating deficit' means

10 that part of the annual operating costs of a mass trans-

11 portation company which could reasonably have been

12 avoided by the elimination of commuter service in an

13 urban area, less the annual revenues derived by such

14 company from the provisions of such service."

15 SEC. 6. Section 16 of the Urban Mass Transportation

16 Act of 1964 (as redesignated by section 3 of this Act) is

17 amended by striking out "section 7 (b)" and inserting in

18 lieu thereof "section 8 (b)".

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
August 1, 1969.

Hon. JOHN SPARKMAN,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department on S. 676, a bill which would amend the Urban Mass Transportation Act of 1964 by authorizing a new program of matching grants to assist States and local public bodies to defray operating deficits incurred by public or private mass transportation companies in providing commuter service. Such grants would be for up to double the amount contributed by the State or local public body over a period of up to ten years, with discretionary authority given the Secretary to extend the period for an additional five years.

The problem of maintaining commuter transportation service has in recent years become acute in many urban areas, especially with respect to railroad commuter operations in large eastern metropolitan centers. This bill is aimed primarily at assisting these railroad commuter operations, and is intended to provide "interim assistance on an experimental basis" to preserve vital commuter services until a permanent solution is found. It will require a substantial amount of time to plan and carry out the required substantial capital improvement programs, and still more time for the results to show in the form of increased ridership and more economical and efficient operations.

Prior to June 30, 1968, the effective date of Reorganization Plan No. 2 of 1968 which transferred most of the functions of the Secretary of Housing and Urban Development under the Urban Mass Transportation Act of 1964 to the Secretary of Transportation, this Department consistently took the position that Federal assistance for urban mass transportation systems should be limited to capital grants for mass transportation facilities and equipment. While there may have been, in some cases, an urgent need to provide the type of interim assistance for commuter services contemplated in this bill, we believed that the responsibility for such assistance should remain in the hands of State and local units of government. The considerations which led us to this position were (1) the substantial danger that Federal operating subsidies for mass transportation systems would act as a palliative, rather than as an incentive for improved service, and would contribute to the continuance of inadequate mass transportation arrangements and (2) the belief that such subsidies would require close scrutiny of the operating details and policies of the transportation companies being subsidized—an area in which the Federal Government ought not to get involved.

We believe the above reason for limiting Federal assistance to urban mass transportation systems still are valid and should be weighed carefully. We would, however, defer on this issue to the views of the Secretary of Transportation who now has responsibility for administering programs of Federal assistance for mass transportation systems.

In view of your request for a reply by August 1, 1969, this is being sent to you prior to the usual clearance by the Bureau of the Budget.

Sincerely,

GEORGE ROMNEY.

S. 3499

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 1970

Mr. PERCY introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To provide emergency financial assistance to urban public transportation systems.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 5 of the Urban Mass Transportation Act of
4 1964, as amended (49 U.S.C. 1602), is amended by insert-
5 ing “(a)” after “SEC. 5” and by inserting at the end thereof
6 the following subsections:

7 “(b) Notwithstanding any other provisions of this Act,
8 the Secretary is authorized to make grants to States and local
9 public bodies and agencies thereof to pay the interest on and
10 to discharge obligations on securities, equipment trust cer-
11 tificates, or otherwise which have been incurred in the

1 acquisition, construction, reconstruction, and improvement
2 of facilities and equipment for use, by operation or lease or
3 otherwise, in mass transportation service in urban areas. A
4 grant may be made under this authority where the Secretary
5 determines that such a grant is essential to prevent (1) the
6 termination of all or a significant part of the transportation
7 service for a community, or (2) the occurrence of a serious
8 adverse effect upon the welfare of a substantial number of
9 lower income persons who are dependent upon the trans-
10 portation service of such community.

11 “(c) To finance the grants under subsection (b) of this
12 section, the Secretary is authorized to incur obligations in the
13 form of grant agreements or otherwise in amounts aggregat-
14 ing not to exceed \$250,000,000. This amount shall become
15 available for obligation upon the effective date of this sub-
16 section and shall remain available until obligated. There are
17 authorized to be appropriated for liquidation of the obliga-
18 tions incurred under this subsection not to exceed \$25,000,-
19 000 prior to July 1, 1970, which amount may be increased
20 to not to exceed an aggregate of \$75,000,000 prior to July 1,
21 1971, not to exceed an aggregate of \$150,000,000 prior to
22 July 1, 1972, and not to exceed an aggregate of \$250,000,-
23 000 prior to July 1, 1973. Sums so appropriated shall remain
24 available until expended.”

The CHAIRMAN. Senator Percy, you might want to add something. Since I tried to outline your bill, you might have something to add to that.

Senator PERCY. I have very little to add to your comments, Mr. Chairman. You have indicated the feeling that many of us have that something must be done in this very long neglected area.

I am delighted to welcome Senator Eagleton, the knowledgeable Senator from a sister State, who has a comparable problem to the one we have in Illinois.

The Urban Mass Transportation Assistance Act of 1969 certainly will assist greatly in the construction of new systems or help existing systems purchase new equipment. It does not, however, help those systems that have had the foresight, initiative, and courage to purchase new equipment without the promise or commitment of outside financial assistance. Thus, one system with gumption piles up debt to preserve or improve transportation service while another plays it safe, does nothing, and ends up with Federal financial assistance. By rewarding delay and penalizing initiative, we are undermining the very spirit we need if we are to revitalize urban mass transportation.

The Chicago Transit Authority is a prime case in point. The CTA presently faces a deficit for 1970 exceeding \$20 million, primarily as a result of having to pay interest on equipment bonds and to lay funds aside to pay off the principal on such obligations as well as the need to contribute to a depreciation account to meet future needs. Yet, income will only cover current operating expenses.

To meet these added expenses, the CTA will be faced to increase its fare. As it increases the fare, the number of users drops off. The number of people who have the incentive to ride in a jalopy down the overcrowded highways, polluting the air, increases. Then the deficit piles up, the fare has to be increased, the number of riders declines and the cycle continues.

Such conditions can be found in city after city. Means must be found to help reverse the trend away from decay of these systems.

One way would be to provide direct operating subsidies, such as the idea being advanced by Senator Williams.

The bill I have introduced would provide emergency relief to mass transportation systems which are in serious financial difficulty—at least partly because of their debt burden—and who can be helped if relieved of the need to service such debt.

It is my hope that through these hearings we can bring forth constructive legislation to provide necessary financial assistance to mass transportation systems in vital need of assistance. We certainly welcome the Department of Transportation in its presentation this morning.

Mr. Chairman, I request the full text of my comments be inserted in the record at this time.

The CHAIRMAN. That would be done.

Senator PERCY. Mr. Chairman, I am delighted that the Housing and Urban Affairs Subcommittee is holding these hearings today and tomorrow on proposals to provide financial assistance to urban mass transportation systems.

The bill offered by Senator Williams of New Jersey would provide direct operating subsidies to mass transit systems and commuter rail lines. My bill would offer relief to mass transit systems by helping to relieve them of the debt burden they carry.

The legislation I offer would provide financial assistance to those urban mass transportation systems which might well (1) face curtailment of all or a significant part of such service, or (2) which through further threatened fare raises could seriously undermine the welfare of lower income persons who are now totally dependent upon public transportation systems.

The Senate enacted on February 3 the Urban Mass Transportation Assistance Act of 1969 to provide \$3.1 billion over a period of 5 years to fund improved mass transportation service.

For years Congress has pumped billions of dollars into highway construction while starving our mass transit system. The result was predictable: decline of mass transit, clogged roads, and increased air pollution. Our environment and transportation system have grown so bad, however, that we are finally beginning to wake up. The act just passed represents a good beginning in our road back to a balanced, modernized transportation network. Far larger sums will have to be appropriated as inflationary pressures ease. Careful consideration should be given to the creation of a transportation trust fund to intelligently fund modes of transportation on a systems basis.

These considerations all relate to future hopes and aspirations, however. In the meantime, those mass transportation systems that have managed to survive and those gallant or desperate or needy mass transit riders who have hung on are suffering. Emergency help is required by them now. Yet, nothing in present legislation appears available to help them quickly and adequately.

The Urban Mass Transportation Assistance Act of 1969 will greatly assist in the construction of new systems or help existing systems purchase new equipment. It does not, however, help those systems that have had the foresight, initiative, and courage to purchase new equipment without the promise or commitment of outside financial assistance. Thus, one system with gumption piles up debt to preserve or improve transportation service while another plays it safe, does nothing, and winds up with Federal financial assistance. By rewarding delay and penalizing initiative, we are undermining the very spirit we need if we are to revitalize urban mass transportation.

The Chicago Transit Authority is a prime case in point. The CTA presently faces a deficit for 1970 exceeding \$20 million primarily as a result of having to pay interest on equipment bonds and to lay funds aside to pay off the principal on such obligations as well as the need to contribute to a depreciation account to meet future needs. Yet, income will only cover current operating expenses. To meet these added expenses, then, the CTA will be forced to increase its fare. It is already 40 cents. Initial proposals called for increasing this to 50 cents. Now talk is circulating that the fare will go to 45 cents. But no one can doubt this is only a way station pending a new emergency and a new need for a fare increase.

Paid passenger fares have already declined from 1.1 billion in 1947 to under 400 million today. This decline cannot continue. Roads

in the Chicago area are becoming increasingly overcrowded. Mass transportation continues to decline in quality and service. Passengers continue to desert the system. The air grows more foul. Lower income persons are being forced to dig deeper into lean budgets for higher fares they can ill afford, or they turn to group riding in old cars which endangers safe driving and further pollute the air.

Such conditions can be found in city after city. Means must be found to help reverse the trend away from decay of these systems. One way would be to provide direct operating subsidies. Such an idea is the one being advanced by Senator Williams. The bill I have introduced would provide emergency relief to mass transportation systems which are in serious financial difficulty—at least partly because of their debt burden—and who can be helped if relieved of the need to service such debt.

It is my hope that through these hearings we can bring forth constructive legislation to provide necessary financial assistance to mass transportation systems in vital need of assistance.

The CHAIRMAN. Senator Eagleton, we are very pleased to have you with us. We have a copy of your statement, and you are familiar, I am sure, with our plan. We print the statement in full in the record, regardless of how you present it (see p. 18). You may proceed as you see fit.

STATEMENT OF THOMAS F. EAGLETON, U.S. SENATOR FROM THE STATE OF MISSOURI

Senator EAGLETON. Thank you Mr. Chairman, and Senator Percy. The procedure being that the full statement will be printed in full, I will just highlight it very specifically in light of the remarks of Senator Percy. Ours are not only sister States, but insofar as the St. Louis metropolitan area is concerned, the problem to which Senator Percy alluded is one in common between Missouri and Illinois in the St. Louis metropolitan area—an area which includes significant segments on the Illinois side of the river, East St. Louis, Ill., Belleville, and the like.

The problem that Senator Percy pointed out insofar as systems which try to exercise some foresight without initially coming to the Federal Government for assistance is very much the problem of the bistate authority that services the St. Louis metropolitan area on the Missouri and Illinois sides of the river.

The Percy bill, S. 3499, would be of significant value to that transit system which like all others, as Senator Percy has pointed out, in large metropolitan areas, goes from year to year on the brink of bankruptcy, struggles through each fiscal period just barely making ends meet, and usually finds toward the end of that fiscal period, that they once again have to raise fares and the cycle of reduced utilization in the wake of those increased fares starts all over again.

The problem we face on the western side of Missouri is a bit different. That, too, is a bistate authority which services both the Missouri and Kansas sides of that area. It includes seven counties, four on the Missouri side of the border and three on the Kansas side of the border. It includes such sizable cities as Kansas City, Mo., Kansas City, Kans., and Independence, Mo.

The Percy bill, I have already stated, would be of considerable help to the St. Louis Authority. But quite frankly, it would not be of immediate assistance in Kansas City.

On January 19, 1970, the Kansas City Authority raised its fares from 35 cents to 50 cents, which was the level they found necessary in order to meet operating cost and earn the depreciation charge essential for the continuation of an equipment replacement cost.

This 50-cent fare I think, at least insofar as we know, is the highest in the Nation, although maybe Chicago is on the verge of going to that gruesome fare. It is recognized by everyone, including the authority itself that raised the fare, that it is an intolerable burden on those persons in the Kansas City area who must rely on public transportation, and it is expected, once again, as Senator Percy has pointed out, that it will trigger off the cycle again of declining utilization of the public transportation facilities in the Kansas City area.

In Kansas City where the interest on their loan will average only \$135,000 per year, therefore, S. 3499, the Percy bill would be of only peripheral assistance, and it appears that S. 676 would not be of immediate assistance to either Kansas City or to St. Louis except in the unlikely event that local financial assistance is forthcoming in the immediate future.

Enactment of S. 676 might, of course, be helpful as an incentive for providing that assistance. I would, therefore, respectfully urge this committee to consider the desirability of providing authority for Federal operating subsidies without the requirement of a local financial contribution where those emergency conditions specified in the Percy bill exist, for example, "Where the Secretary determines that such a grant is essential to prevent (1) the termination of all or a significant part of the transportation service for a community, or (2) the occurrence of a serious adverse effect upon the welfare of the substantial number of lower-income persons who are dependent upon the transportation service of such community."

Such an emergency Federal subsidy would, of course, be for a limited period of time, perhaps only a year, and the continuation of a Federal subsidy beyond that period of time should be conditioned upon the initiation of local financial contributions as provided in S. 676. An emergency subsidy of this type could well be decisive in preventing drastic curtailment of service in Kansas City next year. It would provide an additional period of time for State and local officials to devise a subsidy program.

I parenthetically add at this point, that whether the State of Missouri can devise such a program remains to be seen. Just yesterday, the State of Missouri rejected in a statewide vote, an increase in the State income tax that was placed on the ballot by the referendum route. It was rejected rather sizably. Therefore, whether our State government can be of any assistance to either St. Louis or Kansas City is in serious doubt.

Be that as it may, the incentive for action at the local level would come with the certain knowledge that Federal aid would be terminated absent some form of local subsidy program.

I would like to raise one point with regard to S. 676 that was called to my attention by officials of the Kansas City Authority. They questioned the term "commuter service" throughout this bill 676, rather

than the phrase "mass transportation service" that has been historically used in the Urban Mass Transportation Act, and they fear that subsequent interpretation of this term might restrict aid to rail commuter operations.

I know that it is not Senator William's intention to restrict the scope of this legislation, and I simply suggest that the committee may want to review the reasons for employing this different terminology.

Finally, Mr. Chairman, I do not need to explain to the committee the importance of public transportation to the life and vitality of a city or the welfare of its people. I do urge you to approve for consideration by the Senate, legislation providing for emergency Federal assistance wherever it is required to prevent the serious deterioration or death of public transportation in any of our cities.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Eagleton.

That is a very fine and clear statement.

I want to ask you just one question. You raise the question of the use of that language "commuter service" and suggest that we change it to "mass transportation service." Earlier you said that S. 676 would not be of immediate assistance to either Kansas City or St. Louis.

If that language were changed, would that cure the problem?

Senator EAGLETON. No. We think the language change would be helpful. However, the suggested language change came to me from the Kansas City Authority and they are contemplating going into the possibility of the rail commuter service business insofar as the city of Kansas City going up to our Kansas City International Airport, which is now under development, some kind of either monorail or rapid rail system that would take people directly out of downtown Kansas City area to this airport, which is perhaps 30 driving miles to the north. So they wanted that language change on an anticipatory basis, so that they might perhaps be able to garner some assistance if that comes to fruition.

Therefore, this one language change would not be of immediate assistance to Kansas City. The language change that I suggest at the top of page 4 of my prepared statement, which borrows the emergency language of Senator Percy's bill, we think would be of immediate benefit to Kansas City. The Percy bill as it stands, is of immediate benefit to St. Louis because of the debt service problem.

The Percy bill is not of immediate benefit to Kansas City. Their debt service I mentioned in my testimony was \$135,000 a year, a not insignificant figure, but it is not a make or break figure.

The CHAIRMAN. Senator Percy?

Senator PERCY. Just one question, Senator Eagleton.

We have established the principle that the Federal Government will assist with equipment purchases. The principle of operating subsidies, which gets the Federal Government into operating problems and controls and so forth, has not been established. It is going to be much harder to overcome that hurdle, of course.

Do you feel that as the next logical step before you would go that far, that it would be logical to tie that operating assistance to prior purchases of equipment and help in connection with that, both in the payment of interest and in the retirement of debt obligations?

Senator EAGLETON. This committee and the Senate and the Congress as a whole has to make pragmatic judgments, of course. We do not achieve utopia in one fell swoop.

If the realm of the attainable in terms of pragmatic legislation is that we can't go the full route—because I know there will be some objections raised against getting into the subsidization of operating revenues—then, what you say, Senator, may well be the attainable goal toward which we should work. I am, though, in a very selfish way hoping to be of some immediate assistance to the city of Kansas City wherein the conditions are deplorable as best reflected by a 50-cent fare which is unconscionable.

Senator PERCY. It is an exceedingly high fare for low-income people for the transportation in question.

Thank you very much indeed.

The CHAIRMAN. Senator Proxmire?

Senator PROXMIRE. Senator Eagleton, on page 2 in the second paragraph you say:

Even with Federal aid one-third of the cost, currently some \$550,000 a year, must be raised through earned depreciation in the absence of further local government grants.

This would sound as if your interpretation of the proposal would be to provide two-thirds of the money from the Federal Government and one-third from the cash flow on the part of the authority rather than any requirement that money be raised locally by local taxes.

The concept that I had here was that you would require at least the one-third matching funds to be raised by some sort of local effort, not simply through the fare box or through depreciation.

Senator EAGLETON. Senator, I would not quarrel with your formula except to say we are all the product of our own environments. I just mentioned that yesterday in Missouri that the voters just turned down an increase in the State income tax. Earlier in Kansas City the voters of the city turned down an increase in the earnings tax which in this neck of the woods is called the commuter tax. It is on the Kansas City books, one-half of 1 percent on everyone's gross earnings. In St. Louis I pay 1 percent of my gross earnings as the St. Louis city earnings tax.

The voters of Kansas City had on the ballot, I think it was about 8 months ago, the proposition to raise their earnings tax to 1 percent to make it analogous and consistent with St. Louis. It was resoundingly rejected.

What I am saying in essence—and perhaps this is a transitory mood of our citizenry—at the present moment in the State of Missouri, and more specifically in the city of Kansas City, the likelihood of there being any other State or local revenues available to assist in the transit business are nil. They just aren't there.

Senator PROXMIRE. It seems to me if the State and city people in a referendum decide they don't want to have the money expended, that is it. It is too bad, but it seems to me that is the essence of the democratic system.

It would seem to me that we can do all we can here. A two-thirds grant is an extraordinarily generous grant of something of this kind.

It is true we go higher on highways, but we have a user tax there that funds the whole thing.

So it would seem very hard for me to justify what would amount to close to 100-percent grant and no incentive on the part of the city to do a job of keeping this property operating efficiently and improving it.

Senator EAGLETON. I would say as a general governmental philosophy, you are right. Generally speaking, theoretically speaking, two-thirds is a generous proposition. We have other Government programs that are 50 to 50. We have some 40 to 60's. We have the rare one on the highway program, 90 to 10.

What I propose here on page 4 of my prepared statement is, under the crisis conditions of Kansas City, they be given a 1-year shot in the arm to stay afloat. I would then hope that the mayor of Kansas City and other officials in Kansas City could try again with the Kansas City electorate and say, ladies and gentlemen of the voting public, we have been salvaged for a year, but that is all it is going to be, and we want your help in raising the kind of local revenues that you think should be raised to go forward in the future.

I would agree with you that for an on-going, everlasting, on-continuing process, a 100-percent Federal subsidization would be unwarranted. I consider this in the nature of emergency relief of a limited duration.

Senator PROXMIER. In the event we don't go ahead with this, if we don't provide that the matching will simply come out of the cash flow of the authority, that there is not going to be a system, then it is going to go under and it is not going to be able to operate?

Senator EAGLETON. I think perhaps it will operate on the cyclical attrition basis that Senator Percy mentioned. I guess the next step will be a 60-cent fare and cutting off other services.

It will wither away the way some people hope the war in Vietnam will wither away, and it may take just as long.

Senator PERCY. I would like to comment on that point. All the experience that I have had is that the carrot is really needed to get that extra local exertion. We now have 50 to 50 matching funds in some programs, which is quite an incentive, up to the highway 90 to 10 split. Mass transit at 67 to 33 is right in between. I can't imagine a local community that is really faced with going out of the transit business that couldn't raise a third if they could double what they raise themselves with a Federal contribution.

Senator EAGLETON. I think in the long haul you are right, but for the immediate the problem in Kansas City is of crisis proportions.

The CHAIRMAN. Is the system owned publicly?

Senator EAGLETON. Yes, sir. It is a public authority. It is called a bi-state kind of operation. The Governor of Missouri appoints so many commissioners, the Governor of Kansas appoints so many commissioners.

The CHAIRMAN. Thank you very much, Senator Eagleton.

(The full prepared statement on Senator Eagleton follows:)

STATEMENT OF THOMAS F. EAGLETON, U.S. SENATOR FROM THE STATE OF MISSOURI

Mr. Chairman, I appreciate the opportunity to appear before this subcommittee and comment briefly on the need for emergency Federal assistance to urban public transportation systems.

Under the leadership of members of this subcommittee, the Senate has passed an urban mass transportation bill that will provide increased Federal assistance for the improvement and development of mass transportation systems. But as Senator Williams and Senator Percy have acknowledged by the introduction of their bills, this program will not provide any immediate assistance to those transportation systems which are now experiencing large operating deficits.

A case in point is the Kansas City public transportation system. The Kansas City Area Transportation Authority was created in 1965 by compact between the States of Missouri and Kansas with the approval of Congress. The Transportation District covers a seven-county area—Jackson, Clay, Cass and Platte Counties in Missouri; Johnson, Wyandotte and Leavenworth Counties in Kansas—and includes three major cities—Kansas City, Missouri, Kansas City, Kansas, and Independence, Missouri.

With a Federal grant under the Urban Mass Transportation Act of 1964, the Authority acquired all of the physical properties of Kansas City Transit, Inc. on February 1, 1969. Subsequently it has acquired all but one of the other independent bus companies in the seven-county area and negotiations are now underway with respect to the acquisition of that company.

The one-third local share of the purchase price was allocated among the seven counties and three cities on the basis of their share of population and transit mileage. With commitments from these local governments to pay their share in equal annual installments over a five-year period, the Authority then secured a loan from four banks for the local share of the purchase price.

Federal assistance was also obtained to begin a program of annual equipment replacement. Thirty new air-conditioned buses were put into service on June 1, 1969. In addition, the Exact Fare Plan has been instituted with the purchase of 350 new fare boxes.

The Authority hopes to be able to purchase 45 new buses a year for each of the next six years. Even with federal aid, one-third of the cost—currently some \$550,000 a year—must be raised through earned depreciation in the absence of further local government grants.

By the end of 1969 it was clear that the Authority faced a financial crisis. While there was no cash loss in 1969, an operating loss of about \$555,000 meant that the Authority had earned little or none of its annual depreciation charge.

A normal decline in patronage of about 4% per year would further reduce gross revenues in 1970 by some \$300,000. A new two-year labor contract would increase labor costs by \$600,000 to \$700,000. As a result, there was a projected actual cash loss of \$1 million in 1970 and about \$2 million in 1971, not including depreciation charges.

The Authority was faced with the alternatives of increasing fares or curtailing service. The decision was made to raise fares rather than abandon lines which would have left entire areas of the community without public transportation. On January 19, 1970, the bus fare in Kansas City rose from 35¢ to 50¢, the level that was necessary in order to meet operating costs and earn the depreciation charge essential to the continuation of an equipment replacement program.

This 50¢ fare—I believe it is the highest in the nation—is recognized by everyone, including the Authority, to be an intolerable burden on those persons in the Kansas City area—primarily the aged, the handicapped, and the poor—who must rely on public transportation.

In addition, it is virtually self-defeating. It is now estimated that instead of the normal decline in patronage of 4% per year, the fare increase will probably result in an 18% decline in 1970.

In short, it is already apparent that the 50¢ fare is merely a stop-gap measure and that by the end of this year the Authority will again be faced with another set of equally unacceptable alternatives.

Clearly public transportation in Kansas City cannot survive without some form of operating subsidy. I believe, and the Authority believes, that the essential responsibility for subsidizing urban public transportation lies with the State and local governments. Efforts are now underway to explore all of the possibilities for local and State assistance, but the prospects for an immediate solution are not bright.

On the other side of Missouri, the Bi-State Development Agency, which is empowered to provide transportation service in the city of St. Louis, St. Louis, St. Charles, and Jefferson Counties in Missouri, and St. Claire, Madison and Monroe Counties in Illinois, also faces financial difficulties.

Bi-State's acquisition of some 15 private transit companies in 1963 was financed by the issuance of revenue bonds. Currently Bi-State is required to set aside from

revenues about \$1.6 million to pay interest and amortization on outstanding revenue bonds, and an additional \$700,000 for interest and amortization on equipment trust notes. That burden of almost \$2.3 million annually has made it necessary to raise the base fare to 40¢ and to reduce service on unprofitable lines. Even so, sufficient revenues are not being received to continue needed improvement and modernization of facilities.

Increased labor costs in the next fiscal year will require a decision in St. Louis to either increase fares or reduce service. Officials of the Bi-State Agency tell me that some form of operating subsidy is going to be needed in the immediate future to permit continued operation of about 40 lines, out of the system's total of 108, which are not self-supporting.

Studies are now underway looking toward a rapid transit system for St. Louis. But this goal is still many years in the future, and in the meantime it is essential that the present bus service networks be maintained and improved.

S. 3499, which would authorize grants to help defray debt service costs, could be of significant assistance in St. Louis. I urge this committee to give its approval to this form of assistance to systems such as those in St. Louis and Chicago which did not have the benefit of Federal assistance in acquiring their transit properties.

In Kansas City, where the interest on their loan will average about \$135,000 per year, S. 3499 would be of only peripheral assistance.

It appears that S. 676 would not be of immediate assistance to either Kansas City or St. Louis, except in the unlikely event that local financial assistance is forthcoming in the immediate future. Enactment of S. 676 might, of course, be helpful as an incentive for providing that assistance.

I would, however, respectfully urge this committee to consider the desirability of providing authority for Federal operating subsidies, without the requirement of a local financial contribution, where those emergency conditions specified in S. 3499 exist, i.e.: "where the Secretary determines that such a grant is essential to prevent (1) the termination of all or a significant part of the transportation service for a community, or (2) the occurrence of a serious adverse effect upon the welfare of a substantial number of lower income persons who are dependent upon the transportation service of such community."

Such an emergency Federal subsidy should, of course, be for a limited period of time—perhaps only one year—and the continuation of a Federal subsidy beyond that period of time should be conditioned upon the initiation of a local financial contribution as provided in S. 676.

An emergency subsidy of this type could be decisive in preventing drastic curtailment of service in Kansas City next year. It would provide an additional period of time for state and local officials to devise a subsidy program. The incentive for action at the local level would come with the certain knowledge that Federal aid would be terminated absent a local subsidy program.

I want to raise one point with regard to S. 676 that was called to my attention by officials of the Kansas City Authority. They question the use of the term "commuter service" throughout this bill rather than the phrase "mass transportation service" that has been used historically in the Urban Mass Transportation Act, and fear that subsequent interpretation of this term might restrict aid to rail commuter operations. I know that it is not Senator Williams' intention to so restrict the scope of this legislation, and I simply suggest that the committee may want to review the reasons for employing this different terminology.

Mr. Chairman, I do not need to explain to the committee the importance of public transportation to the life and vitality of a city or the welfare of its people. I do urge you to approve for consideration by the Senate legislation providing for emergency Federal assistance wherever it is required to prevent the serious deterioration or death of public transportation in any of our cities.

The CHAIRMAN. The next witness is Mr. Carlos C. Villarreal. We are glad to have you before us again. We have a copy of your statement, and it will be printed in full in the record.

You proceed as you see fit, and for the benefit of the record, identify the two gentlemen with you.

STATEMENT OF CARLOS C. VILLARREAL, URBAN MASS TRANSPORTATION ADMINISTRATOR, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY GEORGE W. HALEY, CHIEF COUNSEL, AND GORDON MURRAY, ASSISTANT ADMINISTRATOR FOR PROGRAM PLANNING

Mr. VILLARREAL. Mr. Chairman, I brought with me the chief counsel for the Urban Mass Transportation Administration, Mr. George Haley, and Mr. Gordon Murray, who is my assistant administrator for program planning.

The CHAIRMAN. Very well. We are glad to have all of you.

Mr. VILLARREAL. Mr. Chairman and members of the committee: I am pleased to testify today for the Department of Transportation on the bills S. 676 and S. 3499 which would amend the Urban Mass Transportation Act of 1964.

Both bills concern a problem that in recent years has become acute in many urban areas. Many communities are finding themselves in a situation where fare box revenues from transit operations do not meet the operating costs of providing the level of service believed necessary for achievement of community objectives at fares that can be reasonably afforded by those dependent upon public transportation. Increasing operating deficits are being experienced in a growing number of communities in their efforts to provide public transportation service.

The Urban Mass Transportation Act of 1964 does not now provide any direct remedy for operating deficits experienced by transit operations. It seeks to improve transit services through Federal assistance for new or improved capital facilities and equipment. Many communities are faced by the need to provide public subsidies to cover operating deficits in order to preserve adequate service at reasonable fares. This must often be done while the community also attempts to develop a capital improvement program designed to increase ridership and produce more economic and efficient operations.

Local governmental subsidies may be provided indirectly through favorable tax treatment or assumption of certain costs, or directly through cash payments for reduced rate rides or performance of specified operations. The urgent need to provide such subsidy assistance often hampers the ability of financially hard-pressed communities to make progress in making needed capital improvements. The 1964 act is designed to meet this area of community need. This committee and the Senate have already recognized the magnitude of this need in the passage of S. 3154.

S. 676 would authorize grants to States and local public bodies to assist in financing interim subsidies for up to 15 years to defray net operating deficits of publicly or privately owned mass transportation companies providing commuter service. Such grants would be for up to double the amount contributed by the State or local public body.

S. 3499 would allow grants to State and local public bodies to pay up to 100 percent of the interest and principal on debts incurred to finance urban mass transportation capital facilities and equipment, if the Secretary determines that such a grant is essential to prevent:

(1) The termination of a significant part of the transportation service of a community, or

(2) The occurrence of a serious adverse effect upon the welfare of a substantial number of lower income persons who are dependent upon such service. Both bills would provide additional funds to finance the authorized grants.

S. 676 appears to be aimed primarily at assisting railroad commuter operations in large metropolitan areas. Most such services operate at deficits and a number of cities and States have acted to preserve such services where their abandonment seemed imminent.

Although the operating costs of such operations are not eligible for Federal assistance, a number of grants have been made under the present capital assistance program for modernization of railroad commuter facilities and equipment. It is not clear, however, whether the operating subsidies S. 676 would authorize would be available for other types of transit service such as bus operations in smaller communities experiencing similar problems in meeting operating costs.

S. 3499 appears to be aimed at providing financial relief to transit systems which have in the past purchased new capital equipment on the basis that it could be financed from system revenues. To the extent that interest and principal payments on outstanding equipment obligations are a substantial claim against revenues, this form of relief would help reduce operating deficits or eliminate the necessity for increased fares. Since only relatively few communities have transit systems with outstanding revenue indebtedness, the approach taken by this bill is quite limited in scope and may be too narrow to merit Federal action.

These bills raise two fundamental issues:

1. To what extent is Federal involvement in the problem of increasing operating deficits—with the attendant prospect of increased fares to avoid operating deficits—desirable?

2. To what extent do the bills represent appropriate mechanisms for any such Federal involvement?

The first of these issues has been raised before. The limitation of Federal involvement to capital assistance has been deliberate and premised on the belief that the solution of our mass transit problems can come only through joint Federal, State, and local efforts. Operating subsidies involve many factors that are matters of local choice, influenced by local interest and support. For this reason, the most appropriate Federal role was believed to be one providing the maximum freedom for the local decisionmaking process. The bills before the committee would dramatically change the nature of the Federal involvement in assistance to urban mass transit and raise a whole host of questions as to the proper relationship between the Federal Government and our cities, for example, the degree of control and responsibility for efficient transit operations that the Federal Government might necessarily assume under an operating subsidy program.

With respect to the second issue, it would seem that the assistance provided for by both bills would deal only with a small portion of the overall problem of the squeeze on fares and service created by rising costs and static or declining ridership. They would also raise serious questions of fairness since each would gear assistance to conditions that do not directly relate to the question of the need for Federal aid.

For these reasons, the Department would not favor enactment of S. 676 or S. 3499.

I understand that the Subcommittee on Housing of the House Banking and Currency Committee is recommending an amendment to S. 3154 to include a requirement that the Department of Transportation conduct a study and report within 1 year on "the feasibility of providing Federal assistance to help defray the operating costs of mass transportation companies in urban areas and any changes in the Urban Mass Transportation Act of 1964 which would be necessary in order to provide such assistance * * *" If ultimately the Congress should direct the Department to undertake such a study, we would, of course, comply.

Certainly, if there is to be any radical change in the nature of Federal assistance to urban transit systems, such a change ought to be preceded by a very careful analysis of the issues. There must be a showing that an unequivocal need exists that can be met within a framework which preserves the proper roles and responsibilities of Federal, State, and local authorities.

The CHAIRMAN. Thank you very much. Mr. Villarreal.

It is a very clear statement and I am delighted to have it.

I have no questions. We are indebted to all of you for making this presentation.

Mr. VILLARREAL. I was very pleased to be down in Birmingham the other day to take a look at your transit system there.

The CHAIRMAN. It needs looking at, doesn't it?

Mr. VILLARREAL. They are having some real problems, Mr. Chairman, and we hope to be helpful in the Birmingham area.

The CHAIRMAN. Fine. I was down there yesterday, not on that, though.

Very good, and I appreciate it.

Senator Percy?

Senator PERCY. Mr. Villarreal, we appreciate your statement very much. In your statement you say that the Urban Mass Transportation Act of 1964 basically tries to assist transit systems by providing Federal assistance for new and improved capital systems and equipment. But there are many systems which are in financial trouble which have already invested in capital equipment in the past and tried to run good operations even before the days of Federal assistance.

Shouldn't we help these systems which have already invested in capital equipment such as my bill is designed to do?

Mr. VILLARREAL. The Urban Mass Transportation Administration has assisted and presently does assist those systems which have had courage and initiative to make major investments.

Capital assistance, for example, has in fact been given to the Chicago Transit System and the Cleveland Transit System. These systems were largely financed locally through local bond issues still outstanding. Other largely self-financed systems which have received assistance from the Urban Mass Transportation System are the New York City Transit Authority, the Massachusetts Bay Transportation Authority of Boston and the Southeastern Pennsylvania Transportation Authority of Philadelphia, and of course, Bart System of San Francisco.

Senator PERCY. I know how the Department feels about operating subsidies and I can understand why. I am not sure that I understand why the Department of Transportation basically considers my bill to be an operating subsidy. It really just helps to provide for capital equipment, and, as stated in your testimony, that is what the Urban Mass Transportation Act is designed to help with.

Mr. VILLARREAL. We are not specifically classifying S. 3499 as an operating subsidy bill. We are saying in effect that it is a partial step intended to get at the same problem that a direct operating subsidy proposal like S. 676 does. To the extent that interest and principal payments on outstanding equipment obligations are a substantial claim against revenues, this is a form of relief which would help reduce operating deficits or eliminate necessity for increased fares.

Senator PERCY. How many communities have mass transit systems with outstanding indebtedness?

Aren't many systems facing the problem of heavy debt burdens which prevent them from expanding and modernizing as much as they would like to?

Mr. VILLARREAL. Senator Percy, there are many cities with general obligation bonds, not retired from revenues. But there are only a few systems with revenue indebtedness. Cities which come immediately to mind are Chicago, Cleveland, the St. Louis area, Los Angeles, Philadelphia, Pittsburgh, and Miami.

Senator PERCY. You seem concerned about operating subsidies being dissipated by wasteful management or labor practices.

If adequate guidelines and safeguards can be set up, would this dispose you more favorably toward the principle of operating subsidies and debt relief?

Mr. VILLARREAL. Our position, Senator Percy, is that if there is to be any basic change in the nature of Federal assistance, it should be preceded by a careful analysis of the issues.

If the Congress should direct the Department to undertake such a study, we would, of course, comply.

Senator PERCY. Could you comment lastly on what type of systems you would conceive coming under this legislation? Would you think it should cover all systems, private and public, as does other mass transit legislation?

Mr. VILLARREAL. The mechanics of helping the cities under the bill would be through a public authority such as we are doing now.

However, privately owned transit systems could deal through the public authority with proper contractual arrangements.

Senator PERCY. Thank you very much indeed.

The CHAIRMAN. Thank you, gentlemen.

Next, Mr. John Paul Jones.

Mr. PERCY. One further thought.

Mr. Villarreal, could you comment on how long you feel the study is going to take?

Mr. VILLARREAL. The study is scheduled—well, it is all predicated upon the will of the Congress to have us do the study, of course, and it would be programmed for a year, but we would, of course, try to reduce that time.

Mr. PERCY. Could we anticipate interim reports at all, and when would they be?

Mr. VILLARREAL. I believe it would take at least 6 months before we would be in a position to provide an interim report.

Mr. PERCY. Does the Department now have the study underway knowing that the House has already indicated a desire to have it?

Mr. VILLARREAL. No, we do not have a study underway.

Mr. PERCY. Thank you very much.

The CHAIRMAN. Thank you.

Mr. Jones, president of the Cincinnati Transit Co., representing the American Transit Association.

We have a copy of your statement. The full statement will be printed in the record (see p. 29). You may present it as you see fit.

STATEMENT OF JOHN PAUL JONES, PRESIDENT, AMERICAN TRANSIT ASSOCIATION, AND PRESIDENT, CINCINNATI TRANSIT, INC., CINCINNATI, OHIO; ACCOMPANIED BY ROBERT SLOAN, EXECUTIVE VICE PRESIDENT OF THE AMERICAN TRANSIT ASSOCIATION

The CHAIRMAN. We are glad to have both of you.

Mr. JONES. I am privileged to appear before you today to testify on S. 3449 on behalf of the American Transit Association, which represents transit systems, both public and private, carrying over 85 percent of the transit passenger traffic in large and small cities throughout the country. The membership of the association encompasses both rail and bus modes of urban transportation.

These transit systems are today in an economically untenable position. Rising expenses and impaired efficiency due to growing traffic congestion have plunged the industry deep into debt. Attempts to meet expenses with higher fares only cause more passengers to abandon public transportation in favor of the automobile, further worsening the traffic problem.

The members of this subcommittee are well acquainted with this situation. It was here that the first significant Federal transit aid program was born, in 1964. And it was here that the most significant Federal transit aid program, embodied in S. 3154, received its first legislative approval a few short months ago.

If it becomes law, S. 3154 will enable many transit systems to acquire badly needed new capital equipment. But S. 3154 is not yet law, and no previous Federal aid program has provided enough money to make a dent in the problem. Consequently, many transit systems have been forced to incur various forms of indebtedness to secure desperately needed new capital equipment. This debt hangs over them now. It is as much of a burden for them as an obsolete fleet would be. Nevertheless, the funds which would become available under S. 3154 could not be used to retire such debt.

In effect, we are creating a situation which works to the disadvantage of the provident. Those systems which have already acted to modernize could not be helped, even though much of the "bill" for that modernization remains unpaid.

It was to correct this obvious inequity that Senator Percy introduced S. 3499. We are deeply grateful for his insight, and for his effort on behalf of improved urban transportation.

We respectfully suggest three changes in the bill which would bet-

ter accomplish its worthy objective. First, the amount of funds authorized must be substantially increased to meet the needs.

Second, additional clarifying language should be added to make it plain that the benefits of this legislation will be available to all segments of the urban transportation industry, investor-owned as well as public.

Third, the two conditions under which aid could be offered—termination of service or adverse effect upon the welfare of lower income persons—are excessively restrictive and should be broadened.

Shortly after the introduction of S. 3499 we took a survey to learn the extent of the industry's outstanding obligations. Time did not permit a complete canvas of the industry, which numbers over 1,000 transit companies, so we queried only the top 50, by population served.

To date, we have received replies from 24 of the 50. They report aggregate indebtedness of \$1.5 billion. With your permission, Mr. Chairman, I will submit for the record a list of these systems which is now under preparation. I should add that our survey counted only that debt which is charged against operations. We assume that S. 3499 would cover all such debt, in whatever form. We are not counting the substantial debt loads carried by some cities in the form of general obligation bonds, even though much of this capital is used for transit improvements.

(The following was received for the record :)

RESPONSE TO BONDED DEBT SURVEY

Company reporting bonded debt	Amount of bonded debt	Amount of equipment transit certificates	Amount of other capital debts	Total
Alameda-Contra Costa Transit District (Oakland, Calif.)	\$11,000,000			
Chicago (Ill.) Transit Authority	62,923,000	\$10,355,000		
Columbus (Ohio) Transit Authority		2,000,000		
Indianapolis (Ind.) Transit System, Inc.			\$1,756,267	
Massachusetts Bay Transportation Authority (Boston, Mass.)	230,764,632			
Southern California Rapid Transit District (Los Angeles, Calif.)	20,025,000			
Southeastern Pennsylvania Transit Authority (Philadelphia, Pa.)	79,500,000			
Department of Street Railways (Detroit, Mich.)	7,480,000			
San Antonio (Tex.) Transit System	1,660,000			
Atlanta (Ga.) Transit System			5,000,000	
New York City Transit Authority (Brooklyn, N.Y.)	75,000,000			
Milwaukee (Wis.) and Suburban Transport Corp.		3,177,158	472,500	
New Orleans (La.) Public Service, Inc.	5,911,650			
Memphis (Tenn.) Transit Authority	2,100,000			
Cleveland (Ohio) Transit System	12,014,000			
Bi-State Transit System (St. Louis, Mo.)	23,661,000			
Port Authority of Allegheny County (Pittsburgh, Pa.)	50,000,000			
Metropolitan Dade County Transit Authority (Miami, Fla.)	6,250,000			
Rochester (N.Y.) Transit System	750,000			
Akron (Ohio) Metropolitan Regional Transit Authority		63,700		
The Baltimore (Md.) Transit Co.			885,675	
Fort Worth (Tex.) Transit Co., Inc.			208,700	
Dallas (Tex.) Transit System	7,300,000			
Total	596,339,282	15,595,858	8,323,142	\$620,258,282
Washington (D.C.) Metropolitan Area Transit Authority	860,000,000	(1)		
Total	1,480,258,282			
Total	1,456,339,282			

¹ Revenue bonds.

With 24 systems accounting for \$1.5 billion in capital debt, we would conservatively estimate the total industry obligations to be well in excess of \$2 billion. If we assume a rate of interest of 6 percent and a 10-year amortization period, for purposes of illustration, the debt service charges against industry operations would amount to \$278 million per year.

S. 3499 presently provides a total of \$250 million over a 3-year period. Obviously, this figure must be substantially increased.

You will recall that the Urban Mass Transportation Act of 1969, S. 3154, pledges \$10 billion in aid over the next 12 years to meet capital needs estimated to amount to \$20 billion for the decade.

In other words, the Federal program is designed to meet about half the need. We feel that this formula is a reasonable one to apply to S. 3499 also. We therefore suggest increasing the funding schedule of S. 3499 by a factor of 4, so that it would provide an aggregate of \$1 billion, enough to cover about one-half of the industry's outstanding capital debt.

To accomplish the second change I mentioned, we suggest the addition of the phrase "by public or private mass transportation systems," after the word "use" on line 2, page 2 of the bill.

This change is in the nature of a reaffirmation of the preamble to the Urban Mass Transportation Act of 1964:

To authorize the Secretary of Transportation to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes.

We believe such language to be necessary because of the unfortunate history of procedural exclusion of investor-owned systems under the existing act, in direct defiance of the plainly stated intent of the Congress.

Finally, in recognition of the value to the entire community of a healthy transit system, we urge that the conditions under which the Secretary may dispense aid be broadened.

As the bill now reads, aid could be granted only to prevent termination of service or a serious adverse effect upon the welfare of lower income persons. Aid should certainly be available to avoid either of these grave eventualities; but it should also be used to prevent the situation from reaching these extremes.

Senator Percy himself has defined a healthy transit system as one "which is able to maintain a fare structure that can hold or attract people to the system." He has wisely recognized that unless this goal can be met, fare increases will drive people away from the system and to their automobiles.

When this happens, traffic congestion and air pollution increase, with detrimental effect to everyone, rich or poor, suburbanite or city dweller.

We therefore suggest that grants be made where the Secretary "determines that such a grant is essential to maintain a fare structure that can hold or attract people to the system," and that this language replace that found in lines 5 through 10 on page 2 of the bill.

Mr. Chairman, with these minor changes, we feel this bill can make a major contribution to the herculean task of restoring adequate public transportation facilities to our congested cities and towns. We are grateful for the continuing interest of the Senate in this subject, and we appreciate the opportunity to appear before you today.

The CHAIRMAN. Thank you very much, Mr. Jones.

This is a very fine presentation, and I am particularly pleased that when you pointed out the changes that ought to be made you gave us suggestions just how to make those changes.

You may be assured that the committee will give full consideration to the matters that you have brought forward.

I notice you say the amount of funds authorized must be substantially increased to meet this need, and then you give the figure, as I recall, I think you say that one of these bills proposes \$250 million a year against industry operations and then you say that the industry operations will amount to debt service charges of \$278 a year, and then you say S. 3499 presently provides a total of \$250 million over a 3-year period.

Is that \$250 million a year?

Mr. JONES. I believe it is a year. What page is that, Mr. Chairman?

The CHAIRMAN. Page 4. I am told that is the amount over a period of 3 years. So, you suggested that it ought to be stepped up.

I notice, however, that when you do your stepping up you say it ought to be stepped up by a factor of four.

Mr. JONES. We had analyzed the total indebtedness of industry at \$2 billion, and we had said that S. 3154 attempted to meet the capital equipment requirements of the industry by 50 percent, so we felt that that same percentage of 50 should apply to this indebtedness which would require \$1 billion, and in order to get \$1 billion—the Percy bill calls for \$250 million—a factor of four was necessary to reach it.

The CHAIRMAN. You say that a billion dollars is enough to cover about one-half of the industry's outstanding capital debt.

Is that correct?

Mr. JONES. That is our contention, Mr. Sparkman.

The CHAIRMAN. Thank you very much.

Senator Percy, I am sure, will want to ask some questions.

Senator PERCY. I have no questions, Mr. Chairman, but I wish to express appreciation to Mr. Jones for the work that has been put in, the analysis that has been made. The information you have provided to us is exceedingly helpful.

You have made several recommendations, first that the amount of funds be increased. I realize the need is very great. I have a personal problem in that I pledged that I would not increase the Budget Bureau's levels unless I found an area some place else that could have a reasonable chance of being reduced in order to obtain increased revenues.

So I have got to find every dollar that we put in here somewhere else in the budget. Balancing out our priorities and needs and realizing that this opens a new area, I felt that was about the amount that we could realistically look forward to.

If we went too high, we might get absolutely nothing.

Certainly, you have demonstrated the need for more funds and have helped reinforce the case.

You have asked for clarifying language to make it plain that the benefits of this legislation would be available to all segments of the urban transportation industry. I agree with you, and we will make such a modification.

Third, that the two conditions under which aid could be offered, for termination of services or adverse effect upon the welfare of lower income persons, are excessively restrictive and should be broadened. We will take a good look at that. I do want to have adequate leeway, but I am also taking into account that there are mass transit systems that service high income people, suburban routes, for instance. Whether it would be wise to embrace those systems where they can well afford increased fares, whether it would be wise for us to get into that area or not, I don't know.

I would not want to jeopardize the legislation. We have the principle established that the Congress of the United States wants to help lower income people. For the most part, mass transportation systems depend upon lower income people. For the most part there are lower income people in many of these systems. I thought we could have most of the systems by putting that kind of language in which is easier for the Congress to support than a system that may serve customers who are competent and able to pay increased fares.

But we will study that. I may have a staff member contact you again to help get assistance with that language.

We thank you very much indeed for your testimony and for your personally being here and for your very thoughtful comments.

I do not pretend to be an expert on the mass transit field, though I have ridden the CTA in Chicago for 45 years. I still ride it. I still think it is the best means for getting downtown, and I don't know why more people don't use it. But I am not an expert in the field of financing it, and your assistance and help are very valuable indeed.

Mr. JONES. Thank you very much, Senator Percy.

Our legislative committee went over very carefully the text of S. 3499 and the feeling of being representative to our entire membership suggested the changes on which your commentary has just been based and we appreciate very much the opportunity to appear here today.

The CHAIRMAN. Thank you, Mr. Jones.

We appreciate your help. If you have any further suggestions at any time, feel free to make them known to us.

Mr. JONES. Thank you, Senator.

(The full prepared statement of Mr. Jones follows:)

STATEMENT OF JOHN PAUL JONES, ON BEHALF OF THE AMERICAN TRANSIT ASSOCIATION

Mr. Chairman and members of the Senate Subcommittee on Housing and Urban Affairs, my name is John Paul Jones. I am President of the American Transit Association, and President of Cincinnati Transit, Inc., of Cincinnati, Ohio. I am privileged to appear before you today on behalf of the American Transit Association, which represents transit systems, both public and private, carrying over 85% of the transit passenger traffic in large and small cities throughout the Country. The membership of the Association encompasses both rail and bus modes of urban transportation.

These transit systems are today in an economically untenable position. Rising expenses and impaired efficiency due to growing traffic congestion have plunged the industry deep into debt. Attempts to meet expenses with higher fares only causes more passengers to abandon public transportation in favor of the automobile, further worsening the traffic problem.

The members of this Subcommittee are well acquainted with this situation. It was here that the first significant Federal transit aid program was born, in 1964. And it was here that the most significant Federal transit aid program, em-

bodied in S. 3154, received its first legislative approval a few short months ago.

If it becomes law, S. 3154 will enable many transit systems to acquire badly needed new capital equipment. But S. 3154 is not yet law, and no previous Federal aid program has provided enough money to make a dent in the problem. Consequently, many transit systems have been forced to incur various forms of indebtedness to secure desperately needed new capital equipment. This debt hangs over them now. It is as much of a burden for them as an obsolete fleet would be. Nevertheless, the funds which would become available under S. 3154 could not be used to retire such debt.

In effect, we are creating a situation which works to the disadvantage of the provident. Those systems which have already acted to modernize could not be helped, even though much of the "bill" for that modernization remains unpaid.

It was to correct this obvious inequity that Senator Percy introduced S. 3499. We are deeply grateful for his insight, and for his effort on behalf of improved urban transportation.

We respectfully suggest three changes in the bill which would better accomplish its worthy objective. First, the amount of funds authorized must be substantially increased to meet the need. Second, additional clarifying language should be added to make it plain that the benefits of this legislation will be available to all segments of the urban transportation industry, investor-owned as well as public. Third, the two conditions under which aid could be offered—termination of service or adverse effect upon the welfare of lower income persons—are excessively restrictive and should be broadened.

Shortly after the introduction of S. 3499 we took a survey to learn the extent of the industry's outstanding obligations. Time did not permit a complete canvass of the industry, which numbers over 1,000 transit companies, so we queried only the top fifty, by population served.

To date, we have received replies from twenty four of the fifty. They report aggregate indebtedness of \$1.5 billion. With your permission, Mr. Chairman, I will submit for the record a list of these systems and the debt load they carry. I should add that our survey counted only that debt which is charged against operations. We assume that S. 3499 would cover all such debt, in whatever form. We are not counting the substantial debt loads carried by some cities in the form of general obligation bonds, even though much of this capital is used for transit improvements.

With twenty four systems accounting for \$1.5 billion in capital debt, we would conservatively estimate the total industry obligations to be well in excess of \$2 billion. If we assume a rate of interest of 6% and a ten-year amortization period, for purposes of illustration, the debt-service charges against industry operations would amount to \$278 million per year.

S. 3499 presently provides a total of \$250 million over a three-year period. Obviously, this figure must be substantially increased.

You will recall that the Urban Mass Transportation Act of 1969, S. 3154, pledges \$10 billion in aid over the next twelve years to meet capital needs estimated to amount to \$20 billion for the decade. In other words, the Federal program is designed to meet about half the need. We feel that this formula is a reasonable one to apply to S. 3499 also. We therefore suggest increasing the funding schedule of S. 3499 by a factor of four, so that it would provide an aggregate of \$1 billion, enough to cover about one-half of the industry's outstanding capital debt.

To accomplish the second change I mentioned, we suggest the addition of the phrase "by public or private mass transportation systems," after the word "use" on line two, page two of the bill. The complete sentence would then read:

"Notwithstanding any other provisions of this Act, the Secretary is authorized to make grants to States and local public bodies and agencies thereof to pay the interest on and to discharge obligations on securities, equipment trust certificates, or otherwise which have been incurred in the acquisition, construction, reconstruction, and improvement of facilities and equipment for use by public or private mass transportation systems, by operation or lease or otherwise, in mass transportation service in urban areas."

This change is in the nature of a reaffirmation of the preamble to the Urban Mass Transportation Act of 1964:

"To authorize the Secretary of Transportation to provide additional assistance for the development of comprehensive and coordinated mass transportation systems, both public and private, in metropolitan and other urban areas, and for other purposes."

We believe such language to be necessary because of the unfortunate history of procedural exclusion¹ of investor-owned systems under the existing Act, in direct defiance of the plainly stated intent of the Congress.

Finally, in recognition of the value to the entire community of a healthy transit system, we urge that the conditions under which the Secretary may dispense aid be broadened.

As the bill now reads, aid could be granted only to prevent termination of service or a serious adverse effect upon the welfare of lower income persons. Aid should certainly be available to avoid either of these grave eventualities, but it should also be used to prevent the situation from reaching these extremes.

Senator Percy himself has defined a healthy transit system as one "which is able to maintain a fare structure that can hold or attract people to the system." He has wisely recognized that unless this goal can be met, fare increases will drive people away from the system and to their automobiles. When this happens, traffic congestion and air pollution increase, with detrimental effect to everyone, rich or poor, suburbanite or city dweller.

We therefore suggest that grants be made where the Secretary "determines that such a grant is essential to maintain a fare structure that can hold or attract people to the system," and that this language replace that found in lines five through ten on page two of the bill.

Mr. Chairman, with these minor changes, we feel this bill can make a major contribution to the herculean task of restoring adequate public transportation facilities to our congested cities and towns. We are grateful for the continuing interest of the Senate in this subject, and we appreciate the opportunity to appear before you today.

The CHAIRMAN. This finishes this morning's hearings.

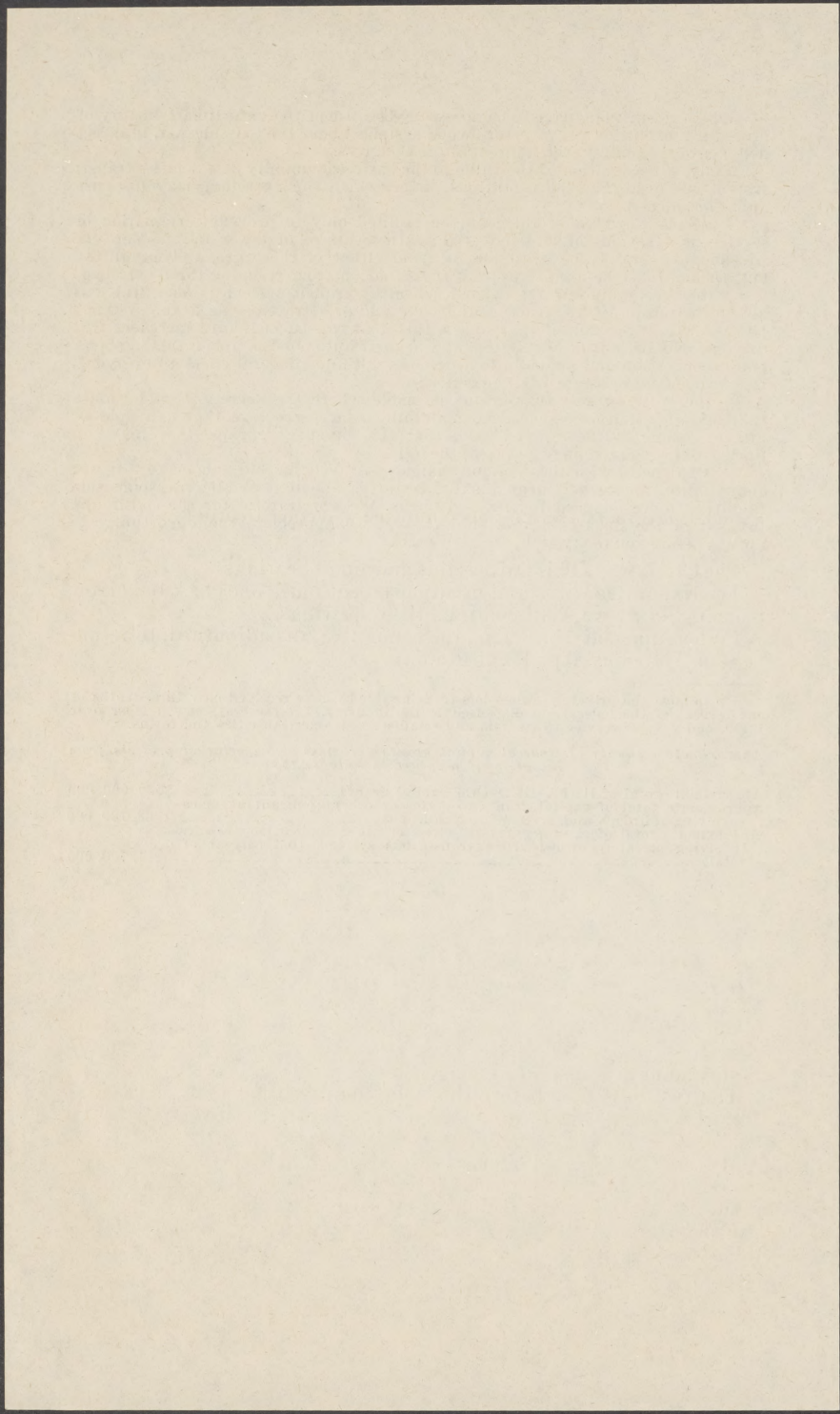
The committee will stand in adjournment until 10 o'clock tomorrow morning when we shall continue these hearings.

(Whereupon, at 11:10 a.m., the committee was adjourned, to reconvene on Thursday, April 9, at 10 a.m.)

¹ Up to now, the privately owned bus transit systems have received only three-tenths of one percent of the federal aid dispensed to the industry. Yet these systems number over 1,000, and provide service to medium and smaller sized American cities and towns.

Approximate amounts of Federal capital grants for mass transportation projects from inception of program to July 3, 1969

Approximate total of HHFA-HUD-DOT capital grants-----	\$559, 000, 000
Approximate total of capital grants to states or other applicant agencies involving railroads and/or commuter railroads-----	63, 700, 000
Approximate total of capital grants to cities or other application agencies involving privately owned urban transit bus systems (0.3 percent of total)-----	1, 700, 000



MASS TRANSPORTATION—1970

THURSDAY, APRIL 9, 1970

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 5302, New Senate Office Building, Senator Harrison A. Williams, Jr., presiding.

Present: Senators Williams and Percy.

Senator WILLIAMS. The subcommittee will come to order.

The legislation before the subcommittee this morning deals with the immediate problems facing our Nation's vital commuter systems. It is my belief that the Urban Transit Assistance Act which passed the Senate by an overwhelming vote, provides the long-range answer to the mass transit crisis.

Carefully planned and adequately funded programs of capital assistance will over the next 10 years build mass transit systems for our growing cities of the 1970's.

These programs will take time, as they properly should. A modern transit system such as BART in San Francisco or the Metro system in Washington takes at least 10 years from the initial planning to final completion. But while the first steps are being taken toward building these transit systems of the future, today's commuters are faced with today's problems.

Everywhere commuter systems operated by privately owned railroads and bus companies are in trouble. Increasing deficits require fare increases for which the harried rider receives no better service or equipment.

Ridership either remains steady or decreases, compounding financial problems. Yet years of hearings and pages of testimony before this subcommittee have made it crystal clear—that mass transit is still an absolute necessity for many millions of Americans. Existing commuter systems must be kept in operation until the large sums of money contemplated in the Mass Transit Assistance Act begin to flow to State and local transportation agencies.

The two bills now before this subcommittee offer two alternatives for providing short term emergency assistance to financially ailing but socially necessary commuter systems.

My bill, S. 676, which I first introduced in 1965, authorizes the Secretary of DOT to provide "interim assistance on an experimental basis to assure adequate commuter service in urban areas."

Funds would be made available to States and local agencies to pay the operating deficit of a mass transportation company. This would

be an outright operating subsidy, an approach which we have thus far avoided. The one drawback of the operating subsidy is that it will only pay for existing inefficiency and poor service. It certainly does not build new facilities, nor does it buy desperately needed new equipment. However, a blood transfusion is needed before curative surgery can be performed.

The purpose of these hearings is to see whether such a temporary transfusion of operating funds for some commuter services is necessary. I am not advocating an open ended subsidy that would be continued forever.

To be eligible for an operating subsidy the State agency and the transportation company would have to submit a comprehensive plan for putting the commuter operation of the company on a sound financial basis within a fixed period of time.

Subsidies could only be paid for 10 years. However, the Secretary could continue them for an additional 5 years if this time were required for the successful completion of an improvement plan which would provide better service on a financially sound basis.

Senator Percy's bill, S. 3499, is also aimed at an emergency situation. It would authorize the Secretary of DOT to make grants to State and local agencies to assume the debt and interest obligations of transit authorities or private transportation companies if their debt burden threatens to force the ending of needed commuter service or forces the increase of fares to such a degree that low-income groups who use the service are unfairly penalized.

Thus we have two different solutions to this most pressing problem. I look forward to hearing testimony from the experts that will be here this morning, Mr. Alan Boyd and Mr. George DeMent, as to the scope of the problem and the effectiveness of these proposed solutions.

I am not irrevocably committed to any single bill at the present time. More facts and new ideas will certainly evolve from these hearings. But, of one thing I am convinced—transportation systems are too vital a part of the continued healthy growth of urban centers for their future operations to be governed solely by balance-sheet considerations.

Profitability and return on investment cannot and must not outweigh the social dividends paid by good public transportation. The train and the bus can move far more people at far less cost than the private car. In passing the Mass Transit Act of 1965, we accepted the principle that these social dividends paid a higher return on the investment of Federal dollars.

This action was reinforced earlier this year by the Senate's decision to invest \$10 billion in capital assistance to mass transportation. This increased investment is amply justified by the demonstrated success of what began as a demonstration program 10 short years ago.

Today we will be taking a look at how we can best supplement the mass transit program with short-term emergency assistance. Perhaps a better way to phrase it is that we are looking for ways to protect our major investment.

If existing commuter systems are allowed to collapse from financial weakness, it will not only cause severe hardships to the thousands of commuters who depend on them, but they will also cost far more to rebuild in the future than to preserve today.

Before we continue, I would like to insert in the record, at this point, two statements relevant to this legislation.
(The information follows:)

[Telegram]

APRIL 17, 1970.

HON. JOHN J. SPARKMAN,
*Chairman, U.S. Senate Banking and Currency Committee,
Senate Office Building, Washington, D.C.*

Your committee recently reported out and the Senate passed a mass transit aid measure to provide \$10 billion over the next 12 years and \$3.1 billion within the next 7 years. You will recall that on October 27, 1969, I filed a statement with your committee strongly endorsing this major policy breakthrough to allocate funds for public transportation systems to supplement the historical federal emphasis on assistance for highway construction. Through your assistance we are most hopeful this legislation will be enacted by the Congress this session.

However, while this will provide us future help, today we have an immediate problem in our largest major metropolitan area. To help meet this emergency, Senator Percy introduced S. 3499 now under consideration by your committee to aid mass transit systems in serious financial difficulty. The Chicago Transit Authority is particularly hard pressed financially in part because of its debt service requirements and depreciation on current equipment and facilities which today must be met out of operating revenues. Since operating income now appears to be insufficient to cover operating costs and debt service, the Chicago Transit Authority is faced with a number of difficult alternatives including fare increases or reduction of service. In my judgment S. 3499, which would make the Chicago Transit Authority eligible for Federal assistance in meeting its annual interest payment on existing obligations, depreciation needs, and the retirement of principal, would significantly help the transit systems of Chicago and other metropolitan areas which have made major investments in new capital equipment and facilities in past years.

RICHARD B. OGILVIE,
Governor, State of Illinois.

PENN CENTRAL TRANSPORTATION CO.,
New York, N.Y., April 15, 1970.

HON. JOHN J. SPARKMAN,
*Chairman, Senate Committee on Banking and Currency,
Subcommittee on Housing and Urban Affairs,
New Senate Office Building,
Washington, D.C.*

DEAR SENATOR SPARKMAN: On behalf of the Penn Central Transportation Company, I write to urge the Subcommittee on Housing and Urban Affairs to give prompt and favorable consideration to S. 676, introduced by Senator Harrison Williams and to S. 3499, introduced by Senator Charles Percy.

Penn Central provides the great bulk of rail commuter service from and to the suburban environs of the cities of New York, Newark, Boston, and Philadelphia. It is no exaggeration to state that the economies of these areas are highly dependent upon the continuance of efficient rail service within these metropolitan areas. We at Penn Central recognize the importance to the region and to the nation of maintaining this service, but the evidence is unmistakably clear that such service cannot be operated at even a break-even level.

To their great credit, agencies of the states and regions we serve have in varying degrees, recognized the inequity of requiring a private corporation in effect to subsidize the uses of the service and the communities in which they live and work. Further, the elected officials of the states and localities we serve have learned that modern, high speed suburban rail service has enormous inherent advantages over other means of moving people within congested metropolitan areas. They have concluded, and rightly so, that the automobile can never adequately substitute for modern efficient mass transit systems.

To achieve the levels of modernity and efficiency that will maximize the benefits of mass transit requires financial assistance. As I indicated earlier, the railroads have learned from experience that such systems simply do not break even, and this has continued to be true even with the assistance of local and state

agencies. The Congress has recognized this fact in the past. The Urban Mass Transportation Assistance legislation demonstrates this recognition. Penn Central supports S. 3154, Senator Williams' bill to extend and insure continuity to such assistance.

To date, however, Federal assistance has been limited to capital investment. In our judgment, there is no valid reason to draw distinction between capital and operating expenditures. If there is, which we believe, a Federal interest in the establishment and continuation of adequate transportation facilities within the great metropolitan areas of our increasingly urban society, such interest will support the investment of Federal monies to meet operating deficits equally as strongly as to make capital investment. We note the expressed concern of the spokesman for the Department of Transportation as to the balance of federal, state, and local relationships and responsibilities, but we respectfully suggest that the same problem exists with respect to any Federal grants in aid of local or regional efforts.

Finally, we concur in the suggestion, made by several witnesses before the Subcommittee, that care be taken to insure that private transit systems be specifically embraced in the assistance programs contemplated in the bills before you. Various local and regional agencies have differing programs toward the same goal, that of preserving and improving mass transit systems. Whatever the program, it is the attainment of the goal that is paramount, and maximum flexibility, consistent with prudent stewardship of federal funds, should be provided in this legislation.

We appreciate the opportunity to include in the record of hearing, this expression of our support for S. 676 and S. 3499.

Respectfully,

ROBERT W. MINOR,
Senior Vice President.

Senator WILLIAMS. Senator Percy.

Senator PERCY. Mr. Chairman, I made an opening statement yesterday. I will not repeat those stirring words on behalf of mass transit. I do appreciate your leadership in this field.

I have learned a great deal from serving on the committee with you, and I feel very pleased indeed that we have with us this morning two of what I consider to be the Nation's outstanding experts in this very field that we are dealing with, both of them from Chicago.

Mr. George DeMent is recognized throughout the country as an expert in mass transit. He operates a fine system. I have been a customer of that system for 45 years, and it is still the best way to get across the city of Chicago and move about. It is efficiently maintained, it is well run, and it has problems which we will undoubtedly hear about this morning.

Mr. Alan Boyd, as former Secretary of Transportation, is knowledgeable, experienced, and he can generalize on the problems experienced in this field of moving people at the lowest possible cost.

So we welcome both of them, we are proud to have them here, and I am very grateful again for the leadership that the chairman is providing in this field.

Senator WILLIAMS. Thank you very much, Senator Percy.

Would both Mr. DeMent and Mr. Boyd come forward and share the tables.

What we will hear today from Chicago I feel will be helpful and applicable to many parts of our country.

Mr. DeMent, chairman of the Chicago Transit Authority, I welcome you.

**STATEMENT OF GEORGE L. DeMENT, CHAIRMAN OF THE BOARD,
CHICAGO TRANSIT AUTHORITY, AND VICE PRESIDENT, AMERICAN
TRANSIT ASSOCIATION, ACCOMPANIED BY ROBERT SLOAN,
EXECUTIVE VICE PRESIDENT, AMERICAN TRANSIT ASSOCIATION**

Mr. DeMENT. Senator Williams, Senator Percy, I certainly want to thank you for the opportunity of being here this morning and speaking in support particularly of Senate bill 3499.

I am appearing as chairman of the Chicago Transit Authority Board and as a vice president of the American Transit Association, and I have Robert Sloan, our executive vice president with us.

The American Transit Association represents transit systems both public and private carrying over 85 percent of the transit passenger traffic in large and small cities throughout the country. The membership of the association encompasses both rail and bus modes of urban transportation. The Chicago Transit Authority is one of the members of this association.

During the introduction of the bill on the Senate floor, Senator Percy gave a very knowledgeable assessment of the necessity for the bill, and I am quoting his remarks as they were given at that time and I have them in my written statement, Mr. Chairman, but I will only mention a few of the pertinent parts that I think are applicable.

In his statement he said :

The legislation in S. 3154 will greatly assist in the construction of new systems or helping existing systems purchase new equipment.

You have alluded to that, Mr. Chairman.

It does not, however, help those systems that have the foresight, initiative, and courage to purchase new equipment without the promise or commitment of outside financial assistance. Thus, one system with gumption incurs debt to preserve or improve transportation service while another plays it safe, does nothing, and winds up with Federal financial assistance. By rewarding delay and penalizing initiative, we are undermining the very spirit we need if we are to revitalize urban mass transportation.

The Chicago Transit Authority is a prime case in point.

Further in that testimony, and which is part of my written report, the Senator said :

Lower income persons are being forced to dig deeper into lean budgets for higher fares they can ill afford or to turn to group riding in old cars which endanger safe driving and further pollute the air.

That is the end of the quotations I care to take from that statement.

To set the stage for some comments about the situation as far as Chicago Transit Authority is concerned, I would like to quote some statistics about the Chicago Transit Authority.

The Chicago Transit Authority operates the bus and rapid transit systems in metropolitan Chicago which includes the city proper and 31 suburbs that we either enter or abut. CTA operates 3,000 buses, both diesel and propane, and 1,100 rapid transit cars.

On an average day, we carry 1,500,000 revenue passengers. We have 1,869 route miles of buses and 170.75 routes miles of rapid transit. Our

annual income in 1967 was \$148,205,594 derived from an annual total ridership of 510,897,483. Our annual income for 1969 was \$780 million derived from a total ridership of 420 million. The loss in ridership was due to a total increase of 15-cents in fares since 1967. This means that 90 million riders that were using CTA in 1967 are now on some other means of transportation, presumably automobiles. This shows the result of constantly increasing fares which result in added congestion on our streets and highways.

It was on October 1, 1947, that the Chicago Transit Authority took over the combined operations of the former Chicago Surface Lines and the Chicago Rapid Transit Co. Both companies were in bankruptcy and had not purchased new equipment for many years. A few years later, the Chicago Motor Coach was acquired also. A total of \$135 million in revenue bonds were sold by CTA to acquire all the properties necessary for a completely coordinated mass transit system. These bonds are being amortized from our fare structure.

I will refer to the status of these bonds a little later in my presentation.

Also in the 22 years since the Chicago Transit Authority has been operating, we have spent over \$220 million to improve and extend CTA services and to modernize the city's transit services and equipment. In no similar period in the history of Chicago has there been so much spent to improve and modernize the city's transit services and equipment. All this has been accomplished from CTA fares.

The expenditure of the \$220 million is in addition to retiring \$71.6 million of the revenue bonds.

Not included in CTA expenditures for modernization and improvement out of the fare structure is more than \$220 million spent by the city of Chicago and other public agencies for construction of the State and Dearborn Street subways, for the first open-cut subway in the median of the Eisenhower Expressway, for elevation of a street level section of one of our west side rapid transit routes, and now the construction of 10 miles of rapid transit extension in the median of the Ryan Expressway and 5 miles extension in the median of the Kennedy Expressway.

Now with the operation of rapid transit service in the median strip of the Dan Ryan and Kennedy Expressways, we have three rapid transit lines that are operating in the same right-of-way as the automobile traffic and expressway traffic in these three routes. I believe these are the first rapid transit lines that have been built in the median of expressways anywhere. The Eisenhower rapid transit line was opened in 1958, the Dan Ryan in 1969, and the Kennedy rapid transit line in January of 1970, and each one of them is doing a very, very fine job with traffic increasing on the Ryan and Kennedy each week.

In this modernization program during the 23 years of the Chicago Transit Authority existence we have purchased slightly more than 6,000 cars and buses including in this number 330 modern air-conditioned rapid transit cars. We were the first transit agency to have this type equipment in regular service. These cars and buses were paid for from our fares.

Because of the accelerating inflationary spiral that has raised our cost tremendously in the last 3 years, we have only bought 175 buses

in that time. Our bus fleet is getting very old and very expensive to operate, but we do not have funds at our present fare level to buy this kind of equipment on the regular basis that we need.

Those of us in the Chicago Transit Authority management team have been very gratified that we could carry out this modernization program from our fare structure. But now, we do not have funds going into an account that will allow us to continue to buy new equipment. As a matter of fact, at our present level of fares we are not earning sufficient to pay for the amortization of the bond issue that I mentioned earlier. If we do not get some subsidy from one of the governmental agencies, that is the city, the county, or the State, in a sizable amount within the next 2 months, it will be necessary for us to raise the fares again. Our experience indicates that another raise in fares will cause a reduction in riders, which inevitably will lead to a similar situation in the near future, and this vicious circle will continue until any raise in fares will bring no further income to the Transit Authority.

The poor, the aged, the very young, and the handicapped will be those that are hurt most by a further fare increase. These people must use rapid transit or public transportation.

It is for these reasons that we support such a bill that is presented before this subcommittee.

Now quickly, if I may, I would like to refer to the charts that I have brought along and which have been distributed, I believe, to you men. These charts dramatically bring out the reasons for our financial crisis at this time (see p. 42).

The first chart shows our riders, the originating revenue passengers, and we just started in 1957 because that is when we raised the fare to 25 cents and go through 1969. You can see we were losing riders in the latter part of the 1950's and early 1960's at the rate of about 30 million per year. In 1964 we stayed that slightly and had an increase in 1965 and 1966 which I attribute to a program of courtesy and defensive driving training. We had plenty of drivers at that time and we could penalize those that were not courteous. So this was effective and we did gain some.

Then in 1967, the early part of the year, we had a record snowstorm, and near the end of the year, November 1, we raised the fares a nickel. So we got a slight drop. It was down to \$510 million. Then, in 1968 we raised the fares a dime, in December; so, that is the reason for this precipitous drop down to \$420 million for the year 1969.

In other words, as I said, the increase of 15 cents in 13 months went from \$510 million in 1967 to \$420 million in 1969 and it is all attributable to the fare increase as far as we can see.

Senator PERCY. Could we have the dates again of the fare increases?

Mr. DEMENT. I beg your pardon, Senator, I didn't hear you.

Senator PERCY. Could we have the dates again of the fare increases? What was the fare, for instance, in 1957? What was the CTA fare then?

Mr. DEMENT. 25 cents. I will show you that in the later chart, Senator, if you don't mind waiting.

Senator PERCY. Very well.

Mr. DEMENT. But the point is the great drop was due to this fare increase of 15 cents in the 2 years and put all these people back in some other kind of transportation.

The second chart shows the total payroll in relation to number of employees and brings out my point that for many years we were going up on payroll at a graduate rate, and if we had gone up the same rate we wouldn't be in bad shape. But because of the inflationary spiral, we start going up pretty near in a perpendicular manner, and this is causing our problem.

Below we show the number of employees. In 1957 we had 14,300 employees, today we have 12,400 employees. So, it is not because of adding employees. We have been cutting back as much as we can. You can hardly cut back more now than having one bus driver and one motor-man on a train with one conductor. That is a minimum.

The next chart gives something of what you are talking about, Senator Percy. The bottom line there, the broken line shows in 1957 when we raised from 20 to 25 cents, we held that 25-cent rate until the end of 1961, and then added a transfer charge of a nickel. That netted us 2.5 cents, because about 50 percent of our people do transfer. So with the transfer we went from 1957 clear over to 1967 before we had a major raise in fares. At that date in November of 1967 we raised 5 cents, and then because of this increasing cost on December 1 of 1968 we raised 10 cents to our present level of 40 cents basis but with the transfer we net about 42.5 cents.

During that time you can see due to the increase in fares over on the right we did get some additional income, so we are up now to about \$175 to \$180 million income, and that is the flat line over on the right if we do not raise fares this year for 1970.

But again emphasizing what I have been saying, the operating expenses and debt service have started going up very rapidly, and that is just the repetition of the previous chart, but we have crossed the line where our projected income for 1970 will meet our expenses. We have passed that time right today.

The next chart is just emphasizing again what is happening because of this inflation. If it sounds like a broken record, I am sorry, Senators, but I hope something can be done about this inflation problem.

The first chart on the left shows an increase of 12.5 cents in the 30 months because of our tie-in with the cost-of-living index, 12.5 cents. The next 3-year period shows 0.5 cents, and the next 3-year period shows 0.8 cents. Now, this was very nominal and was reasonable, and we were basing everything on that.

But with the same kind of a tie-in, cost-of-living index tie-in, the next 3-year period went up 33.5 cents in 3 years, and this is what we call our John Hancock chart, Senator. That was bad enough, but the next one, in 15 months to date we have gone up 30 cents because of our tie-in with the cost of living.

This is our total problem, this skyrocketing inflationary spiral is causing our increases, and, as I said, and I think you men particularly are knowledgeable about this, the poor, the aged, and the handicapped are the ones that are hurt most when we increase fares.

Just to pinpoint our own bond situation, which is this bill, we issued \$135 million in bonds. We have \$62,900,000 outstanding at the present time with reserves of \$8.7 million, so we really have a balance needed to pay off our original \$135 million bond issue of \$54 million. That is what we need now, and we are paying that off at the rate of \$8 million per year. But unless we raise fares or get some kind of a

subsidy within the next 2 months, we won't have enough to even pay the \$8 million bond issue. Some people in the city have said forget it, it is just the banks that you are taking care of. But that isn't true. Our bonds are all over in all kinds of institutions and all kinds of individuals. So, I feel it is just like a mortgage on your home. It is not only a legal obligation, it is a moral obligation, and I think we are morally obligated to pay it.

We also have outstanding \$10 million in equipment trust certificates which we have issued to buy some equipment. These were issued when we didn't anticipate this inflationary spiral and we could see in the future that we could very easily pay them off. So, we have a total indebtedness in revenue bonds and equipment trust certificates of \$64 million.

I urge the support of this particular bill and hope that as soon as possible it can be enacted to help those systems that are desperately in need of operating subsidies and also to help the people that are really captive riders now—they are necessity riders, they have no other way to ride, so there are two classes of people that can be helped tremendously by this bill.

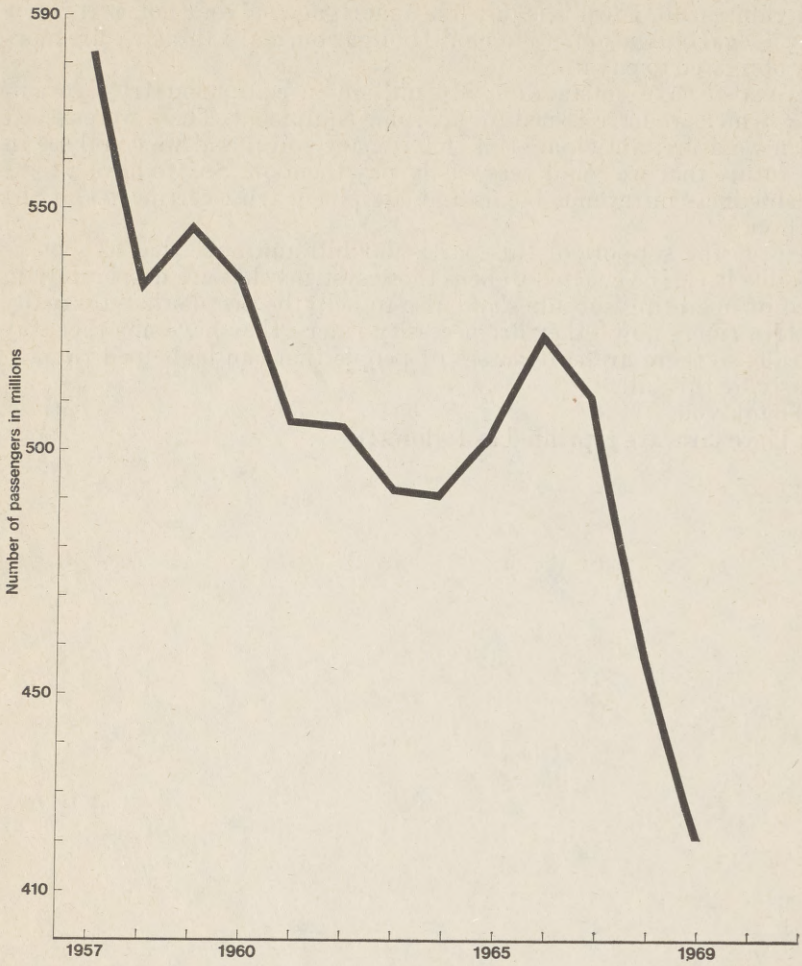
Thank you.

(The charts are reprinted as follows:)

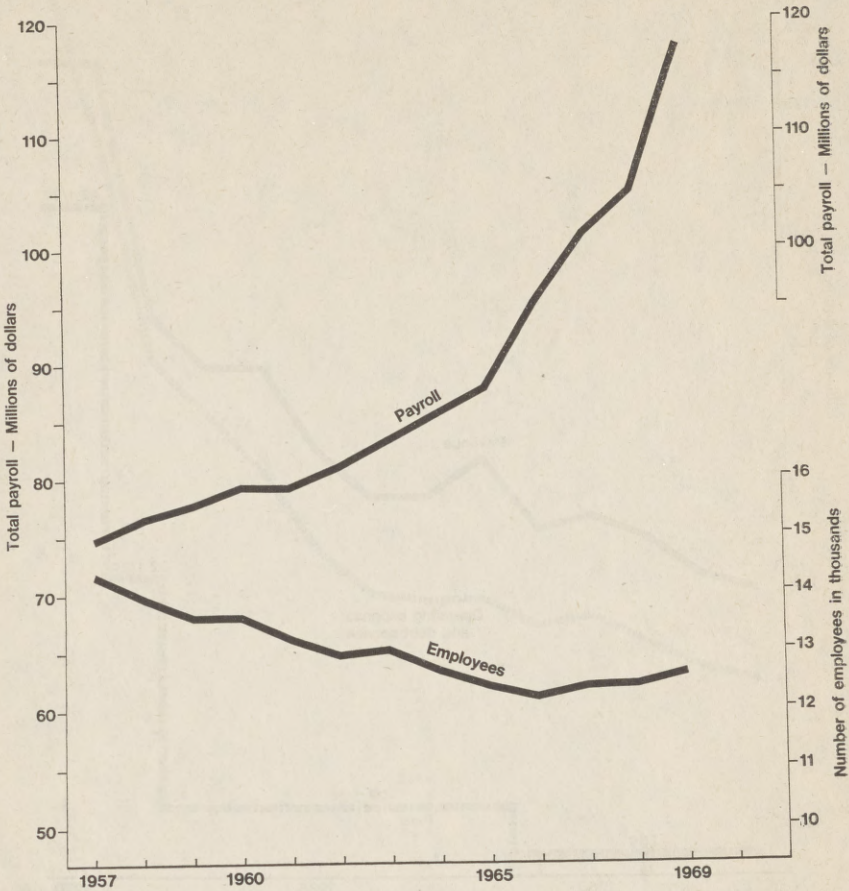
Chicago Transit Authority

ORIGINATING REVENUE PASSENGERS

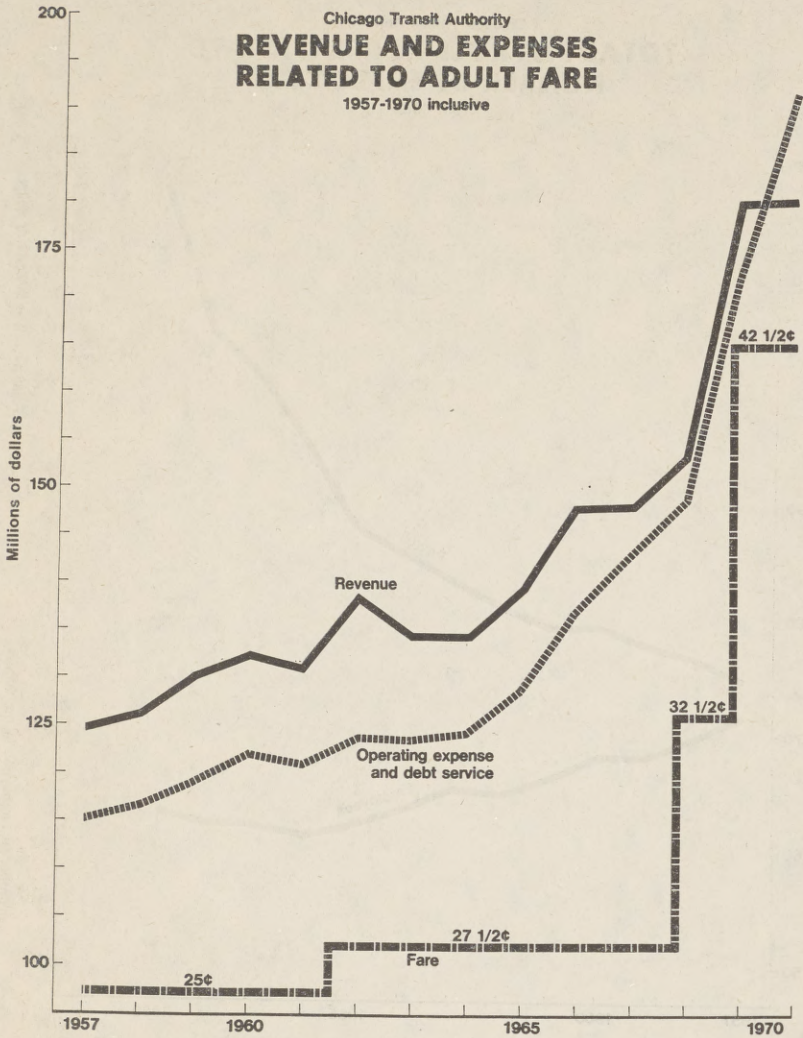
1957-1969



Chicago Transit Authority
**TOTAL PAYROLL IN RELATION TO
 NUMBER OF EMPLOYEES**
 1957-1969



Chicago Transit Authority
**REVENUE AND EXPENSES
 RELATED TO ADULT FARE**
 1957-1970 inclusive



Senator WILLIAMS. Thank you, very much, Mr. DeMent. Yours was certainly a clear and dramatic presentation of the financial situation that Chicago Transit Authority faces.

The Chicago Transit Authority, I gather, almost exclusively deals with mass transit in the Greater Chicago metropolitan area?

Mr. DEMENT. That is right, Senator. We have only buses and rapid transit lines that we operate, and that's it.

Senator WILLIAMS. You operate all of the transit lines?

Mr. DEMENT. In the city of Chicago, and we also go into some of the surrounding suburbs, Wilmette, Evanston, Skokie, Oak Park, Berwyn, Cicero, and such as that with our line.

Senator WILLIAMS. Just one observation, really a question: Putting your fare structure in comparison with fares in other great metropolitan areas, it seems to me that your fares today are higher than those that I personally know about.

Mr. DEMENT. We are higher, Mr. Chairman, than New York if you take one ride on one system. My understanding is in New York if you ride the subways it is 30 cents, if you ride the buses it is 30 cents, but if you ride both systems, it is 60 cents. So if you take it in that context, we are lower.

Boston has a lower fare, I agree with you. The only place I know with a higher fare than we have is Kansas City. They raised their fares 15 cents within the last few months, Kansas City, Mo., as well as Kansas, and they have lost 18 percent of their riders because of that 15 cent increase.

Our 40 cent fare, I think, is prevalent in practically all of the transit companies, private or public, that meet their obligations out of the fare structure.

Senator WILLIAMS. The D.C. Transit fare is 32 cents, and that includes transfers. I would imagine most of the expenses are comparable in metropolitan areas, and the difference in fares would probably reflect the public contribution.

Mr. DEMENT. Generally speaking, in cities of Chicago's size or even some smaller, that is true. If there is a lower fare of any consequence, it is because they do get subsidies of one sort or another. This is certainly true of New York, Boston, Philadelphia, Pittsburgh, New Orleans, place of that sort. So, I might mention one thing that people kind of lose sight of. In an area like Chicago where we have long distances to carry people, a 40-cent fare on a per mile basis is much less than a 40-cent fare in a smaller community where the distance carried is much smaller. So, it is a little difficult to equate the fare in one large city with long runs, as you know, Senator, against one that has shorter runs in a place like Peoria or even East St. Louis.

Senator PERCY. I can remember when I commuted from Wilmette to the University of Chicago. I think it was a 10-cent fare. What is the mileage on that run?

Mr. DEMENT. Senator, I am sure you are thinking history, because you don't remember that, you are too young to remember that. I do, it was a 10-cent fare.

Senator PERCY. For students what was it? I was using the line in 1937.

Mr. DEMENT. Oh, a student, that would only be a 10-cent fare for students. It would be a 20-cent full fare.

Senator PERCY. It was 22 miles?

Mr. DEMENT. Right, very economical transportation.

Senator WILLIAMS. When was your last fare increase?

Mr. DEMENT. December 1, 1968. It was a 10-cent increase.

Senator WILLIAMS. As I recall from your testimony, the present situation is that if you do not get some type of assistance you are faced with another fare increase in 2 months in order to meet your debt services?

Mr. DEMENT. We have changed because there has been some indication that maybe the State legislature would give us some help or the city or county; so, based on that and based on hope, we have changed from an accrual basis of accounting to a cash flow basis so that we can keep going to see what happens. On that basis, as of today, we could go to June 1 or thereabouts without getting to the point where we wouldn't be paying our bills.

Senator PERCY. Actually it is not just debt service. Isn't it also in meeting your payroll?

Mr. DEMENT. By that time it will be payroll. You are right, Senator Percy, yes. We are actually paying debt service now out of some of the reserves.

Senator PERCY. I would like to reserve any questions until Mr. Boyd has finished so that the questions could be answered by both.

Just as a historical note, the fare in New Orleans is 15 cents, but for 28 years it was 7 cents. When the fare went up to 15 cents, more than doubled, it was for the residents of New Orleans like the passing of the 5-cent cigar and 5-cent beer. The good old days were back when they had the 7-cent fare.

Mr. DEMENT. You understand they are bulked in with some other utilities which make that possible.

Senator WILLIAMS. Nostalgia isn't as good as it used to be, is it?

Mr. Boyd, president of the Illinois Central Railroad.

Senator PERCY. I would like to say also, I have been a great user of the IC through the years to get around Michigan City and into the city from the south side. The loyalty of commuters to the IC service is a great thing, and it has been among the finest service, comparable in quality to the loyalty that the people of the North Shore of Chicago have to the Chicago Northwestern Railroad. You inherited a great tradition there, Mr. Boyd.

STATEMENT OF ALAN S. BOYD, PRESIDENT, ILLINOIS CENTRAL RAILROAD, CHICAGO, ILL.

Mr. BOYD. Thank you, Senator.

Mr. Chairman, one reason for that is, I am sure, we have tried to keep our folks in familiar surroundings. We have used the same equipment for 44 years.

It is a pleasure and a privilege for me to be here this morning and to testify in support of S. 3499 and S. 676.

The committee is well informed on the characteristics of the development of an urban society in America. The cities of America are beset with innumerable problems: crime, housing, education, taxes, congestion, et cetera. These problems are well publicized but at the same time, more and more people are moving into the urban areas.

Each of us is able to conjure up a vision of the delights of living in a small town with quiet tree-shaded streets and none of the pressures we endure living in the hectic atmosphere of the city. Despite our visions and despite our knowledge of the problems of the cities, we are swelling urban population every day. As Constantino Doxiadis, the internationally known city planner, says: "People vote with their feet every day."

The reason can be summed up in one word: opportunity. The opportunities for education, fame, wealth, and just for getting a job appear to be greater in the urban areas, than in the rural areas of this country. Therefore, we move to the city.

As we move into urban areas, we impose greater strains on all public facilities. Relevant to our discussion today is the pressure imposed on transportation. The viability of urban areas is directly related to our ability to move people and goods throughout the area.

Here we have failed. With the exception of New York City, our course was cast with the highways and private automobile. They have not provided the necessary mobility. They cannot provide the necessary mobility.

The reasons are that the character of urban areas is changing. High-rise buildings, commercial and residential, are supplanting one- and two-story structures. Hospitals, schools and university buildings are reaching higher into the sky. Population density increases at a phenomenal rate. Our city street grid system remains essentially as it was at the turn of the century.

Most cities have developed tremendous expressway systems into and out of the central business districts. This development has taken place because of the flood of 10-cent dollars made available through the Highway Trust Fund. No such cheap money has been forthcoming for any alternate mode of transportation.

Several results of this activity may be observed. First, the requirement of approximately 37 acres of land per mile of expressway has taken some of the most valuable land of the city off the tax rolls and inhibited new construction. Second, the expressway system creates a mammoth funnel for automotive traffic right into the cork of the city street grid system. Third, no city has been able to provide adequate parking facilities. To do so would be a most uneconomic use of land. Fourth, the congestion created by the private automobile delays the movement of pedestrians and those who for whatever reason use public transportation. Fifth, air pollution created by emissions from the internal combustion engine have risen to alarming levels.

Incidentally, the city of Chicago issues an average of 6,500 parking tickets every working day. The Chicago Police Department is not composed of mean, vengeful men. The recipients are certainly not seeking law enforcement attention. They simply must leave their cars somewhere to conduct business and often can find no legal place to park.

Congestion is a phenomenon well known in our central business districts, increasingly the fact at metropolitan airports and spreading over longer periods of the day on our expressways in the urban areas. It is also becoming apparent in more and more of the suburbs of major metropolitan areas. The economic loss associated with the congestion is incalculable but it must be very high, indeed.

The private automobile is not up to the task with which we have charged it. It might be said that the American public has given its heart to the automobile. It is now time to use our head to deal with the transportation problem.

At one time the cities in this country had large networks of trolley lines. These were supplanted by the bus systems in most cities, particularly when the diesel engine became available for buses. Since the end of World War II the history of bus operations in cities has followed three courses: (a) they have gone out of business, (b) they have been taken over by the municipality or some public agency in order to eliminate such costs as franchise taxes and in many cases vehicle license fees and even fuel taxes, or (c) they have reduced their coverage to such an extent that they no longer provide a comprehensive service to the community.

The high cost of owning and operating buses along with the declining revenue base means that many bus operations are carried out with buses far too old and often, far too dirty to be appealing to the potential passenger particularly with the standard of living so many of us enjoy today. The basic cause for this is the belief that transit operations should pay their way through the fare box. I should have added that much the same can be said about rail transit equipment as is true of motorbus equipment.

I am personally thoroughly convinced that a comprehensive urban transportation system cannot be operated at a profit nor in fact, even on a break-even basis. A comprehensive system, by my definition, would be generally one that covers the urban area with safe, efficient service with such frequency as to make it appealing both to the commuter and student, as well as to the individual who may suddenly decide to go somewhere in the area. Such a system will be compared with the comfort of the private automobile and should be designed to provide essentially the same type of comfort.

The question really is, "Who should pay the difference between what comes in the fare box and total cost of providing for the acquisition and operation of the system?" In order to find the answer to that, two more questions may be asked: "(1) What is the future of a city without mass transit facilities? and, (2) What is the future of our cities given the current situation and trends of existing transit facilities?"

It is obvious that cities have no future without mass transit facilities. They cannot survive. It strikes me as being just as obvious that the current trends are leading us rapidly to crisis. The difficulties in financing the Bay Area Rapid Transit System are an indication. The mounting costs of operating the Chicago Transit Authority are well known to the members of this committee; and the financial difficulties of the transit operations in New York City have been widely heralded. These mounting costs not only affect the operation but just as certainly the ability to renew and expand the equipment necessary to provide the operation.

In all and all of the situations where transit activities are in financial trouble, the charge is raised of inefficiency in the management and in the operation. I would hazard a guess that viewed in retrospect, there is no such thing as an efficient operation. To put it another way, with the benefit of hindsight, any operation could have been handled

in a more efficient manner but these operations are not managed with the benefit of hindsight. Daily problems have to be dealt with on a daily basis.

So far I have discussed transit in generic terms. There are distinctions which need to be made. One is that transit services can be provided by both the rubber tire and steel wheel. Another is that transit can and is being provided by public agencies and by private companies. In some cities, there is a combination of both, as is the case in Chicago. Heretofore, the consideration of government assistance to transit operations has been limited to those conducted by public agencies. This is an example of looking through the wrong end of the telescope. Our concern should be with the provision of the service rather than with the nature of the provider. To limit assistance to public agencies is to dictate a public policy in the alternative. It states either that private enterprise shall not be permitted to engage in mass transit operations or in the alternative, that the users of transit provided by private companies shall be discriminated against in the application of public funds. I do not believe either of these alternatives should be accepted as part of the public policy of the United States.

If we are to deal realistically with the resolution of mass transit difficulties in our cities, we must do so on a systems approach to urban transportation. If one accepts the validity of that hypothesis, then the principles developed for solving the transportation problems should be applied evenly in the public as well as the private sector.

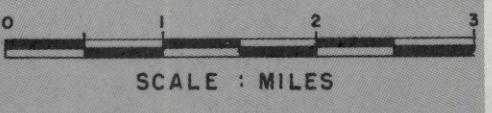
To give a specific example, and I have some maps here that I would be happy to provide you gentlemen so you can see what the picture is, the Chicago Transit Authority and the Illinois Central Railroad's suburban services are in direct competition in many areas. In fact, both are needed but if one is treated differently than the other in terms of public assistance, inequities are bound to result. You can see on the maps where our lines parallel each other running south from the Loop. The major point, however, is that if the services are needed, then they should be supported equally according to their need whether or not the ownership and operation is in private or public hands.

(A map and a table are reprinted as follows:)

URBAN TRANSPORTATION ROUTES in the area served by the ILLINOIS CENTRAL SUBURBAN SYSTEM

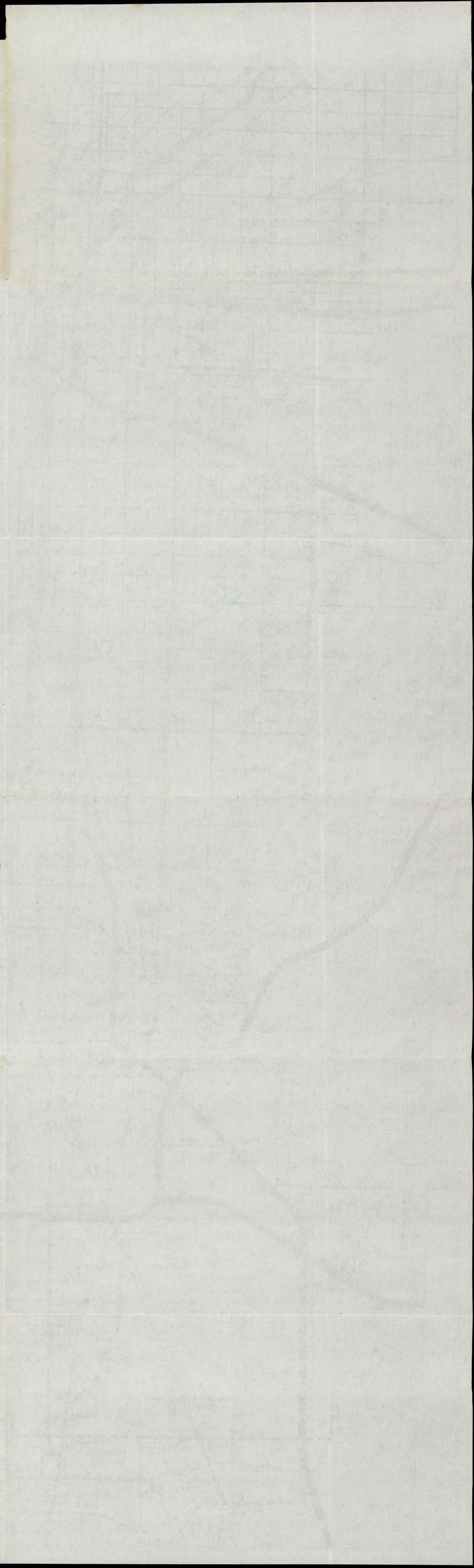
LEGEND

- +++++ ILLINOIS CENTRAL RAILROAD
- +++++ C.R.I. & P. and C.S.S. & S.B. RAILROADS
- SOUTH SUBURBAN SAFEWAY LINES
- BUS ROUTES
- C.T.A. - BUS ROUTES
- C.T.A. - PART TIME BUS ROUTES (RUSH HOURS)
- C.T.A. - RAPID TRANSIT ROUTES
- EXPRESSWAYS and TOLLWAY
- ▨ CITY OF CHICAGO
- ▨ UNINCORPORATED AREA



JUNE 25, 1968

ILLINOIS CENTRAL SUBURBAN SYSTEM
in the area served by the
URBAN TRANSPORTATION ROUTES



ILLINOIS CENTRAL RR.
REVENUES, EXPENSES, AND NET RAILWAY OPERATING REVENUE OF CHICAGO SUBURBAN SERVICE DURING THE YEARS 1950 TO 1969, INCLUSIVE

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
I. Revenues and income:										
Ticket sales and cash fares.....	\$6,549,062	\$6,743,494	\$7,223,335	\$7,906,483	\$8,200,971	\$8,181,326	\$8,032,105	\$8,641,554	\$8,389,649	\$8,879,591
Other passenger-train revenue.....	16,376	18,131	38,136	36,016	33,803	36,151	35,386	34,967	30,512	32,140
Advertising on trains.....	18,188	22,069	26,510	25,619	24,170	23,993	27,330	21,868	21,220	15,396
Station privileges.....	148,134	159,504	169,889	164,926	156,965	156,168	161,850	186,291	201,588	201,588
Miscellaneous income.....	140,140	165,771	277,055	279,859	282,062	297,277	297,119	296,965	281,611	278,423
Rental of equipment.....										
Total revenue and income.....	6,871,900	7,108,969	7,734,925	8,412,903	8,697,971	8,694,915	8,556,984	9,157,204	8,909,283	9,407,138
II. Expenses:										
Maintenance of way and structures.....	1,104,363	1,293,999	1,307,582	1,210,335	1,037,896	1,117,775	1,334,532	1,354,278	1,175,106	1,202,736
Maintenance of equipment.....	1,339,172	1,397,621	1,482,657	1,673,145	1,642,513	1,934,885	2,225,537	2,464,139	2,061,624	2,000,697
Traffic.....	54,650	54,954	95,659	58,122	59,929	65,272	90,895	83,974	74,962	96,184
Transportation.....	3,857,355	4,160,808	4,308,970	4,443,645	4,641,306	4,490,100	4,698,682	4,852,851	4,821,589	4,683,872
General.....	302,168	314,436	364,071	384,849	391,570	394,240	445,598	413,730	395,485	430,586
Total operating expenses.....	6,657,708	7,221,818	7,558,939	7,770,096	7,773,214	8,002,267	8,795,244	9,168,972	8,528,766	8,414,075
III. Net revenue from railway operation.....	214,192	(112,849)	175,986	642,807	924,757	692,648	(238,260)	(11,768)	380,517	993,063
IV. Taxes (excluding Federal income tax).....	688,177	757,153	810,990	866,072	864,401	852,624	903,274	972,914	959,824	1,091,985
V. Net railway operating income (deficit).....	(473,985)	(870,002)	(635,004)	(223,265)	60,356	(159,976)	(1,141,534)	(984,682)	(579,307)	(98,922)

ILLINOIS CENTRAL RR.

REVENUES, EXPENSES, AND NET RAILWAY OPERATING REVENUE OF CHICAGO SUBURBAN SERVICE DURING THE YEARS 1950 TO 1969, INCLUSIVE—Continued

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
I. Revenues and income:										
Ticket sales and cash fares.....	\$8,779,558	\$8,817,154	\$9,333,816	\$8,674,562	\$8,400,100	\$8,864,182	\$8,861,063	\$9,417,922	\$9,956,564	\$10,069,181
Other passenger-train revenue.....	31,544	26,685	24,914	25,240	27,121	11,440	23,166	26,653	27,066	14,476
Advertising on trains.....	16,523	16,154	16,730	14,395	17,334	14,840	182,603	181,253	183,821	188,314
Station privileges.....	182,380	184,226	187,626	170,375	165,763	173,550	181,253	181,253	183,821	188,314
Miscellaneous income.....	328,812	291,004	278,654	288,906	291,577	260,321	260,896	297,145	262,286	261,063
Rental of equipment.....										
Total revenue and income.....	9,338,817	9,335,223	9,841,740	9,173,478	8,901,895	9,324,333	9,327,728	9,922,973	10,429,737	10,533,034
II. Expenses:										
Maintenance of way and structures.....	1,127,658	1,038,709	1,088,721	1,193,474	1,113,252	1,075,346	1,277,111	1,151,534	1,280,069	1,352,081
Maintenance of equipment.....	1,764,137	1,594,775	1,758,194	1,613,918	1,490,136	1,519,947	1,523,283	1,733,632	1,435,444	1,493,330
Traffic.....	83,910	86,671	94,693	80,590	67,181	66,530	86,738	86,445	91,219	117,600
Transportation.....	4,619,902	4,508,952	4,659,774	4,558,135	4,530,054	4,874,181	4,863,406	5,134,052	5,206,731	5,484,999
General.....	402,106	372,104	434,062	397,423	373,072	343,885	765,442	482,806	610,436	662,513
Total operating expenses.....	7,997,713	7,601,211	8,035,444	7,843,540	7,573,695	8,085,889	8,517,980	8,588,509	8,643,459	9,110,183
III. Net revenue from railway operation.....	1,341,104	1,734,012	1,806,296	1,329,938	1,328,200	1,238,444	809,748	1,324,464	1,786,278	1,422,851
IV. Taxes (excluding Federal income tax).....	1,106,285	1,067,879	1,133,446	1,107,267	1,068,184	1,143,705	1,165,385	1,225,358	1,282,332	1,350,855
V. Net railway operating income.....	234,819	666,133	652,850	222,671	260,016	92,739	(355,637)	109,106	503,946	71,996

Mr. BOYD. One of the major considerations in dealing with applications for assistance should be the need for the service. For that reason I would suggest that the language in subsection (b) of S. 3499 be expanded to authorize grants to be made on an equal basis to private companies providing mass transportation services in urban as well as to States and local public bodies and agencies. In addition to providing for the maintenance of essential services, it seems to me that such an amendment, if adopted, would provide at least some basis of comparison in the efficiency of operations of private versus public activities.

S. 676 on the other hand deals with operating deficits. It would provide up to two-thirds assistance to cover the operating deficits of private mass transit companies, provided the public at the local level added one-third to make up the total operating deficit of the company. This bill is in line with prior laws in the proportions of Federal versus local assistance that would be provided in the mass transportation area, though the past legislation has dealt with capital grants as opposed to operating grants. It sets the percentages and does so on a traditional basis.

S. 676 deals with the heart of the problem. In effect it acknowledges that comprehensive mass transit cannot be paid for out of the fare box. It also acknowledges that the important question is that of the service provided rather than the nature of the provider, that is, public versus private sector. I agree wholeheartedly with the conclusions which I infer are found in S. 676. Under existing circumstances, I do not believe it is possible to maintain a viable transit system with an even flow of new equipment out of proceeds from the fare box.

The funds involved here are substantial. More will be required in the future. Their expenditure should be placed in perspective, however. It seems to me that one of the highest national priorities must be in maintaining the viability of our cities. Much is required to do that. Without regard to other requirements, however, this cannot be accomplished unless we are able as a nation to maintain a high level of mobility into and around our urban areas. This problem will not solve itself. There is no point in thinking that if we ignore it this year, the cost or the difficulties will be less next year. In fact, the opposite will occur.

Senator Magnuson has introduced S. 2425 authorizing the designation of major transportation regions in the United States with commissions to develop comprehensive plans for balanced and integrated systems of transportation. Such a framework might well be used to effect the intelligent distribution of funds which would be made available by S. 676 and S. 3499. The term "systems approach" has been heard ad nauseam but it remains a necessity.

If we are to keep our cities alive and well, we must proceed in the directions indicated by this proposed legislation. Otherwise, our cities will reach the state of Humpty Dumpty after he fell off the wall.

Thank you for the opportunity to testify in behalf of this legislation.

Senator WILLIAMS. Thank you very much, Mr. Boyd.

Mr. Boyd, you have made a most comprehensive case for the need of the infusion of money into the operating areas of the carriers. Considerable emphasis was put on the comparability of private mass transit carriers with public carriers.

Now, this has been, as you know, a matter of concern, discussion and debate within this committee, and in the Congress. When we passed the mass transit bill for capital expenditures, the Senate devolved a system which would bring the moneys and capital contribution to private carriers by permitting the local contribution to be made by the private carrier. The new equipment would be for the use of the private carrier even though title would remain or be vested in a public authority.

That is the way this bill has passed the Senate. The same provision prevails in the House at the subcommittee level. And here we have the same basic question, of the public contribution for the operating expenses of private carriers.

We have two bills before us, the bill I have introduced, and the bill that Senator Percy has introduced. At this point, I do not believe either of us are wholly married to these bills. That is what we are here for, to find the best result.

There is this difference between the bills. My bill would put the private carriers in a comparable position with the public transit authorities. While you represent the private sector, it is more than particular self interest that dictates the need for such a provision.

Mr. BOYD. In a prior career, I advocated the same thing, Mr. Chairman. So I am not just a captive of private enterprise. I felt all along it was the nature of the service rather than the identity of the provider that should be the key issue.

Senator WILLIAMS. The cost crunch and the inflationary pressures hit all carriers in the same way, possibly in different degrees for other reasons, but they are in the same position, are they not?

Mr. BOYD. Relatively the same position. I think there may be one difference.

George could comment on this if I am wrong. My belief is that CTA has greater flexibility in changing its fare structure than we do in the private sector. I think that his body, if I am correct, can make a decision that the fares have got to go up and they are then imposed, whereas we are required to go before the relevant regulatory agency, and when we get a fare increase is problematic.

Senator WILLIAMS. On that point, what is the time it would take for an application for a fare increase to go through the regulatory processes?

Mr. BOYD. We filed an application February 19, and we hope to receive a decision from the Illinois Commerce Commission in June. That, of course, would be subject to court review. So, I would say as far as the regulatory process, absent court appeal, is concerned, 5 months should take care of it. That includes public hearings.

Senator WILLIAMS. Mr. DeMent, you mentioned the possibility of another fare increase. How long would it take you to effect that?

Mr. DEMENT. One day. Alan Boyd is correct, in that the State legislature in its wisdom, and I think it was very wise at the time in 1945 when it set up the transit authority for the city of Chicago, established a board and gave it the power to raise fares—as a matter of fact, required that the transit board raise fares to meet its expenses.

So, it is a requirement in the act that we make fares sufficient to meet all of our expenses. We can do it in, as I said, one day. Naturally, we would want to discuss it considerably before one day, but the

action could come overnight if we found it was absolutely necessary to do it, and we are autonomous in that degree.

We do not have to go to the Interstate Commerce Commission. If I may, Mr. Chairman, I have been associated with public bodies all my life as a professional engineer and administrator, and as I look at the situation—and let me talk only of Chicago—I have been saying for many years when I was the Commissioner of Public Works and building expressways, I made the same pronouncements that we needed all of these carriers and types of transportation, we need this excellent system we have in Chicago of commuter railroads that have been paying their way all the time, and I think it is as good as there is in the world, at least as good as anything I have seen from the various areas of the city, north, northwest, west, south, and southwest.

They do a very fine job to bring people from the outlying areas, the sparsely settled areas into the central city, and then we try to distribute these people, and we are working closely with both the Northwestern, the Burlington Milwaukee, by having buses at the curb at those stations to distribute people wherever they want to go in the city, and we have arrangements with the IC for if somebody takes a bus to the IC that transfer may be validated and then they can get on our bus downtown without an additional fare.

They pay the bus fare, then the IC fare, but the third time they get on a piece of equipment, it does not cost them anything. So, we cooperate with them. I would say we need every single one of them, the private sector as well as the public sector, to do the total job for the community.

I think it is easy for me to spend money of the Congress, of the State, or of the city or county, but all of these agencies should look very carefully at preserving every kind of a system.

Senator WILLIAMS. What is the population served by your combined systems?

Mr. DeMENT. In the area of 7 million people.

Senator WILLIAMS. Senator Percy.

Senator PERCY. Mr. DeMent, what proportion of the riders of the CTA would fall in the category of low-income riders?

In other words, if you have a fare increase to 45 or 50 cents, how hard will that hit the pocketbook of these people?

Mr. DeMENT. This has to be something I pull out of the blue. I would just guess that 70 to 75 percent of our riders now are what I call necessity riders, the low income, who do not have an automobile. They are the people that have got to use our system to get to and from work or to and from any cultural activities or sports activities.

They have to use our system. I would guess it is in that range.

Senator PERCY. So that a fare of a dollar a day going to and from work for a lower income paying job is a pretty substantial amount of cost for transportation?

Mr. DeMENT. It certainly is, knowing the level of income and knowing that it is getting more and more difficult for those people to even get the necessities of life without having some of the nice things of life.

Senator PERCY. Mr. Boyd, I think the suggestion you have made that we broaden S. 3499 to authorize grants on an equal basis to private companies is perfectly acceptable, and we can do this. This

was also the testimony yesterday from the American Transit Association which also indicated its desire to see the bill broadened. This will be, I think, an improvement in the bill.

I have commented on the fact that there should not be a penalty on lines that have gone ahead and made investment in equipment. They have got the equipment already rolling. It was acquired at substantially lower cost than it can be acquired now. Certainly the IC has experienced increasing cost from the time it has applied for grants until it has finally received them. This causes a shortage in the equipment that you originally thought the mass transportation grant would provide to you.

I would like to ask if you concur that in the sense of equity we should take care of those who have had the initiative and the enterprise to go ahead and make the capital investment rather than just wait until the Federal Government passed a bill which is now available to those lines that have not made the investment or the cities who have not really continued to develop their mass transit systems.

Mr. DEMENT. I would have to say I certainly agree with that, and I tried to indicate that in my statement, that we have this remaining amount of money in a revenue bond issue which we cannot meet now out of fares, and we did buy, as I said, 6,000 buses and cars, out of that bond issue and out of the fare structure in the past, obligating ourselves for those purposes.

Now, if we could apply that same value, as you say, in the new setup that we could get two-thirds of that by the Federal Government, that certainly would have reduced that money tremendously and allowed us to have some money maybe to go a little further before they had to have a fare increase.

Senator PERCY. In other words, it is a lot less expensive to help lines that might fail and buy new equipment for existing lines than to just start up new lines.

Mr. BOYD. Senator, if I may add something there.

The only parochial statement I would make I think is in the Chicago area today we have a viable transportation system—today. This system is rapidly getting into a crisis because of our inability to cover operating costs and to generate the capital to purchase new equipment.

George and his business are going to run into great difficulties. The cost of maintaining them in a safe condition is skyrocketing. Our system is going to break down at some time unless there are some major changes in the support complex.

As he said, we have so many captive riders who have no other way to go, and the welfare of the city depends I think on our circulation systems. It depends on other things, but this is essential.

At the same time, I would like to remark to the committee that we are now engaged in what I hope is a long-term concern over the environment. The environment and the quality of life are related to some extent to air pollution created by the emissions from internal combustion engines. To the extent that we are able to maintain and expand a good public mass transportation system, we, therefore, take off the pressure of the individual to buy and use his own automobile to get in and out of the city concentration.

Senator PERCY. And certainly in mass transit systems per passenger-mile, you have far less pollution than any other means, certainly the automobile.

On the point of your inability to go ahead and purchase buses and additional equipment now, what is the effect of the debt burden that you now carry? If you had help with that debt burden, would you then have more capital available for investment in new equipment?

Mr. DEMENT. I would not say that we would have more capital available because we are not now earning enough to pay the debt service, and we in very short time will not be able to make our payrolls, and we will have to raise the fares if we don't get some help.

We are now paying \$8 million a year on the bonded indebtedness, and I would just suggest what you alluded to, that those are bonds that are 3 $\frac{3}{4}$ and 4.5 percent bonds. So the interest rate is extremely low on today's market.

We have equipment trust certificates in the amount of about \$10 million that we are paying off at the rate of \$1.8 million per year. So, our total payments for our revenue bond issues and equipment trust certificates which allowed us to purchase some of this modern equipment would total about \$9.8 million.

Senator PERCY. I would like a comment from both of you on the Department of Transportation's concern that moneys appropriated under my bill or for operating subsidies under Senator Williams' bill would be dissipated by wasteful labor and management practices.

Can you comment on ways we can insure that the new moneys that will be provided will be used to promote efficiency and improvements in the system rather than fulfill the fears of some that it may be wasted?

Mr. DEMENT. I can comment on that. I think that our charts that I showed there indicating the reduction even since 1957 in the number of employees on the Chicago Transit Authority indicates that we are trying to operate as efficiently as possible.

How you can write in a guarantee that many will act responsibly, I don't know. But somewhere along the line, we have got to put the responsibility in men of moral integrity to do a good job, acknowledging that they should have experience to do that job.

In our particular situation, as you know, Senator Percy, the board that governs the CTA, four of the members are appointed by the mayor subject to the approval of the Governor, and it says in the law that they should be men of business capability. Three of the members are appointed by the Governor subject to the approval of the mayor. So, these checks and balances were set up when the transit authority was established, and, in my judgment, knowing the character of men that have gone before me and those that are around me now, I think the job is being done with a real moral integrity in trying to do an efficient job.

When you go back to men like Phil Harrington, who was the first chairman of the board, and you get a man like Ralph Budd, who operated there for many years, and Virgil Dunlop, my predecessor, I think you are talking about men of high caliber, both in ability as well as moral integrity.

Mr. BOYD. I think Mr. DeMent struck the proper note here. There is no such thing, in my belief, as developing language to put in a statute which says that none of this money is going to be wasted through easing off in labor negotiations or anything like that.

It is a matter of responsibility on both sides—management and labor. I would point to the fact that for many years the Congress has appropriated operating subsidy funds to various of the airlines in this country, and from my observations the management has been responsible and the employees have been responsible in dealing with that funding, which in a sense a venal person could look at as a pot of gold.

Senator PERCY. You are thinking of airport construction funds?

Mr. BOYD. No; I am thinking of at the present time the local service carriers. I believe our current annual subsidy is about \$36 million.

When I was at the CAB it got up to \$94 million. That was due to forces that were underway before I got there. We started reducing them.

Senator PERCY. These are higher income people, businessmen, people who can afford to pay but where the Government has seen fit to establish a policy to subsidize their operating costs?

Mr. BOYD. That is correct. The point I should make, though, Senator, is that the airlines, as I see it, were only the vehicle for subsidy to that element of the public who flew. It wasn't for the benefit of the airline.

Senator PERCY. Lastly, I would like your interpretation as to whether my own bill is a real operating subsidy. What I tried to do was design a piece of legislation—we have a reluctance I know by the Department of Transportation to get into operating subsidies—to limit it to the scope of debt servicing and necessary allowances for depreciation.

Do you consider this bill a real operating subsidy when it is limited in that respect to funds that would assist in the purchase of new capital equipment?

Mr. DEMENT. I think you mentioned in your comments when you introduced the legislation. Senator, that this was only to be used by those companies that had made investments and had revenue bonds, and this will be a considerable help in trying to keep our fair structure at its present level.

I don't consider it as a real operating type of subsidy because we take out all our operating and maintenance expenditures before we make any payments on our debt amortization; so, I cannot see that this is directly an operating subsidy.

Certainly, it is in those debt amortizations that were used to buy equipment in years past.

Mr. BOYD. I do not construe it as an operating subsidy bill.

Senator PERCY. You what?

Mr. BOYD. I do not construe it as an operating subsidy bill.

Senator PERCY. There was some concern expressed by the Department of Transportation that if we got into operating costs it would mean Federal control of the management of local mass transit systems.

In your own experience, do you think you can set this up in such a way that you can avoid getting the Federal Government too deep in the operating problems at the local levels?

Mr. BOYD. That has not occurred in the airline industry and the Lord knows it hasn't occurred in the merchant marine. The money that we are spending providing operating subsidies for the merchant marine is unconscionable, at least in size.

Senator PERCY. I think that is a very important point in connection with Senator Williams' bill.

I did not share the concern at all. In the light of my own background and experience, I do not feel that this necessarily means you get into the management and other operations. It is the last thing we would like the Federal Government to do. We would like Federal assistance but we want local control.

As long as you feel it can be set up that way, I am very much reassured.

Mr. BOYD. There would have to be standards to see that the money is being spent to provide a quantity and quality of service, but this is done in so many ways, I don't see that as a problem at all.

Senator PERCY. I want to thank both of you again.

I am just delighted that you could be here today.

Senator WILLIAMS. I feel the same way. We have received very helpful testimony this morning.

I was interested, Mr. DeMENT, in the method used in selecting the board of the transit authority. Advise and consent is sort of a two-way street, isn't it?

Mr. DEMENT. That is right. And I would say that we have had some very, very fine men. We have had bankers that have been on the board. We had the president of Swift & Co. on our board. We have lawyers and a newspaper publisher now.

So the caliber of the men has been good and I think the responsibility of the mayor and the Governor has been excellent in that regard. Please except myself, I have to stand on your judgment.

But as a close, I would want to say to both you, Mr. Chairman, and Senator Percy, we are very grateful for the time and effort you have spent in this area, and your knowledge is very helpful and extremely encouraging to some of us that are quite discouraged.

Senator WILLIAMS. I would say that Senator Percy was fortunately most persuasive in insisting on the earliest possible date for our hearings.

Senator PERCY. I appreciate very much the chairman of the Banking and Currency Committee and Senator Tower and particularly the leadership of Senator Williams in insisting that this is a matter of great urgency.

I really look at people who are in this field as unsung heroes. No one is doing more good for low-income people. We can have the glamor of VISTA, we can have the glamor of the war on poverty and all that. But transportation is vital to low-income people who do not own automobiles. You cannot walk by foot when you are sick and ill. If you are poor in Chicago and you have to go out to Cook County Hospital, without a car, it would be a \$10 taxi bill for a lot of low-income people who live in the southeast corner of the city.

The provision of rapid transit and also safe transportation reduces deaths on the highway, and the problems of mugging and all the other problems that we know of that have occurred in Chicago and New York and other areas. You have a herculean task. I don't think the

public really understands what is being done. You have these mounting costs that you are faced with day after day. It is just a tremendous burden.

Look at the amount that the IC puts in depreciation cost. You build up a depreciation fund today, how fast can you build it up? You take one car out of service that you bought 40 years ago, and you are going to replace that with a car that will cost 300 or 400 percent more.

If you look at your depreciation cost amortized against your initial cost, you would not come close to putting in that piece of equipment from the depreciation reserve.

These hearings were for the purpose of putting this on the record of the Senate, so that Senator Williams and I could have expert testimony when we take the floor of the Senate and start to talk about the job being done by the public sector in these public transportation authorities and in the private sector.

The railroads are maligned a great deal, but in the area of providing commuter service, they provide in Chicago some of the finest, the South Side by the IC, and the North Side by the Chicago, Northwestern Railroad. We are very grateful for all that you and your officers and directors and employees are doing.

Senator WILLIAMS. Thank you again. That concludes our hearings. (Whereupon, at 11 :25 a.m., the committee was adjourned.)

